

Market snapshot



Equities - India	Close	Chg. %	CYTD.%
Sensex	30,690	-1.5	-25.6
Nifty-50	8,994	-1.3	-26.1
Nifty-M 100	12,376	-1.4	-27.6
Equities-Global	Close	Chg. %	CYTD.%
S&P 500	2,762	-1.0	-14.5
Nasdaq	8,192	0.5	-8.7
FTSE 100	5,843	0.0	-22.5
DAX	10,565	0.0	-20.3
Hang Seng	9,811	0.0	-12.2
Nikkei 225	19,043	-1.6	-19.5
Commodities	Close	Chg. %	CYTD.%
Brent (US\$/Bbl)	27	1.7	-59.3
Gold (\$/OZ)	1,715	1.9	13.1
Cu (US\$/MT)	4,993	0.0	-18.8
Almn (US\$/MT)	1,441	0.0	-19.1
Currency	Close	Chg. %	CYTD.%
USD/INR	76.3	0.0	6.9
USD/EUR	1.1	-0.1	-2.7
USD/JPY	107.8	-0.7	-0.8
YIELD (%)	Close	1MChg	CYTDchg
10 Yrs G-Sec	6.5	0.00	-0.1
10 Yrs AAA Corp	7.6	0.00	0.0
Flows (USD b)	13-Apr	MTD	CYTD
FII's	-0.16	-0.46	-6.90
DII's	-0.14	-0.08	10.21
Volumes (INRb)	13-Apr	MTD*	CYTD*
Cash	481	489	443
F&O	6,270	10,050	14,876

Note: *Average



Today's top research theme

Fuel or Engines: Three-pronged 10-step urgent toolkit for Indian economy

- ❖ Pre-COVID-19, we were among the few market economists strongly against any sort of stimulus, be it fiscal or monetary. Declining domestic savings was one of the reasons for our view. Nevertheless, with almost negligible discretionary spending, household financial savings should rise as a percentage of GDP/income, making this concern secondary for the time being.
- ❖ We suggest a three-pronged, 10-step actionable approach to be implemented at the earliest to ensure the lockdown is extremely effective and various economic participants are instilled with the confidence that recovery would be strong once the COVID-19 situation has ended. These three prongs are for the vulnerable sections of society, MSMEs, and the most hard-hit sectors, as well as for ensuring financial stability. These measures may cost the exchequer an additional ~INT4t (or ~2% of GDP), which we expect would be financed by the RBI.

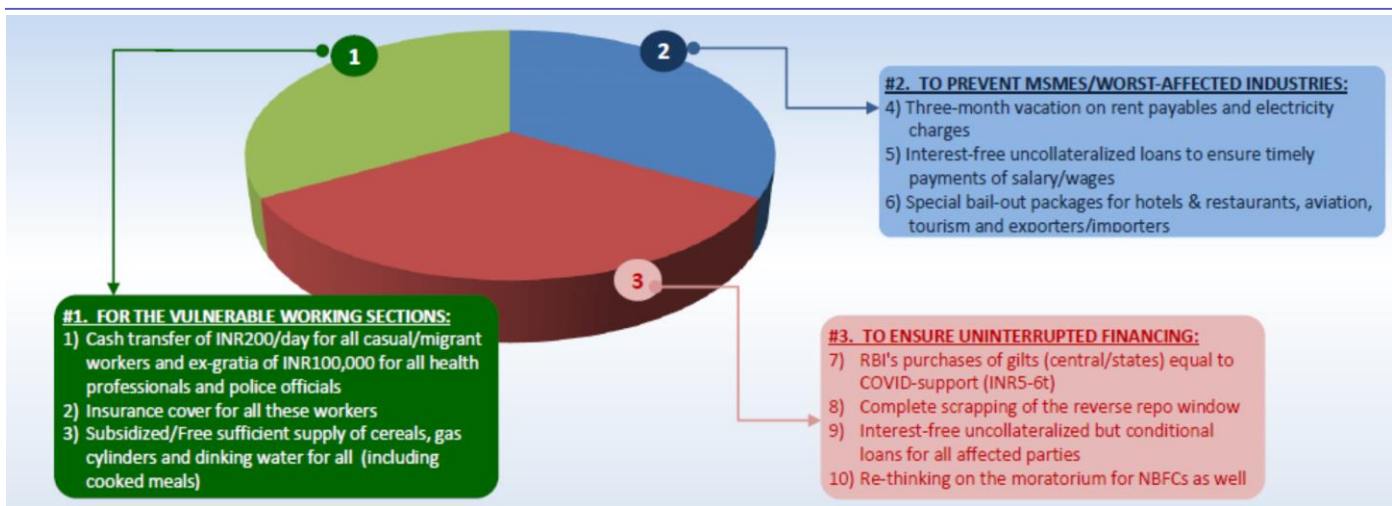


Research covered

Cos/Sector	Key Highlights
Fuel or Engines	Three-pronged 10-step urgent toolkit for Indian economy
EcoScope	Mar'20 CPI inflation back within RBI's target range MPC meeting – Decision to slash repo rate unanimous
Avenue Supermarts	DMart announces 50% stores shut during lockdown
Bandhan Bank	Business growth robust; Retail deposit mix improves further
ZEE Entertainment	Investment in Sugarbox to create digital inroads
DCB Bank	Business growth moderates; CASA mix declines
Expert Speak	REAL ESTATE: COVID-19 – Residential realty on a pause, but expect gradual bounce-back



Chart of the Day: Fuel or Engines (Three-pronged 10-step urgent toolkit for Indian economy)



Source: MOFSL

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1

Retail inflation eases to 5.91 per cent in March

Retail inflation eased to 5.91 per cent in March over the previous month, mainly due to easing food prices, government data showed on Monday. The retail inflation based on Consumer Price Index (CPI) was 6.58 per cent in February 2020 and 2.86 per cent in March 2019...

2

Govt to issue sovereign gold bonds in six tranches in H1FY21

The government has initiated the process of borrowing with the launch of sovereign gold bonds in consultation with the Reserve Bank of India in the current financial. To be issued in six tranches by the RBI between April and September, 2020, the sovereign gold bond will provide assured return of 2.5 per cent to investors a long with appreciation in the price of the bond in line with movement of gold prices....

3

Flipkart, Amazon line up sales in May to help revive demand for non-essentials

India's two largest ecommerce marketplaces, Walmart-owned Flipkart and Amazon are planning big sale events in May and have asked brands to stock up, expecting a resurgence in demand for some non-essential categories once restrictions are lifted, five senior executives of leading brands said....

4

Yes Bank extends bancassurance tie-up with Max Life Insurance for 5 years

Private sector life insurer Max Life Insurance on Monday said Yes Bank has extended the bancassurance partnership for next 5 years. Under the partnership, the products of the life insurer would be sold through the branches of Yes Bank....

5

Real Estate sector staring at payment defaults amid Covid-19 lockdown

The Covid-19 pandemic is slated to have a 'catastrophic effect' on India's troubled real estate sector, which is currently worth around \$12 billion. According to the Indian Chamber of Commerce (ICC) release: "The real estate sector, already in a slump since last year, is presently experiencing almost 65% payment default from customers paying the instalments linked to construction."...

6

India to boost drug ingredient output to pare China reliance

India plans to ramp up production of pharmaceutical ingredients and become an alternative supplier for global drugmakers hit by factory shutdowns in China due to the coronavirus outbreak...

7

India Inc leans less on foreign debt as weak rupee makes servicing costlier

With the rupee having shed 10 per cent against the dollar since January this year, India Inc is staring at an extra repayment burden on its overseas loans. Fund raising from abroad fell to \$5 billion in the first quarter of calendar 2020 from \$8.8 billion raised by Indian companies...

Three-pronged 10-step urgent toolkit for Indian economy

To ensure effective lockdown and strong revival post COVID-19 pandemic

- Before Mar'20 or pre-COVID19, we were among the few market economists who were strongly against any sort of stimulus, be it fiscal or monetary. Declining domestic savings was one of the reasons for our view. Nevertheless, with almost negligible discretionary spending, household financial savings should rise as % of GDP/income, making this concern secondary right now.
- In this note, we suggest a three-pronged 10-step actionable approach to be implemented at the earliest so that (a) the lockdown is extremely effective, and (b) various economic participants get confidence that post-COVID19, recovery would be strong. Overall, this would mean an additional government spending of INR4t (or ~2% of GDP), which we expect would be financed by the RBI.
- **#1: For the most vulnerable working sections** – In order to ensure effective lockdown and strong fight against COVID-19, the government must take care of the casual/migrant workers and the health professionals/police officials by announcing: (1) Cash transfer of INR200 per day per casual/migrant worker for all unpaid leaves between Apr-Jun'20, along with an ex-gratia payment of INR1lac for all health/police officials for putting their life and health at risk, (2) An insurance cover of INR1m for all casual/migrant worker and an INR5m for all on-duty police officers in the country, and (3) Door-to-door supply of free food (and three cooked meals a day with sufficient provision of drinking water in migrant worker camps). All this could cost the government INR2.2-2.4t (1.1-1.2% of GDP) in FY21.
- **#2: Prevent mass bankruptcies/lay-offs by MSMEs/hard-affected sectors:** Further, the government needs to ensure the prevention of widespread bankruptcy among MSMEs (including self-employed enterprises) by announcing: (4) The relaxation of rent payables (for say, 1QFY21) and electricity charges for all MSMEs, (5) Interest-free uncollateralized 12-month loans for a maximum of salary/wages worth three months, and (6) A special bail-out package should also be provided for the most-affected industries such as Aviation, Tourism, Hotels and Restaurants and Exporters/Importers. However, all such support should be conditional on retaining the number of employees and their salaries/wages at the level as on 1st Mar'20. These steps could cost the exchequer another INR1t (~0.5% of GDP).
- **#3: To ensure stable financing:** Finally, although the RBI has already announced a number of steps, it is time that it supplements them with: (7) Outright purchases of government – central and states securities – equaling the COVID19-related spending (INR5-6t or 2.5-3% of GDP), (8) Complete scrapping of the reverse repo window to force banks to either lend or invest in government/corporate securities, (9) An interest-free conditional uncollateralized 6-month loans to all affected parties – retail or corporate (non-MSMEs), and (10) Re-thinking the absence of moratorium for all repayments of the non-banking financial companies (NBFCs).
- To conclude, we do not expect Indian authorities to announce an economic stimulus worth 5% or 10% of GDP. However, our three-pronged 10-step targeted approach will help save human lives and also maintain their livelihood.

In this note, we discuss a three-pronged 10-step approach that Indian authorities must ideally adopt at the earliest.

As our readers know, we are one of the few market economists who have strictly been [against massive monetary easing](#) (in the form of interest rate cuts or outright quantitative easing), whether to support the country's fragile financial sector or to boost lending growth in the economy. Further, we have always believed that there exists [negligible space for fiscal stimulus](#) in the country. The major reason was the rapid decline in domestic savings, which gets adversely hurt by any stimulus.

Not anymore though! The advent of COVID-19 has changed the fundamentals dramatically and so have our views. In this note, we discuss a three-pronged 10-step approach that we believe the Indian authorities – the government and the RBI – must adopt at the earliest to ensure (a) an effective lockdown, and (b) economic participants become confident that recovery would be strong post COVID-19.

Mar'20 CPI inflation back within RBI's target range

RBI may prioritize decline in GDP over inflation in 1QFY21

- Retail inflation came in at 5.9% in Mar'20, marginally below our expectation of 6.0% and in line with the market consensus. It stood at 6.6% in Feb'20 and 2.9% in the year-ago period. However, headline inflation stood at a 22-quarter high of 6.7% in 4QFY20, largely due to a surge in inflation over Jan–Feb'20. Additionally, retail inflation also stood at a three-year high of 4.8% in FY20 from 3.4% a year ago.
- Food inflation (excluding non-alcoholic beverages and prepared meals) was the major reason for sharp deceleration in headline inflation. CPI inflation (excluding food) rose to an 11-month high of 4.2% in Mar'20 from 4.0% in the previous month. More specifically, retail inflation (excluding vegetables) rose to 5.1% in Mar'20 from 5.0% in Feb'20.
- Core inflation (combined inflation in 'Housing', 'Clothing and footwear', and 'Miscellaneous items') decelerated to 4.0% in Mar'20 from 4.1% a month ago, largely due to a fall in 'Miscellaneous items' inflation during the month. 'Transport and communication' (including inflation in petrol and diesel) fell to a four-month low of 4.3% in Mar'20 from 5.2% a month ago, reflective of the plunge in international oil prices.
- After rising to very high levels, retail inflation fell back to the RBI's target range in Mar'20, albeit still closer to the upper limit. As food prices are expected to slow further, retail inflation may decelerate going ahead. While we are working on our revised inflation forecasts for FY21, we believe that inflation worries are secondary at this stage. The RBI must support the government to finance its COVID-19 related fiscal spending.

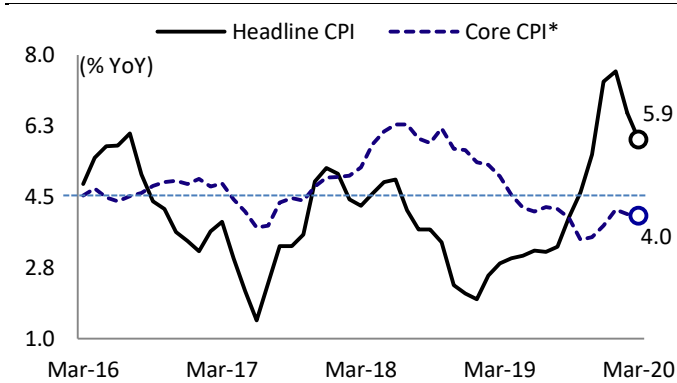
I. Retail inflation marginally below our expectation

- **CPI inflation at four-month low in Mar'20...:** Retail inflation came in at 5.9% in Mar'20 marginally below our expectation of 6.0% and in line with the market consensus. It was 6.6% in Feb'20 and 2.9% in the year-ago period (*Exhibit 1*). However, headline inflation stood at a 22-quarter high of 6.7% in 4QFY20, largely due to a surge witnessed in inflation over Jan–Feb'20 (*Exhibit 2*). Additionally, retail inflation in FY20 as a whole stood at a three-year high of 4.8% from 3.4% a year ago (*Exhibit 3*).
- **...due to lower food inflation:** Food inflation (excluding non-alcoholic beverages and prepared meals), which fell to a five-month low of 8.8% in Mar'20 from 10.8% a month ago, **was the** major reason for sharp deceleration in headline inflation. CPI inflation (excluding food) rose to an 11-month high of 4.2% in Mar'20 from 4.0% in the previous month. More specifically, retail inflation (excluding vegetables) increased to 5.1% in Mar'20 from 5.0% in Feb'20. Vegetable inflation plunged to 18.6% in Mar'20 from 60.5% just three months ago. However, certain food item categories such as 'Milk and products', 'Cereals and products', 'Spices', 'Non-alcoholic beverages', and 'Prepared meals, snacks, and sweets etc.' exhibited higher inflation in Mar'20 compared with a month ago. Additionally, inflation in the 'Fuel and Light' category rose to 6.6% in Mar'20 from 6.4% a month ago.
- **Core inflation continues to fall:** Core inflation (combined inflation in 'Housing', 'Clothing and footwear', and 'Miscellaneous items') decelerated to 4.0% in Mar'20 from 4.1% a month ago, primarily due to a fall in 'Miscellaneous items' inflation during the month. On the other hand, 'Housing' inflation remained flat, while 'Clothing and footwear' inflation rose during the month. 'Transport and communication' inflation (including inflation in petrol and diesel) fell to a four-

month low of 4.3% in Mar'20 from 5.2% a month ago, reflective of the plunge in international crude oil prices.

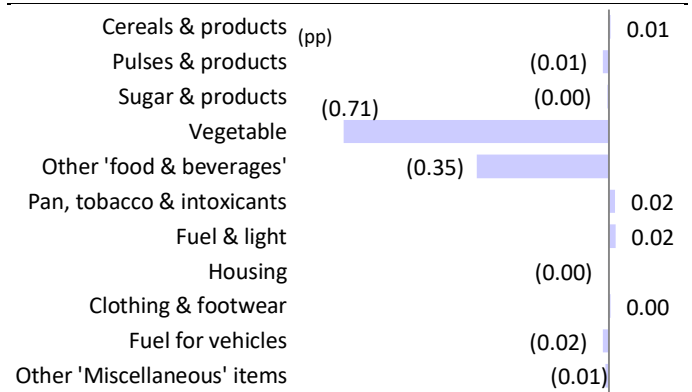
- **RBI must support the government right now:** After rising to very high levels, retail inflation fell back to the RBI's target range in Mar'20, albeit still closer to the upper limit. As food prices are expected to slow further, retail inflation may decelerate going ahead. While we are working on our revised inflation forecasts for FY21, we believe that inflation worries are secondary at this stage. The RBI must support the government to finance its COVID-19 related fiscal spending.

CPI inflation falls to four-month low in Mar'20...



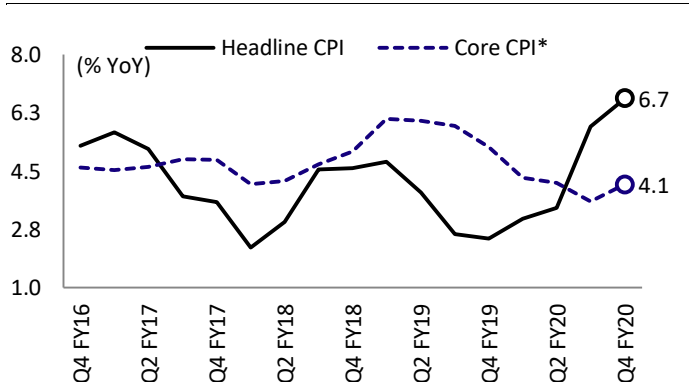
* Housing, 'Clothing and footwear' and 'miscellaneous items' combined

...driven by lower food inflation



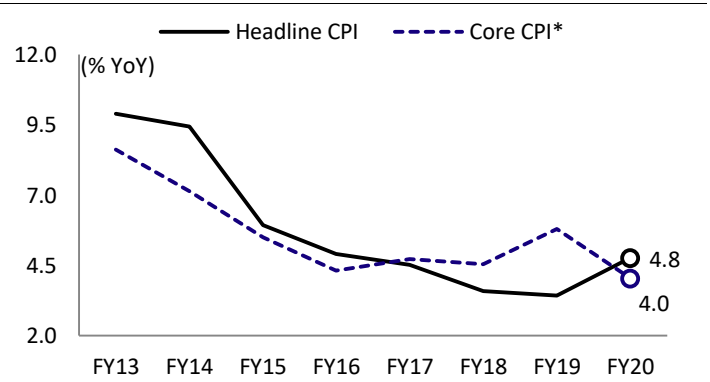
Source: Central Statistics Office (CSO), MOFSL

CPI inflation still at 22-quarter high in 4QFY20...



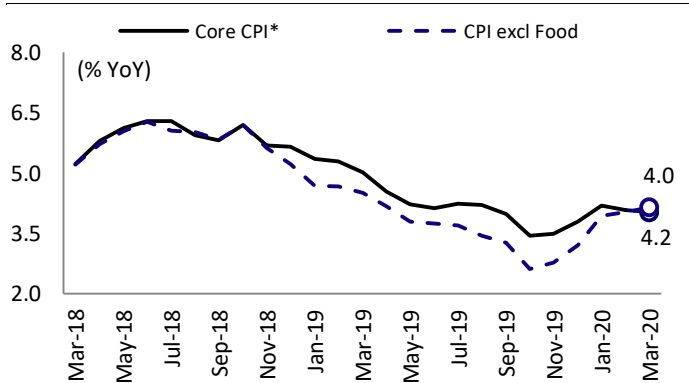
* Housing, 'Clothing and footwear' and 'miscellaneous items' combined

...and three-year high in FY20



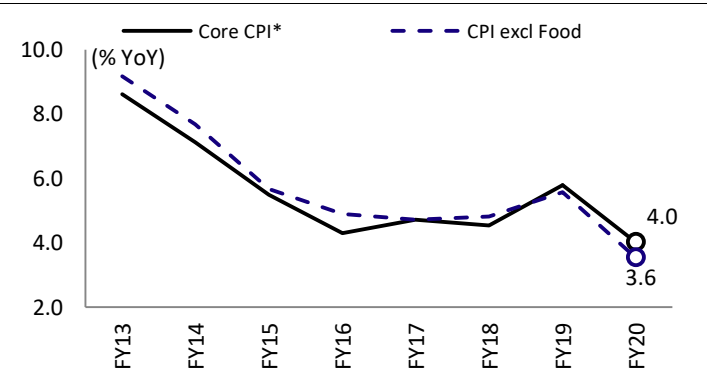
Source: Central Statistics Office (CSO), MOFSL

Core CPI continues to fall in Mar'20...



* Housing, 'Clothing and footwear' and 'miscellaneous items' combined

...and in FY20



Source: Central Statistics Office (CSO), MOFSL

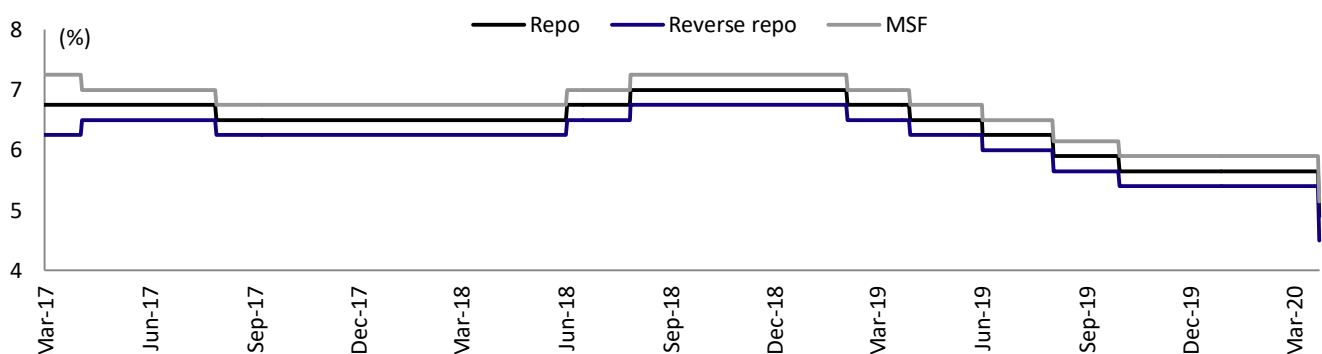
MPC meeting – Decision to slash repo rate unanimous

- On 27th Mar'20, the Monetary Policy Committee (MPC) in its seventh meeting of FY20 (initially scheduled for 3rd Apr'20 as the first meeting of FY21), slashed policy repo rate by 75bp to 4.4% from earlier 5.15% (*Refer Exhibit 1*). This was the largest cut in repo rate since Jan'09.
- While the decision to cut repo rate was unanimous, the magnitude of the cut differed among members of the MPC. Dr. Chetan Ghate and Dr. Pami Dua voted for a cut of 50bp to 4.65% while the other four members – Dr. Ravindra Dholakia, Dr. Janak Raj, Dr. Michael Debabrata Patra and Mr. Shaktikanta Das – voted for cut of 75bp. Also, the decision to keep the monetary policy stance 'accommodative' was unanimous (*Refer Exhibit 2 for highlights of statement by each member*).
- Besides a cut in the repo rate, the RBI also reduced the Cash Reserve Ratio (CRR) by 100bp to 3% from 4% initially (*Exhibit 3*). Notably, this is the largest cut in CRR since Aug'08. The RBI did not just cut the repo rate and CRR ratio but also delivered a massive package in terms of providing comfort to the financial system in light of the COVID-19 outbreak. These packages include providing a 3-month moratorium to borrowers (provided they submit proof of profit distortion), longer tenor repo operations albeit deployment within 15 working days (*Exhibit 4*) and additional limit under Marginal Standing Facility (MSF), among others.
- We have already mentioned in our comprehensive [note](#) that providing additional liquidity should only help boost sentiment as the banking system already has ample liquidity since the past 11 months. Moreover, demand-side and risk-aversion constraints remain as valid as they were pre-COVID-19.
- Nevertheless, the temporary regulatory relief for the financial sector and relaxation for their borrowers was the need of the hour and the RBI delivered.

Outlook on inflation and growth

- Due to the everyday-changing environment, the RBI has refrained from providing exact estimates on inflation and growth. However, it expects inflation to ease in the near future due to higher food grain and horticulture production, collapse in international crude oil prices and lack of demand in the foreseeable future due to the COVID-19 pandemic.
- The RBI seemed to be in line with market consensus on the growth front. It expects downside risks to growth arise from the spread of COVID-19 and prolonged lockdowns. However, the RBI remains optimistic on growth impulses, which might arise as a result of various monetary and fiscal measures that it has undertaken along with the government.

Largest repo rate cut since Jan'09



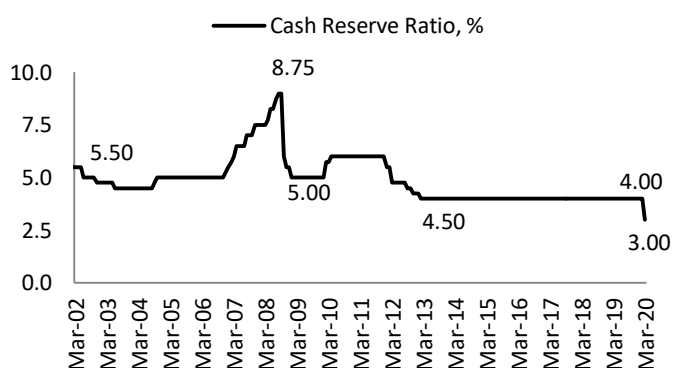
Source: RBI, MOFSL

Highlights of individual statements given by the MPC members

Members	Highlights of individual statements
Mr. Shaktikanta Das	❖ Global recession might be deeper than the one during the global financial crisis.
	❖ Only silver lining in India's economic growth is in agriculture and allied activities.
	❖ Weak demand, lower crude oil prices may lead to softer inflation prints.
	❖ Banking system remained in surplus mode close to INR3t in Feb-Mar20.
	❖ COVID-19 pandemic is an invisible assassin, which needs to be contained quickly.
	❖ Erosion of consumer confidence and investment sentiment would affect growth adversely.
	❖ Addressing growth outlook and preserving financial stability is top-most priority.
Dr. Chetan Ghate	❖ Monetary policy should concentrate in minimizing fall in demand.
	❖ Current fiscal stimulus (INR1.7t) is more like a relief measure, not a permanent fix.
	❖ Given the severity of the shock, the required cut in policy rate was large.
	❖ Measures announced amount to 'carpet bombing' of the financial system with liquidity.
	❖ Stabilization of financial markets will help improve economic outcomes.
	❖ Await details of second stimulus package that will be announced by the government.
	❖ Second stimulus should be loaded on the tax side and not on spending side.
Dr. Pami Dua	❖ Unseasonal rains and supply-side disruptions pose upside risk to inflation.
	❖ Would remain data dependant going forward.
	❖ Inflation is expected to remain soft and does not pose a major challenge.
	❖ Top-most priority is to minimize negative impact of the pandemic on growth.
	❖ Multi-prolonged approach including monetary/fiscal policy measures is necessary.
Dr. Ravindra H.Dholakia	❖ Rate cut may not necessarily lead to more borrowing, but it will boost confidence.
	❖ Need to save some space for policy rate cut in future.
	❖ CPI inflation four quarters ahead will likely be below 4%.
	❖ 4QFY20 growth likely to be 3.5%, therefore, FY20 growth may come in at 4.7%.
	❖ FY21 GDP growth to come in the range of 4-4.5%.
	❖ Fuel prices likely to remain depressed in the range of USD25-40/barrel.
	❖ Headline inflation to be around 2.5% in 4QFY20.
Dr. Janak Raj	❖ Concerns on transmission were addressed when they were linked to external benchmarks.
	❖ Reduction of reverse repo to motivate banks to enter the corporate bond market.
	❖ There is still enough space for policy rate cut as and when required.
Dr. Michael Debabrata Patra	❖ Low discretionary spending and weak external/ domestic demand will keep growth low this year.
	❖ Main challenge for MPC is to help contain the slowdown in demand.
	❖ Necessary to ensure hardening yields do not intensify.
Dr. Michael Debabrata Patra	❖ Monetary policy needs to assuage fear caused by the COVID-19 pandemic.
	❖ Accommodative policy stance is for as long as necessary.
	❖ Softer inflation four quarters ahead indicates there is enough policy space.

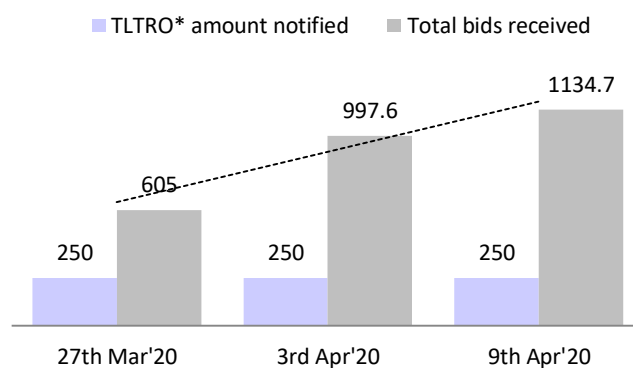
Source: RBI, MOFSL

Largest cut in CRR since Aug'08



Source: RBI, MOFSL

Bids received under TLTRO rising sharply



*Targeted long-term repo operations

Source: RBI, MOFSL



Avenue Supermarts

BSE SENSEX

30,690

S&P CNX

8,994



Stock Info

Bloomberg	DMART IN
Equity Shares (m)	624
M.Cap.(INRb)/(USDb)	1482 / 20.5
52-Week Range (INR)	2559 / 1226
1, 6, 12 Rel. Per (%)	18/44/77
12M Avg Val (INR M)	1346
Free float (%)	22.7

Financials Snapshot (INR b)

Y/E March	FY20E	FY21E	FY22E
Sales	246.5	281.6	354.6
EBITDA	21.4	23.5	30.7
Adj. PAT	13.8	15.7	20.9
EBITDA Margin (%)	8.7	8.3	8.7
Adj. EPS (INR)	22.1	25.2	33.6
EPS Gr. (%)	52.6	14.1	33.2
BV/Sh. (INR)	111.6	136.8	170.3

Ratios

Net D:E	0.1	-0.1	-0.1
RoE (%)	21.9	20.3	21.9
RoCE (%)	21.1	19.7	21.3
Payout (%)	0	0	0

Valuations

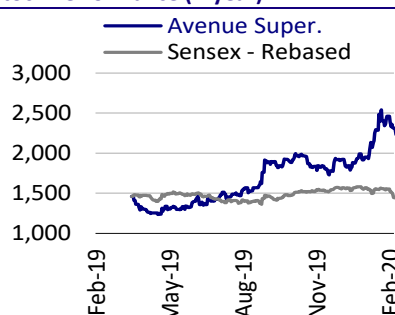
P/E (x)	103.0	90.2	67.7
EV/EBITDA (x)	66.5	60.0	45.9
EV/Sales (X)	5.8	5.0	4.0
FCF Yield (%)	-0.3	0.8	0.0

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	79.7	80.2	81.2
DII	4.7	4.8	3.1
FII	6.2	6.0	5.9
Others	9.3	9.0	9.8

FII Includes depository receipts

Stock Performance (1-year)


CMP: INR2,288
TP: INR1,750 (-24%)
Sell

DMart announces 50% stores shut during lockdown

Impact not fully captured in valuations

Non-discretionary business to reflect limited revenue impact

DMart has announced that 50% of its outlets have been shut due to the COVID-19 lockdown. Also, currently it is only selling essentials, which constitutes 70% of its revenues; the balance 30% revenues come from non-essential product sales, which remain inoperable. Accordingly, DMART should see 65-70% impact on its monthly revenue during the shutdown. Further, once the lockdown is lifted, the non-essential 30% product sales (which also include 10% apparel sales) may take some time to recover, as these are part of semi-discretionary products. The pace of store addition is also estimated to reduce from 28 to ~10 in FY21E. Subsequently, we have cut revenue estimates by 14% for FY21E.

Lean cost structure helping in time of distress

DMart's average cost of retailing is ~6-7% of stable state revenues, i.e. ~INR1.2-1.3b on monthly basis. At a time when rentals (typically 7-8% of stable revenues) are one of the biggest thorns in the flesh for retailers, DMart, which predominantly operates on an ownership model, has a cash burn of less than 50% compared to other retailers. Thus, during the lockdown when sales impact is 65-70%, DMart could incur monthly EBITDA loss of ~INR400m, after factoring in 15-20% cost reduction due to opex savings from closed stores. Post lockdown, we expect swift revenue recovery given that 70% of DMart's business caters to the essentials category, against other apparel retailers, which may see severe impact. However, there could be some impact due to (a) 30% non-essential sales, and (b) lower new store addition in FY21. Subsequently, we have cut EBITDA estimates by 20%/14% for FY21/FY22E.

Healthy balance sheet; limited working capital issues

DMart had a healthy balance sheet with lean net working capital cycle of 26 days and RoCE of 17% in FY19. It recently raised ~INR40b, which should keep it in good stead at a time when cash is king. This could potentially aid the company garner better deals for new properties; however, in the near term, the pace of store addition may get derailed.

Valuation building in higher optimism

In the last one month since the lockdown, the stock has risen ~8% against potential impact on EBITDA of 20%/14% and PAT of 22%/15% over FY21/FY22E. Thus, the stock has performed well. It is currently trading at EV/EBITDA of 46x and P/E of 68x on FY22E. Subsequently, we believe the stock could see some downward pressure in the near term until clarity emerges on the lockdown situation. We retain **Sell** rating with TP of INR1,750, assigning 35x EV/EBITDA on FY22E.

Bandhan Bank

BSE SENSEX

30,690

S&P CNX

8,994



Stock Info

Bloomberg	BANDHAN IN
Equity Shares (m)	1,610
M.Cap.(INRb)/(USDb)	310.8 / 4.1
52-Week Range (INR)	650 / 152
1, 6, 12 Rel. Per (%)	-31/-47/-43
12M Avg Val (INR M)	1197
Free float (%)	39.0

Financials Snapshot (INR b)

Y/E March	FY19	FY20E	FY21E	FY22E
NII	45.0	61.1	74.0	89.1
OP	37.5	50.6	59.2	69.4
NP	19.5	31.3	32.4	40.2
NIM (%)	9.6	9.0	8.3	8.2
EPS (INR)	16.4	22.3	20.1	25.0
EPS Gr. (%)	39.1	36.5	-10.0	24.2
BV/Sh. (INR)	94	98	113	132
ABV/Sh. (INR)	93	95	109	128
RoE (%)	19.0	23.2	19.1	20.4
RoA (%)	3.9	4.4	3.4	3.5
Payout (%)	22.1	13.8	23.4	23.6

Valuations

P/E(X)	11.8	8.6	9.6	7.7
P/BV (X)	2.1	2.0	1.7	1.5
P/ABV (X)	2.1	2.0	1.8	1.5
Div. Yield (%)	1.9	1.6	2.4	3.0

CMP: INR193
TP: INR350(+81%)
Buy

Business growth robust; Retail deposit mix improves further

Bandhan Bank (BANDHAN) has released its business update, highlighting key numbers for 4QFY20. Key insights below:

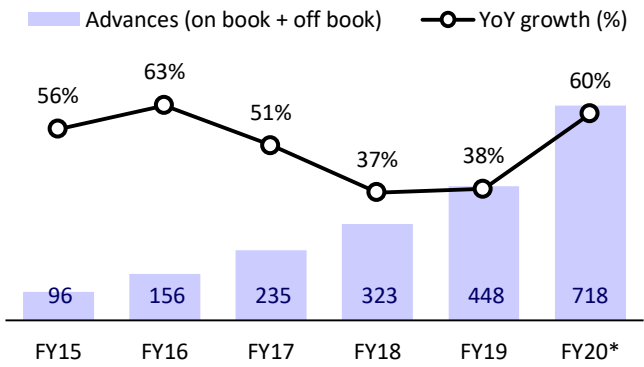
- 4QFY20 advances (on-book + off-book) were robust at ~9.7% QoQ to INR718b despite the lockdown imposed in the last week of Mar'20.
- BANDHAN's collection efficiency for the MFI portfolio during 1st Jan- 21st Mar'20 stood at ~98.7% (v/s ~98.1% in Dec'19). Also, total overdue (0+dpd) in 4QFY20 stood lower than Dec'19.
- The bank has reported strong deposit growth at 32% YoY/3.9% QoQ to INR570.7b despite deposit withdrawal of INR4.6b by the state government in Mar'20.
- CASA deposits were strong at 19.4% YoY/11.6% QoQ to INR210b. Thus, CASA ratio improved to 36.8% (v/s 34.3% in 3QFY20). Also, the proportion of retail deposits improved by ~220bp to 78.4% of total deposits.
- LCR ratio for the bank stood at ~161% (v/s 160.3% in 3QFY20). BANDHAN maintains surplus liquidity on its balance sheet at INR84b. The bank is in a position to draw additional liquidity up to INR18.1b under the MSF window.
- **Other Highlights:** CET-I ratio improved to 25.5% (v/s 23.1% in 3QFY20) while CAR improved to ~26.7% (v/s 24.7% in 3QFY20).
- **Valuation and view:** BANDHAN has reported strong deposit growth numbers in an environment where faith of depositors is already fragile. The bank has also maintained strong liquidity surplus with LCR of 161%, thus, placing itself in a comfortable position. While near-term concerns on MFI portfolio remain, BANDHAN has nevertheless been able to improve its recovery rate. Further, growth trend in micro-banking deposits highlights BANDHAN's comfortable position to recover dues from its MFI borrowers, even as the environment remains uncertain and delinquency rates increase. We, thus, revise our TP to INR350 (2.9x Sep'21E BV) and maintain **Buy** rating on the stock.

Quarterly Performance

(INR m)

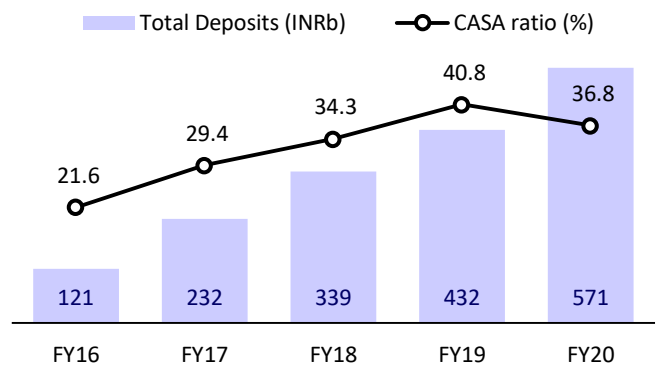
Y/E March	FY19				FY20				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Interest Income	10,372	10,775	11,240	12,575	15,746	15,290	15,403	14,658	44,961	61,097
Other Income	2,107	2,304	2,341	3,878	3,310	3,603	3,577	3,648	10,630	14,139
Total Income	12,479	13,079	13,581	16,453	19,056	18,893	18,980	18,306	55,591	75,235
Operating Expenses	4,273	4,339	4,576	4,921	5,505	5,824	6,341	6,959	18,110	24,629
Operating Profit	8,205	8,740	9,005	11,532	13,551	13,069	12,639	11,347	37,482	50,606
% Change (YoY)	47.3	46.9	56.7	63.9	65.1	49.5	40.4	-1.6	54.2	35.0
Other Provisions	800	1,242	3,776	1,533	1,254	1,455	2,949	3,107	7,351	8,765
Net Profit	4,817	4,877	3,313	6,509	8,036	9,718	7,310	6,232	19,515	31,297
% Change (YoY)	47.4	47.3	10.4	67.8	66.8	99.3	120.7	-4.2	45.0	60.4
Operating Parameters										
Deposits (INR b)	307	330	346	432	437	492	549	571	432	571
Loans (INR b)	305	317	339	396	415	598	606	638	396	638
Deposit Growth (%)	36.8	29.5	36.9	27.6	42.3	49.3	58.5	32.0	27.6	32.0
Loan Growth (%)	62.9	64.0	47.7	33.4	35.9	88.4	78.9	60.9	33.4	60.9
Asset Quality										
Gross NPA (%)	1.3	1.3	2.4	2.0	1.7	1.8	1.9	1.9	2.1	1.9
Net NPA (%)	0.6	0.7	0.7	0.6	0.6	0.6	0.8	0.9	0.6	0.9
PCR (%)	50.4	46.7	71.5	72.1	65.9	68.3	58.4	53.3	72.1	53.3

Advances grew 10% QoQ (60% YoY)



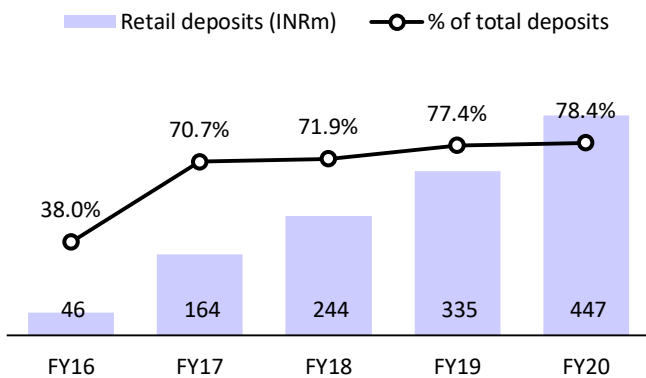
Source: MOSL, Company; Note: FY20 reflects merged numbers

Total deposits delivered 47% CAGR for FY16-20



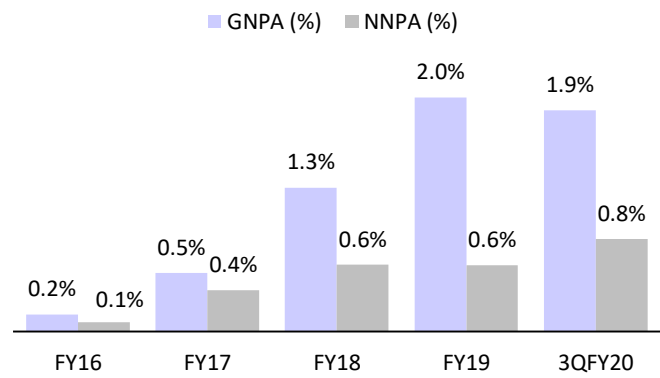
Source: MOSL, Company

Retail deposit mix improved to ~78%



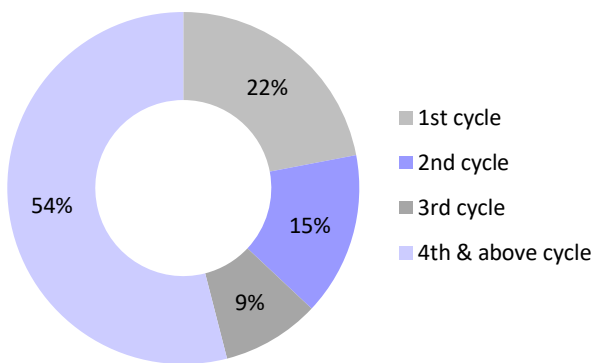
Source: MOSL, Company; Note: FY20 reflects merged numbers

GNPA/NNPA ratio stood at 1.9%/0.8%



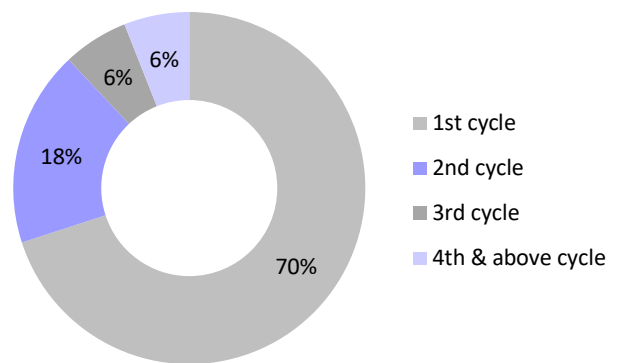
Source: MOSL, Company

BANDHAN's customer vintage across loan cycles...



Source: MOFSL, Company

...v/s Industry customer vintage across loan cycles



Source: MOFSL, Company



Zee Entertainment

BSE SENSEX 35,457 S&P CNX 10,682



Stock Info

Bloomberg	Z IN
Equity Shares (m)	961
M.Cap.(INRb)/(USDb)	131.7 / 1.9
52-Week Range (INR)	440 / 114
1, 6, 12 Rel. Per (%)	-15/-24/-46
12M Avg Val (INR M)	4983
Free float (%)	95.1

Financials Snapshot (INR b)

Y/E March	FY19	FY20E	FY21E	FY22E
Sales	79.3	80.7	88.7	98.4
EBITDA	25.6	24.3	26.5	30.0
Adj. PAT	15.8	17.3	18.6	21.1
EBITDA Margin (%)	32.3	30.1	29.9	30.5
Cons. Adj. EPS INR	16.4	16.9	19.4	22.0
EPS Gr. (%)	12.7	2.9	14.7	13.4
BV/Sh. (INR)	92.9	106.2	122.0	140.3

Ratios

Net D:E	-0.1	-0.1	-0.2	-0.2
RoE (%)	19.1	18.1	17.0	16.7
RoCE (%)	17.4	17.0	16.4	16.3
Payout (%)	25.7	21.3	18.6	16.4

Valuations

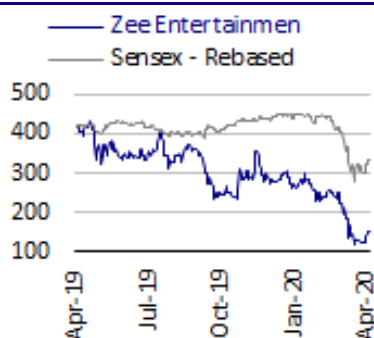
P/E (x)	8.4	8.1	7.1	6.2
P/BV (x)	1.5	1.3	1.1	1.0
Div. Yield (%)	2.6	2.2	2.2	2.2
FCF Yield (%)	-1.2	2.2	12.8	11.1

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	4.9	22.4	41.6
DII	12.0	13.2	11.2
FII	67.4	48.7	41.5
Others	15.8	15.7	5.7

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR137 TP: INR165 (+20%) Neutral

Investment in Sugarbox to create digital inroads

Zee hosted an investor call to discuss its recent investment in Sugarbox. Here are the key highlights:

INR5.22b invested, but modalities yet to be disclosed

Management indicated the investment of INR5.22b in Sugarbox would be modular over two to three years, comprising a mix of debt and equity, of which INR3b would be put toward capex and the remainder to meet operational requirements. Zee expect's the investment to be margin accretive and show a healthy internal rate of return (IRR). However, what remains unknown is the additional stake it would fetch over and above the existing 80%, the specific return targets, and other nuances of the deal. Management explained that this investment would keep it ahead in terms of technology to improve Zee5's reach. However, given that this does not provide any exclusive rights, we think a VC-/PE-driven investment could have helped save cash and still provided similar benefits.

Key takeaways from management concall

- ZEE's INR5.22b investment in Sugarbox would comprise a mix of debt and equity over two to three years, of which INR3b would be invested in capex and the rest in opex and royalties. Additional investment out of the total requirement of INR12.2b would be fulfilled through internal accruals and leasing assets.
- Sugarbox expects to achieve breakeven in four years and would start generating EBITDA for Zee from year five. Management expects healthy IRR over 10 years.
- Sugarbox has been awarded ~7,700 (rakes) rail tenders, 500 bus tenders, the Hyderabad metro tender, the Chennai metro tender, a tender for Navi Mumbai Municipal buses, and that for 6,000 stations.
- Sugarbox aims to reach 25m daily users and 300m monthly users by mid-2022, spending 2.5b hours monthly on its platform; it plans to take a share of revenue from the apps using the platform.
- Competitor risk is low as limited players operate in this space. Furthermore, the company uses its own patented technology, for which it has an exclusivity clause in all contracts (at least five years, and in most cases, 10 years).

Valuation

The stock is trading at P/E and EV/EBITDA of 6.2x/3.3x, respectively, on FY22E, which looks attractive, but given the weak ad environment and bloating balance sheet and unrelated investments, the upside may be capped.

DCB Bank

BSE SENSEX	S&P CNX
30,690	8,994

Bloomberg	DCBB IN
Equity Shares (m)	310
M.Cap.(INRb)/(USD\$)	25.7 / 0.4
52-Week Range (INR)	245 / 73
1, 6, 12 Rel. Per (%)	-32/-36/-38
12M Avg Val (INR M)	279
Free float (%)	85.1

Financials Snapshot (INR b)

Y/E MARCH	FY19	FY20E	FY21E	FY22E
NII	11.5	12.4	13.6	15.2
OP	6.5	7.0	7.9	9.1
NP	3.3	3.4	3.2	4.5
NIM (%)	3.8	3.6	3.7	3.6
EPS (INR)	10.5	10.9	10.3	14.7
EPS Gr. (%)	32.0	3.7	-5.1	41.8
BV/Sh. (INR)	96.3	106.7	116.5	130.7
ABV/Sh. (INR)	92.8	100.4	108.1	123.4

Ratios

RoE (%)	12.0	11.1	9.6	12.2
RoA (%)	1.0	0.9	0.8	1.0
Payout (%)	8.6	4.6	4.8	0.0

Valuations

P/E (x)	7.9	7.6	8.0	5.6
P/BV (x)	0.9	0.8	0.7	0.6
P/ABV (x)	0.9	0.8	0.8	0.7

CMP: INR83
TP: INR105 (+27%)
Neutral

Business growth moderates; CASA mix declines

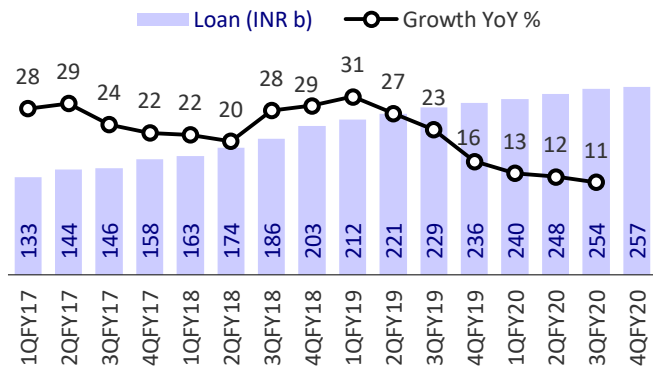
DCB has released its quarterly update highlighting key business numbers for 4QFY20. Key highlights below:

- Gross advances grew ~7.6% YoY (flat QoQ) to INR257b reflecting the COVID-19 related slowdown, which impacted disbursements during the last few days of Mar'20. The bank's exposure to top-20 advances remains below 6%.
- DCB has reported deposit growth of 6.8% YoY/2.1% QoQ to INR303.7b while CASA has declined ~4% YoY/6% QoQ to INR64.9b. Thus, CASA ratio declined to 21.4% (v/s 23.2% in 3QFY20). Further, the bank raised interbank deposits during the quarter, which grew 17.5% QoQ to INR38.3b. This resulted in concentration of top-20 deposits increasing to 9.3% (v/s 8.2% in 3QFY20).
- LCR ratio for the bank stood at ~130% (v/s 107.7% in 3QFY20).
- **Other highlights:** Total amount of refinance availed from NABARD, SIDBI and NHB stands at INR26.8b
- **Valuation and view:** DCB reported moderation in 4QFY20 business growth, reflecting the challenging macro environment. We remain watchful of asset quality pressures on the CV and corporate banking portfolio, while the COVID-19 outbreak should further drive higher delinquencies in the MSME and LAP portfolio. We, thus, increase our credit cost estimates to 1.4% for FY21E. Maintain Neutral with revised TP of INR105 (0.9x Sep'21E ABV).

Quarterly Performance (INR m)

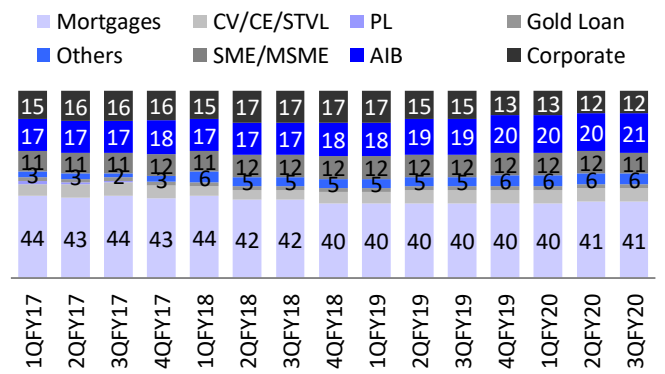
	FY19				FY20E				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Interest Income	2,730	2,818	2,936	3,009	3,048	3,134	3,231	3,023	11,493	12,436
% Change (Y-o-Y)	17.1	13.6	17.2	14.1	11.6	11.2	10.0	0.5	15.5	8.2
Other Income	828	735	945	994	868	1,014	931	970	3,502	3,782
Total Income	3,558	3,553	3,881	4,002	3,915	4,148	4,162	3,993	14,994	16,217
Operating Expenses	2,144	2,092	2,143	2,150	2,250	2,302	2,263	2,355	8,529	9,169
Operating Profit	1,414	1,461	1,738	1,853	1,665	1,845	1,899	1,638	6,466	7,048
% Change (Y-o-Y)	3.7	17.4	41.8	30.9	17.8	26.3	9.3	-11.6	23.2	9.0
Provisions	332	319	401	348	406	433	590	776	1,401	2,205
Profit before Tax	1,082	1,142	1,336	1,505	1,259	1,413	1,309	863	5,065	4,844
Tax	387	408	475	542	448	499	342	179	1,812	1,468
Net Profit	695	734	861	963	811	914	967	683	3,254	3,375
% Change (Y-o-Y)	6.6	24.7	51.0	50.0	16.6	24.5	12.3	-29.1	32.7	3.7
Operating Parameters										
Deposit (INR b)	250.3	261.7	275.1	284.4	287.9	293.6	297.3	303.7	284.4	303.7
Loan (INR b)	212.4	220.7	228.9	235.7	240.4	248.0	254.4	253.4	235.7	253.4
Deposit Growth (%)	30.7	27.2	29.2	18.4	15.0	12.2	8.1	6.8	18.4	6.8
Loan Growth (%)	30.6	26.9	23.1	15.9	13.2	12.4	11.1	7.5	15.9	7.5
Asset Quality										
Gross NPA (INRb)	4.0	4.1	4.5	4.4	4.8	5.2	5.5	5.7	4.4	5.7
Gross NPA (%)	1.9	1.8	1.9	1.8	2.0	2.1	2.2	2.2	1.8	2.2
Net NPA (INRb)	1.5	1.6	1.6	1.5	2.0	2.4	2.6	2.8	1.5	2.8
Net NPA (%)	0.7	0.7	0.7	0.7	0.8	1.0	1.0	1.1	0.7	1.1
PCR (%)	61.6	62.1	63.3	65.0	58.9	54.5	52.8	51.7	65.0	51.7

Gross advances growth slowed down to 7.6% YoY



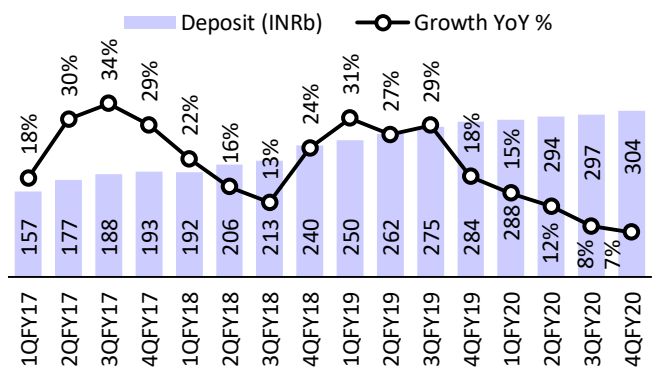
Source: MOFSL, Company; Note: 4QFY20 are Gross Advances

Proportion of corporate advances declined to 12%



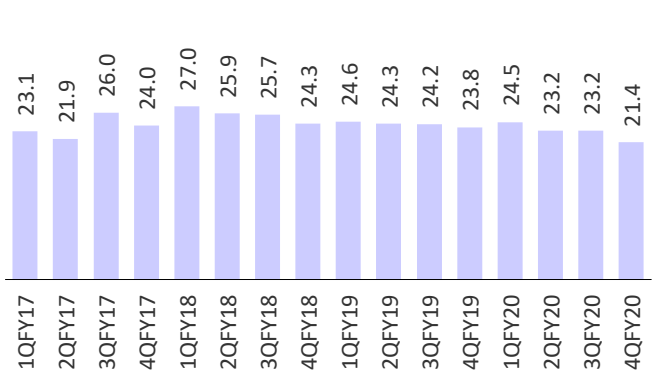
Source: MOFSL, Company

Deposit growth moderated to 6.8% YoY



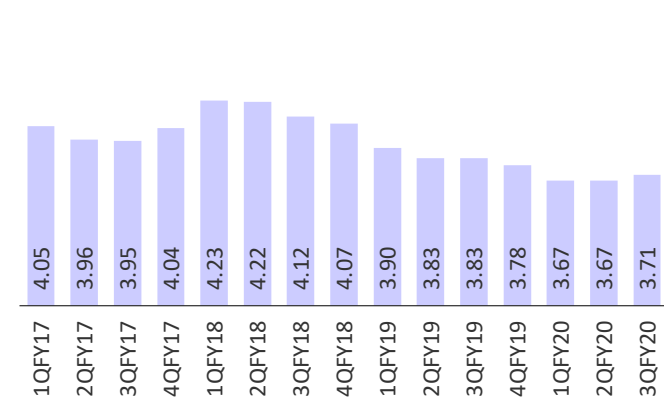
Source: MOFSL, Company

CASA ratio declined to 21.4%



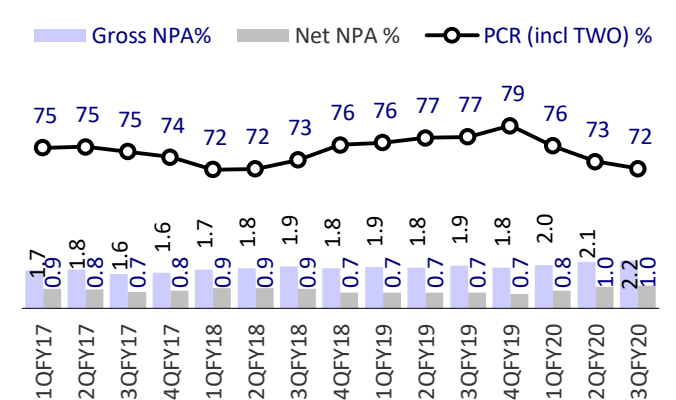
Source: MOFSL, Company

Reported NIMs stood at 3.71% as on 3QFY20



Source: MOFSL, Company

PCR (incl. TWO) declined to ~72%



Source: MOFSL, Company

Expert Speak

COVID-19 – Residential realty on a pause, but expect gradual bounce-back

In light of the current COVID-19 pandemic and subsequent lockdown, we hosted a discussion with Mr. Nayan Shah, the CEO and MD of Mayfair Housing, to understand his views on impact of the current lockdown on residential real estate in India.

Of the seven key residential real estate (RE) markets in India (MMR, NCR, Bangalore, Pune, Chennai, Kolkata and Hyderabad), MMR clocks the highest sales followed by NCR. In MMR, cost of entry-level homes ranges between INR5m-INR1.5m for mid-income housing while in other markets, the cost for the same segment ranges between INR1m-INR5m.

- **Residential real estate prior to COVID-19:** After a lull of several years, the residential real estate segment was showing signs of a pick-up in the last few quarters. Few key drivers for the demand pick-up were: (a) declining home loan rates, (b) increasing affordability, and (c) the recent 1% reduction (applicable for MMR region) in stamp duty. However, with the nation-wide lockdown in wake of the COVID-19 crisis, residential real estate sales have come to a screeching halt.
- **On cancellations of booked homes:** With the ongoing crisis, we expect not more than 8-10% of booked homes to see risk of cancellation from consumers.
- **On continuation of EMIs in midst of the crisis:** About 85% consumers have continued with EMI payments (according to intimation from HDFC Ltd) for their home loans. Around ~15-20% consumers are expected to opt for EMI moratorium.
- **On construction activity:** A slowdown in construction activity is expected even after the lockdown is lifted. Many migrant workers have moved back to their home towns and are not likely to return before the situation normalizes. Further, ~30% workers stranded currently should travel back once the lockdown eases and return only later. Therefore, reduced on-site labor is expected to impact construction activity for the next couple of quarters.
- **On sector consolidation:** Globally, real estate is a local business, and thus, increasing stress in the system should lead to intensification of partnership business models like joint ventures (JVs), joint development agreements (JDAs) and development management (DMs).
- **On real estate as an asset class:** Although the lockdown period and its after-effects would have a bearing on the sector for a couple of quarters, real estate as an asset class would come back into reckoning. Few factors in favor of real estate sector are: (a) increased affordability (lower interest rates), (b) deep engagement and connect that a family/person enjoys socially once he/she owns a home, and (c) stock market volatility, which may see real estate sector return as the flavor of the season as an investment asset class.
- **Major policy level changes that are likely to boost Indian real estate sector:**
 - **Supply-side economics:** (a) Reduction in approval cost by 75% for the next 3-4 months so that construction activities are boosted, (b) Induction of liquidity in NBFCs, and (c) Relaxed NPA norms.
 - **Demand-side economics:** (a) Lower home loan rates; (b) Return of subvention schemes.
- **On MMR residential real estate market:** The MMR region is one of the largest residential real estate markets in India. One of the key issues impacting the momentum of residential real estate in the region is the over 40% increase in cost of approvals (pertaining to fungible FSI, premium FSI, etc.). A meaningful reduction in these costs is a key factor, which could help address supply-side economics in the industry.



Mr. Nayan Shah,
MD & CEO, Mayfair Housing

Mr. Nayan Shah is the MD and CEO of Mayfair Housing, which ranks among the top-10 real estate brands in the Mumbai Metropolitan Region (MMR). Mr. Shah has been a member of the Maharashtra Chamber of Housing Industry (MCHI) since inception and is now the president of CREDAI-MCHI. His vision is to provide affordable housing to everyone in MMR. Under his aegis, Mayfair Housing has recently signed an MOU with CREDAI-MCHI and the Indian government to deliver 8,200 units of affordable homes in MMR.

**PRESTIGE ESTATES: WHEREVER PRESENT, COMPANY TAKING CARE OF THE LABOURERS AND THEIR HYGIENE; Irfan Razack, MD**

- Have already seen two weeks of lockdown, One more week has to be seen through and hopefully if the curve comes down, there will be some partial opening up.
- Right now, need to see how company can control overheads and expenses. Will have to bounce back.
- Housing is an important segment and there is an opportunity - will present itself may be in the next quarter. This quarter will have to just see how company can evaluate the situation and then restart the work. Have to see how company can at least deliver the goods that was promised to customers.
- On retail front, have stopped the rents for customers till it restarts. On the office front, the goods are safe since company dealing with the MNCs. Though they are working from home, they are linked to their office spaces. So, they will be paying the rents and hence do not see any problem there.
- Hospitality of course has become nil and it will take at least two quarters for it to bounce back.
- Some of the labourers have left and there is nothing that company can do but have managed to contain most of the labourers working on large projects in the camp itself. They are pretty safe and medical checkups also have been given. Company is doing this in Bangalore, Hyderabad, in Kochi and in Chennai. In fact, in Kochi company has a major labour camp. Doing an IT park and a shopping centre.
- Confident they (labour force) will come back but there will be a break in work. Should be able to resume at least with a 50-75 per cent capacity.

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HOW COVID-19 IS TRANSFORMING GLOBAL MANUFACTURING

- As the covid-19 pandemic escalates, the risks inherent in global supply chains are more apparent than ever. Rather than await a return to business as usual, with manufacturing activities concentrated in countries where labour is cheap and plentiful, advanced-economy companies are shifting their focus to the lowest-wage workers of all: robots. Firms began relocating production to low-wage countries in the early 1990s, aided by the fall of the Iron Curtain, China's global integration and eventual accession to the World Trade Organization, and the rise of containerization. The period between 1990 and the 2008 global financial crisis has been called an era of hyper-globalization in which global value chains accounted for about 60% of global trade. The 2008 global financial and economic crisis marked the beginning of the end of this era of hyper-globalization. In 2011, global value chains stopped expanding. They have not grown again since. This reversal was driven by uncertainty. From 2008 to 2011, the World Uncertainty Index—constructed by Hites Ahir, Nicholas Bloom, and Davide Furceri—increased by 200%. To compare, during the 2002-03 outbreak of [the] Severe acute respiratory syndrome, or Sars, the World Uncertainty Index rose by 70%. After the United Kingdom voted in 2016 to leave the European Union, the World Uncertainty Index surged by 250%.

[➔ Read More](#)

SCALE UP THE RELIEF PACKAGE TO 5-6% OF GDP

- The covid-19 crisis is a bolt from the blue. There is no precedent of this particular strain of coronavirus, and hence, any projections of its impact can just be intelligent guesses. Predictive numbers need to be relied upon with great caution. One has to keep a very close watch on how the crisis unfolds and keep tinkering with different actions as facts regarding the virus trajectory, the effectiveness or otherwise of containment efforts, and reactions of economic actors become clearer. The crisis would, as any crisis does, affect both the supply and demand sides of the economy and stress not only the financial markets but the socio-economic fabric of society. The country has been put under a nationwide lockdown since 25 March. While social distancing is necessary to prevent the rapid spread of the epidemic, there is a huge economic cost that it entails. There is no denying the fact that the choice seemed to be between the economy and lives. However, sooner than later, questions regarding rising unemployment, shutting down of businesses, increasing non-performing assets, supply chain disruptions, reduced investments, and contracting demand would become serious challenges. The sooner we reframe the choice from being between GDP and lives to being between lives and lives, the better we would be able to manage the crisis.

[➔ Read More](#)

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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