Good Opportunities with Bear Analysis

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Global Markets including Indian markets have corrected significantly from its highs a month ago. Indian Benchmark indices *Sensex and Nifty 50 have corrected more than 27% and 31%* respectively. Focusing on India, the spread of COVID-19 has led to shutdown of any places where any sort of people gathering happens such as Gyms, Malls, Schools and any such events have also been cancelled or postponed for an indefinite period in some states in India. Key Sectors such as tourism, Travel, Manufacturing, and Retail among others have seen negative effects of it as more and more people fear to come outside. If the spread continues or intensifies, then further shutdowns and restrictions are expected to happen. The recent market correction, keeping in mind the continuity of market volatility in the short term does provide good entry opportunities in quality stocks that we believe to be good investments for the longer term. Herewith are some of the stocks that we believe are worth an eye and below is the table which represents the correction in each of them and is followed by detailed explanations on why we think they are good.

Sr.No.	Particulars	CMP	EPS Delta				Correction from 52 week high	Bear case P/E valuation FY21
			Base Case FY21E	Bear Case FY21E	Base Case FY22E	Bear Case FY22E		
1	TCS	1650	-4%	-8%	-3%	-12%	-28%	19.1
2	Tech Mahindra	579	-10%	-15%	-5%	-15%	-32%	12.1
3	Dabur India	415	-3%	-7%	-3%	-10%	-21%	42.2
4	Can Fin Homes (In terms of Book Value)	332	-4%	-4%	-6%	-7%	-36%	2.1 (P/BV)
5	Polycab India	782	-6%	-13%	-13%	-17%	-34%	14.5
6	Bata India	1196	-6%	-29%	-5%	-12%	-37%	48.0
7	Trent Ltd (Stanalone basis)	488	-8%	-13%	0%	-8%	-39%	56.1
8	Mahindra Logistics	275	-11%	-26%	-15%	-28%	-52%	28.9
9	Biocon	252	0%	-37%	0%	-32%	-22%	39.4
10	Syngene International	250	0%	-9%	0%	-16%	-32%	25.8
11	Pfizer India Ltd	4026	0%	0%	0%	0%	-18%	30.0

The CMP mentioned above are as per 18-March-2020, due to very high volatility in the markets many stocks would witness further correction; however our view is keeping in mind the long-term prospects of the stock.

We have done a scenario analysis on the above-mentioned stocks showing our estimates for a **Base case** which takes into account the short-term impact (~1-2months) on account of COVID-19 as well as changes post management interaction after Q3FY20.

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In Bear case we have taken into account worst case scenario which includes covid-19 and any other potential risks and weakness to expected revenues due to any other external factors. The following stocks, along with detailed explanation are as under –

1. Tata Consultancy Services (CMP Rs 1650)

TCS has corrected ~26% from 52-week highs of INR 2296 on account of 2 major reasons: COVID – 19 and fears of impending recession in the western economies. While we believe that impact of COVID 19 will be temporary, impact of a recession in the developed economies should have a prolonged impact not only on the growth but also valuation multiples. Additionally, both these factors should translate into cut down in budgeted IT spends and postponement of discretionary part (mainly Digital segment of the business) of the budget. **Digital contributes approximately 1/3rd to overall revenues** and was historically growing at high double digits of 30-40% YoY while traditional IT services was reporting a flat to marginal growth. In the case of an impact from COVID – 19 alone, **we believe that Digital business will suffer a temporary impact for the next 2 quarters should report a slower 5-15% YoY whereas the traditional business sees additional pain.**

However, we believe that TCS, due to the virtue of its size, scale and organic capacity, should be able to sail through any given scenario and therefore we believe that current levels give an attractive opportunity to accumulate the stock.

TCS		Q3FY20			Base Case Scenario			Bear Case Scenario	
(In INR MN)	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	**1,575,658**	**1,730,262**	**1,890,867**	**1,568,270**	**1,708,472**	**1,870,931**	**1,568,270**	**1,683,544**	**1,818,679**
Growth Y-o-Y	7.60%	9.81%	9.28%	7.10%	8.94%	9.51%	7.10%	7.35%	8.03%
EBITDA	**420,666**	**463,355**	**505,361**	**414,468**	**445,117**	**488,634**	**414,468**	**424,252**	**444,795**
Growth Y-o-Y	6.50%	10.15%	9.07%	4.90%	7.39%	9.78%	4.90%	2.36%	4.84%
EBITDA Margins	26.70%	26.80%	26.70%	26.40%	26.10%	26.10%	26.40%	25.20%	24.50%
PAT	**323,368**	**362,294**	**404,626**	**318,554**	**347,962**	**391,406**	**318,554**	**331,565**	**356,757**
Growth Y-o-Y	2.00%	12.04%	11.68%	0.40%	9.23%	12.49%	0.40%	4.08%	7.60%
PAT Margins	21.00%	21.00%	21.00%	20.30%	20.40%	20.90%	20.30%	19.70%	19.60%
EPS	**84.50**	**94.60**	**105.70**	**83.20**	**90.90**	**102.20**	**83.20**	**86.60**	**93.20**
P/E	**19.53**	**17.44**	**15.61**	**19.83**	**18.15**	**16.14**	**19.83**	**19.05**	**17.70**
Price Target (20x FY22E)		2114			2045			1864	
Upside from CMP		28%			24%			13%	

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2. Tech Mahindra (CMP Rs 579)

Tech Mahindra has corrected 31% from highs of INR 847. Tech Mahindra will be mainly impacted due to its subsidiary Peninfarina which is based out of Italy and its business from China. However, the contribution to revenue from these 2 main impacts is less than 5% of total revenues.

At current levels, we are positive on TechM due to *following reasons:*

1. Unlike peer IT companies, a **large part of company's business comes from Communications**, a sector which is not only witnessing high spends but also has high visibility due to impending 5G rollouts.
2. Company's **exposure to Transportation & Retail** (sectors which have been mainly affected due to COVID – 19) is only 7.2%
3. Company's exposure to BFSI is 13%, therefore it is relatively shielded from any slowdown in the sector

TECH MAHINDRA		Q3FY20			Base Case Scenario			Bear Case Scenario	
(In INR MN)	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	**371,452**	**406,579**	**445,155**	**367,661**	**399,596**	**436,174**	**367,331**	**393,069**	**420,450**
Growth Y-o-Y	6.90%	9.46%	9.49%	5.80%	8.69%	9.15%	5.80%	7.01%	6.97%
EBITDA	**59,274**	**67,243**	**72,808**	**55,995**	**61,167**	**69,298**	**55,995**	**57,635**	**62,538**
Growth Y-o-Y	-6.50%	13.44%	8.28%	-11.60%	9.24%	13.29%	4.90%	2.93%	8.51%
EBITDA Margins	16.00%	16.50%	16.40%	15.20%	15.30%	15.90%	15.20%	14.70%	14.90%
PAT	**43,291**	**49,973**	**55,209**	**40,731**	**45,229**	**52,336**	**40,731**	**42,406**	**46,846**
Growth Y-o-Y	-1.00%	15.44%	10.48%	-6.60%	11.04%	15.71%	-6.60%	4.11%	10.47%
PAT Margins	12.00%	12.00%	12.00%	11.00%	11.30%	12.00%	11.10%	10.80%	11.10%
EPS	**49.00**	**56.60**	**62.50**	**46.10**	**51.20**	**59.30**	**46.10**	**48.00**	**53.10**
P/E	11.82	10.23	9.26	12.56	11.31	9.76	12.56	12.06	10.90
Price Target (14x FY22E)		875			830			743	
Upside from CMP		51%			43%			28%	

3. Dabur India (CMP Rs 415)

Base Case: Dabur is the leader in Ayurvedic products in the country with a portfolio that covers most diseases, illness, pain management. In Current times with the spread of COVID-19, we believe certain products of the company such as Chywanprash (Health Supplements; 19% of domestic revenues), and products under the OTC and Ethical (9% of Domestic revenues) portfolio are receiving extra demand. **For Q4FY20, in Domestic revenues (~70% of revenues as of 9MFY20) we increase our domestic revenue growth estimate from 5% earlier to 6.03% sighting additional demand for the above-mentioned products**. We reduce our growth estimate for International revenues (~28% of revenues as of 9MFY20) from 10% earlier to 3% YoY as the spread of virus intensified greatly since end of February in Key geographies such as U.S and the Middle East. We Expect company will attain an EBITDA of Rs. 5146.4mn i.e margin of 23% and PAT at Rs. 3965.26mn. For FY21 and FY22 we reduce our International revenue and marginally reduce our

DABUR	Q3FY20			Base Case Scenario			Bear Case Scenario		
(In INR MN)	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	91,151	100,621	110,837	90,925	98,881	108,586	90,672	92,246	100,768
Growth Y-o-Y	6.80%	10.39%	10.15%	6.40%	8.75%	9.81%	6.30%	1.74%	9.24%
EBITDA	19,160	22,196	24,924	19,061	21,563	24,101	18,951	18,966	21,042
Growth Y-o-Y	-6.50%	15.84%	12.29%	9.53%	13.12%	11.77%	8.90%	0.08%	10.94%
EBITDA Margins	21.00%	22.10%	22.50%	21.00%	21.80%	22.20%	20.90%	20.60%	20.90%
PAT	16,051	18,692	20,319	15,970	18,171	19,657	15,880	16,040	17,203
Growth Y-o-Y	6.60%	16.45%	8.70%	6.11%	13.78%	8.18%	5.50%	1.01%	7.25%
EPS	9.08	10.58	11.50	9.00	10.30	11.10	8.99	9.84	10.35
P/E	63.77	54.73	50.35	64.33	56.21	52.16	64.40	58.84	55.94
Price Target (46xFY22E)		529			511			476	
Upside from CMP		27%			23%			15%	

Bear Case: Majority of the key categories in which the companies are present in are facing slowdown and with an intensified spread of COVID-19, company will only receive additional demand for the categories mentioned in Base Case. Shutdowns of Malls in key geographies such as Maharashtra and Delhi have already occurred and with further spread, it can lead to further shutdowns which will impact Modern Trade Channel. Wholesale channel was facing issues due to liquidity crunch and an overshoot in demand in short time and can lead to supply constraints which will impact Domestic Revenues. International revenues are impacted as spread of virus is higher in key geographies such as Middle East and U.S.

Outlook at 415: We believe in the short term, domestic revenues will largely be unaffected as higher demand for certain categories will cover for lower demand in others. International revenues will be impacted as Key Geographies such as United States of America due to a faster spread of Virus there which as led to shutdowns across the country. Middle East is suffering through a double whammy due to the virus as well as lower oil prices which will lead to lower spending by the consumers. In the long term, the company's strong fundamentals remain unchanged and any dip in share prices can be viewed as a buying opportunity.

4. Can Fin Homes (CMP Rs 332)

Housing loans which constitutes 90% of the book will be hit as demand will slow down. We had forecasted the housing loan book to grow at 17.5%, 19.5% and 21% respectively in Fy20, Fy21 and Fy22. For the base case we have revised it to growth of 17%, 18% and 19% percent. For the bear case we have revised it to growth of 16.7%, 17% and 18%. **We have also revised the interest rate downward on loans going forward as there is surplus liquidity in the system and we believe the company will pass on the benefits to the customer.** We do not see rise in NPA's as salaried class constitutes 71% of the loan book. The salaried clientele will help it outperform its peers who have commercial book.

CAN FIN HOMES		Q3FY20			Base Case Scenario			Bear Case Scenario	
(In INR MN)	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
NII	6,390	7,640	9,110	5,620	6,920	7,910	5,590	6,740	7,460
Growth Y-o-Y	20.50%	19.56%	19.24%	6.00%	23.13%	14.31%	5.50%	20.57%	10.68%
PPOP	5,650	6,790	8,140	4,880	6,070	6,930	4,860	5,890	6,480
Growth Y-o-Y	20.10%	20.18%	19.88%	3.60%	24.39%	-11.60%	3.20%	21.19%	10.02%
NIM	3.20%	3.20%	3.20%	2.80%	2.90%	2.80%	2.80%	2.90%	2.60%
PAT	3,900	4,840	5,790	3,350	4,300	4,880	3,320	4,170	4,550
Growth Y-o-Y	31.40%	24.10%	19.63%	12.80%	28.36%	13.49%	11.80%	25.60%	9.11%
ABV	150	181	218	147	174	205	147	173	202
P/ABV	2.21	1.83	1.52	2.26	1.91	1.62	2.26	1.92	1.64
Price Target (2.3xFY22E)		501.4			471.5			464.6	
Upside from CMP		51%			42%			40%	

Outlook @ 363: There is value in this stock at this price as fundamentals remain intact. Their medium ticket size loans and salaried clientele will keep them in good stead. **Once corona virus scare comes down, with interest rates going down, there is a good chance that demand will be revived** since we believe that deferred demand would come back. In the base case at 2.3x FY22 ABV we get a Target Price of Rs 471 upside of 29.9%. In the bear case we expect Target Price to be Rs 464 still upside of 28% from current levels.

5. POLYCAB LTD (CMP Rs 782)

Polycab is a pioneer in Cables and wires industry and entered its footsteps in FMEG business, a few years back. Owing to the Coronavirus breakout, Polycab's revenue would be impacted as Government Spending on Infrastructure will lose traction followed by lower consumer demand. Additionally, Lower distributor stocking due to weak economic scenario would further lower growth. Under the FMEG business, there would be minimal impact due to low base. In our estimates post Q3FY20, we expect Polycab Topline to grow at a CAGR of 17% FY19-FY22E and EBITDA to grow at a CAGR of 21% FY19-FY22E. However, we believe that even **in the current headwinds, gross margins would remain healthy (9MFY20 -69.4%) as Copper prices (58% of Total Raw Material) have corrected 19% from 2020 highs to $5150/tonne.**

Base Case: In the base case scenario, we expect Polycab's revenue to hamper a bit and grow at a CAGR of 12% FY19-22E and EBITDA to grow at a CAGR of 12% FY19-FY22E. On the gross margin front, we are expecting gross margins to be in the range of 70-71%, as we believe Polycab would pass on some raw material benefit to its distributors/customers. We expect Cables and wires to grow at industry average and have average volume growth. On the margins end, support from raw material prices will lead to stable EBITDA margins of ~12-12.5

Bear Case: In the bare case scenario, we expect Polycab's revenue to hamper and grow at a CAGR of 9% FY19-22E and EBITDA to grow at a CAGR of 8% FY19-FY22E. In this case we assume, Polycab to completely pass on the raw material price benefit to its distributors/customers and believe, gross margins to remain in the range of 69-69.5%. We expect Cables and wires to grow at high single digit and have muted volume growth. **Further, we might see some stretch in the working capital cycle** as the company maintains high inventory levels of ~92 days which might be stretched ahead to ~100-115 days.

Polycab	Q3FY20			Base Case Scenario			Bear Case Scenario		
(In INR mn)	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	96,316	111,499	128,559	91,852	102,491	111,855	89,525	96,979	105,101
Growth Y-o-Y	21.06%	15.76%	15.30%	15.45%	11.58%	9.14%	12.53%	8.33%	8.37%
EBITDA	11,965	13,972	16,173	11,431	13,065	14,445	10,790	12,446	13,823
Growth Y-o-Y	30%	17%	16%	24%	14%	11%	17%	15%	11%
PAT	8,032	9,293	10,545	7,624	8,579	9,205	7,142	8,095	8,719
Growth Y-o-Y	61%	16%	13%	52%	13%	7%	43%	13%	8%
EPS	54	62	71	51	58	62	48	54	59
P/E	15	13	11	15	14	13	16	14	13
Price Target			1,063.44			928.22			879.20
Upside from CMP			36%			19%			12%

6. Bata India (CMP Rs 1196)

For FY20 **base case,** we have assumed Q4FY20 revenue would de-grow by 4.1%. This is considering the fact that till early March FY20 sales were normal and post that footfalls were severely impacted. For 9MFY20 the company registered revenue growth of 8.2% and PAT growth of 21.6%. For FY20 Bata's revenue is expected to grow at 5.3% EBIDTA by 3.3% and Pat by 1.5%. In **base case scenario** Revenue CAGR is 10% between FY19 to FY22, EBIDTA CAGR is 12.6% and PAT CAGR is 16.1%

In **Bear case** we assumed that the company loses one-month of sale in FY21 due to closure of stores, with no reduction in rental and employee costs. FY22 with low base sees higher growth on a YoY basis however 3-year CAGR over FY19 is 9% growth. **EBIDTA** and **PAT** CAGR stands at 9.7% and 12.8% respectively.

BATA India (In INR Mn)	As per Q3Y20 Update			Base Case			Bear Case		
Particulars	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	31,739.00	35,891.00	40,623.00	30,850.00	34,182.90	39,039.00	30,850.00	30,978.00	37,906.50
Growth	*8.30%*	*13.1%*	*13.2%*	*5.30%*	*10.8%*	*14.2%*	*5.3%*	*0.4%*	*22.4%*
EBIDTA	5,160.00	6,087.00	7,089.00	4,930.00	5,687.00	6,819.00	4,930.00	4,308.00	6,290.00
Growth	*8.20%*	*18.0%*	*16.5%*	*3.30%*	*15.4%*	*19.9%*	*3.3%*	*-12.6%*	*46.0%*
PAT	3,493.00	4,528.00	5,373.00	3,338.00	4,226.00	5,150.00	3,338.00	3,194.00	4,716.00
Growth	*6.20%*	*29.6%*	*18.7%*	*1.50%*	*26.6%*	*21.9%*	*1.5%*	*-4.3%*	*47.7%*
EPS	27.20	35.20	42.00	26.00	33.00	40.00	26.00	24.90	37.00
CMP	1196								
P/E	44.0	34.0	28.5	46.0	36.2	29.9	46.0	48.0	32.3
Valuations @ 45x FY22			1890			1800			1665
Upside			58%			51%			39%

Outlook @ Rs 1196: Apart from the external factors there is no-fundamental change in the company's future prospects. Bata is a financially strong company with ROE and ROCE of 19% and 24% in FY19 with cash on books of Rs 8403mn equivalent to 48% of net worth with no major capex requirement. We believe that the recent dips are definitely are opportunity to accumulate the stock and it will return to premium valuations as and when things normalized. **Even if we discount our previous multiple by 10% (50xFY22) to 45x FY22 we arrive at a target price of Rs 1665 on bear case i.e. an upside of 39%.**

7. Trent Ltd (CMP Rs 488)

Trent Standalone FY20 (PRE-IND AS 116) **BASE CASE numbers,** we have assumed that Q4FY20 revenues will grow only by 7.2% YoY considering the fact that month of March-2020 would be impacted and SSS growth up to Feb-2020 stood at 10%. Generally, Q4 is a low quarter for Trent hence would not make major impact.

Considering the above on a standalone basis the company's FY20 standalone revenue will grow by 25.2%, EBIDTA by 31% and PAT by 48% supported by higher other income.

We had recently interacted with the management end of Feb-2020 before the corona virus issue aggravated and they were confident about the stable margins (*which we have re-worked even in our base case*) and SSS growth; however had warned about not meeting the store opening guidance of 100 between Westside and Zudio.

In our base case we expect that there would be no major impact on revenues due to corona virus in FY21 and the sales will get slightly deferred and get compensated in corresponding months. Store opening between Westside and Zudio for FY21 and FY22 we assume at 75 in each year and SSS growth to remain at 12%.

In **BEAR CASE** we have assumed that the SSS growth in FY21 and FY22 would be stable at 10% i.e. fall from the current average of 12% for 9MFY20. Also store openings between Zudio and Westside we assume only 55 in FY21 and 60 in FY22.

Due to limited information on Zara and Star Bazaar we have not made any changes in the base case and bear case.

TRENT (In INR Mn) (STANDALONE)	As per Q3Y20 Update			Base Case			Bear Case		
Particulars	**FY20**	**FY21**	**FY22**	**FY20**	**FY21**	**FY22**	**FY20**	**FY21**	**FY22**
Revenue	31,928.02	40,001.64	48,233.23	31,705.63	39,766.78	48,093.63	31,705.00	38,071.00	45,466.00
Growth	*26%*	*25.3%*	*20.6%*	*25.20%*	*25.4%*	*20.9%*	25.2	*20.1%*	*19.4%*
EBIDTA	2,830.02	4,144.46	5,520.85	3,097.00	4,208.00	5,681.00	3,097.00	3,946.00	5,141.00
Growth	*20%*	*46.4%*	*33.2%*	*31%*	*35.9%*	*35.0%*	*31.0%*	*27.4%*	*30.3%*
PAT	1,968.90	3,447.26	4,376.95	1,884.00	3,275.00	4,254.00	1,884.00	3,105.00	3,925.00
Growth	*54%*	*75.1%*	*27.0%*	*48%*	*73.8%*	*29.9%*	*48.0%*	*64.8%*	*26.4%*
EPS	5.54	9.70	12.31	5.30	9.20	12.00	5.30	8.70	11.00
CMP	488.0								
P/E on Standalone	88.1	50.3	39.6	92.1	53.0	40.7	92.1	56.1	44.4
SOTP	**Metric**	**Multiple**		**Metric**	**Multiple**		**Metric**	**Multiple**	
Westside P/ E Multiple (Rs Mns)		50x	218,847.27		45x	191,430.00		45x	176,625.00
Start Bazaar 50% JV (Rs Mns) FY22		1x price to Sales	9,228.00		1x price to Sales	8,430.35		1x price to Sales	8,430.35
Zara (Trent Share 49%)(Rs Mns) FY22		30x	23,646.00		30x	20,850.00		30x	20,850.00
Less Debt (Rs Mns) FY22			(2,947.00)			(2,947.00)			(2,947.00)
Add Cash + Investment (Rs Mns) FY22			9,973.00			9,973.00			9,973.00
			258,747.27			227,736.35			212,931.35
No. of Shares (mns)			355.00			355.00			355.00
Value Per Share			**728.87**			**641.51**			**599.81**
Upside			49%			31.5%			23%

Valuations and Outlook: We value the stock on SOTP basis as shown in the table above and even considering 10% discount to our PE multiple (of 50x in FY22) we value Trent standalone business at 45x FY22 earnings and arrive at a target price of Rs 600 (on SOTP basis) in bear case scenario i.e. an upside of 13%.

The future prospects of the business remain intact and the company can grow at a CAGR of 20% for a couple of years. The recent infusion of Rs 9500mn by the promoters was at Rs 410 which would help the company to meet its aggressive capex targets and maintain the Net Debt free status of the company.

8. Mahindra Logistics (MLL) (CMP RS 285)

In case of Mahindra Logistics ~63% of the business is dependent on auto. Anchor client i.e. Mahindra contributes ~54% of revenues. Post Festive season blip i.e. after October 2019 the overall auto business slowed down on account of general demand slowdown, transition to BS6 and now corona virus.

Vehicle purchase is a discretionary spend items and can be delayed in these uncertain times like these.

Sequential progress on hopes of pick-up in activity to make BS6 supply chain ready and reduction in plant shut-downs, has lost momentum due to corona virus impacting economic activity.

Hence, we re-worked our base case as well and revised our numbers downwards, since in auto the revival will take its own time.

Mahindra Logistics (In INR mn)	As per Q3Y20 Update			Base Case			Bear Case		
Particulars	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Revenue	36,527.00	42,000.00	49,428.00	35,675.00	40,678.00	47,714.00	35,675.75	39,082.00	44,640.00
Growth	*-5.20%*	*15.0%*	*17.7%*	*-7%*	*14.0%*	*17.3%*	*-7.0%*	*9.5%*	*14.2%*
EBIDTA	1,655.00	2,046.00	2,529.00	1,536.00	1,859.00	2,286.00	1,536.00	1,728.00	2,068.00
Growth	*9.40%*	*23.6%*	*23.6%*	*2%*	*21.0%*	*23.0%*	*2.0%*	*12.5%*	*19.7%*
PAT	610.00	915.00	1,257.00	523.00	775.00	1,072.00	523.00	678.00	908.00
Growth	*-29%*	*50.0%*	*37.4%*	*-39%*	*48.2%*	*38.3%*	*-39.0%*	*29.6%*	*33.9%*
EPS	8.54	12.81	17.60	7.30	11.38	15.00	7.30	9.50	12.70
CMP	275								
P/E	32.2	21.5	15.6	37.7	24.2	18.3	37.7	28.9	21.7
Valuations @ 25x FY22		440			375			318	
Upside		60%			36%			15%	
DCF		510			403			347	
Upside		85%			47%			26%	

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Our **BASE CASE** scenario assumes that on a low base of 16% de-growth in Mahindra-Supply Chain Management (SCM) (54% of revenues) business will pick-up and witness a double-digit growth in FY21 and FY22 and still just reach back to the levels it recorded in FY19.

Even Non- MNM SCM business (~35% of revenues) is expected to form a low base in FY20, hence 20%+ revenue CAGR is a possibility for FY21 and FY22.

Overall, for 9MFY20 revenues de-grew by 6% and PAT by 27%. For full year FY20 we expect Revenues to decline by 7% and PAT by 39% which is also to some extent on account of IND-AS 116 impact which increased the interest and depreciation cost.

PAT growth over FY20 to FY22 is expected to be 45% since EBIDTA margins will improve and with no major capex and '0' debt on books interest cost (only on account of IND-AS 116) and depreciation will grow much lower than EBIDTA growth.

Bear Case: In terms of bear case we assume Auto business remains subdued in FY21 as well and thus MNM SCM grows only by 5% and the NON-Mahindra SCM business too is expected to grow only by 15% as economic activity picks up at slow pace. The real revival is expected only in FY22 where-in the Auto MNM SCM business is expected to grow in double digit and NON MNM SCM business also grows at 20%.

Outlook and Valuations: MLL business is expected to remain subdued in the coming quarters however considering the fact that it is one of the true 3PL logistics player in India, consolidation of warehouses and inventory management is still a big opportunity in the NON MNM space.

The management has got long-term logistics and warehouse management work from marque clients such as Asian paints, HUL, ABB and so on and with the experience bandwidth many more are easily possible.

This stock has corrected almost 50% from its 52wk high and also available below its IPO price of Rs 425. The company is professionally run and has debt free status.

At CMP of Rs 275 on a bear case it is available at 21.5x its FY22e earnings. Based on our Discounted Cash Flow model we arrive at a target price of Rs 347 on bear case basis.

9. Biocon Ltd (CMP Rs 252)

Biocon's revenues are divided into 4 segments namely Biologics (32%), Small molecules (33%), Contract Research – Syngene (29%) and Branded Formulations (6%).The Small molecules (33% of sales, 9MFY20 Rs 15.3 bn) business is dependent on raw material imports from China. We have lowered our growth estimate for Small molecules from 12% to 5% in FY21, in case of lack of raw material availability due to trade disruption.In case of Biologics, **Biocon exports to US, Europe and the ROW markets**. While there is no dependence on China for Biologics, we assume delayed uptick in Biologics from 48% to 17% in FY21 and restored growth in FY22.

In the **contract research segment (Syngene), the international trade disruptions could lead to slower execution of projects** marginally impacting the topline as well as bottom-line. Further, Syngene's Mangalore plant would have been certified by regulatory authorities in FY21 and may see a lower activity in manufacturing.

Particulars	FY21E	FY21(O)	% Change	FY22E	FY22E (O)	% Change
Biologics	27014	34163	-21%	39361	40,387	-3%
Small Molecules	21407	22834	-6%	23,547	25,117	-6%
Branded Formns	5721	5858	-2%	6,007	6,151	-2%
Contract Research	24913	25993	-4%	29,896	31,609	-5%

BIOCON	Q3FY20			Base Case Scenario			Bear Case Scenario		
(In INR MN)	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	68367	86562	107290	68367	86562	107290	68193	76768	96380
Growth Y-o-Y	24.00%	26.61%	23.95%	24.00%	26.61%	23.95%	24.00%	12.57%	25.55%
EBITDA	17744	22972	29984	17744	22972	29984	17639	16939	22835
Growth Y-o-Y	27.00%	29.46%	30.52%	27.00%	29.46%	30.52%	27.00%	-3.97%	34.81%
EBITDA Margins	25.95%	26.54%	27.95%	25.95%	26.54%	27.95%	25.87%	22.07%	23.69%
PAT	8869	12213	16903	8869	12213	16903	8789	7688	11541
Growth Y-o-Y	24.00%	37.70%	38.40%	24.00%	37.70%	38.40%	24.00%	-12.53%	50.12%
EPS	7.4	10.2	14.1	7.4	10.2	14.1	7.4	6.4	9.6
P/E	34.05	24.71	17.87	34.05	24.71	17.87	34.05	39.38	26.25
Price Target		369			369			338	
Upside from CMP		46%			46%			34%	

Outlook @ Rs 252 Reducing EV/EBITDA multiple for small molecules from 15x to 12x, Biologics at 22x FY22E and 15x Contract Research (Syngene), we arrive at a target price of Rs 338. **We maintain our BUY rating on Biocon.**

10. Syngene International Ltd (CMP Rs 250)

For 9MFY20, Syngene sales and EBITDA growth was at 9%. PAT growth was at 4% due to higher depreciation. We expect no impact on the company for FY20, as Q4 is the best quarter. **In the Base case,** we assumed 21% and 24% topline growth in FY21 & FY22, due to robust demand and value added services across dedicated centres, discovery services and development and manufacturing. We assumed EBITDA growth of 25% and 31% in FY21 and FY22 due to value added services. We assumed EBITDA margins of 29.8% and 31% in FY21 and FY22, the margin improvement due to better product mix. PAT was to grow at 20% and 44% in FY21 and FY22 due to additional business from the Mangalore plant.

In the **BEAR CASE**, for FY21, we have assumed that international trade disruptions could lead to slower execution and procurement of research projects impacting the topline as well as bottom-line. We have reduced our growth estimate from 21% to 18% in FY21 and 24% to 20% in FY22.

Further, **Syngene's Mangalore plant for specialized APIs would have been certified by regulatory authorities in FY21 and may see a lower activity in manufacturing in FY22**. In view of increased overheads, we expect a lower EBITDA growth of 17% and 23% in FY21 and FY22, with EBITDA margins of 28-29%. We expect PAT growth of 9% and 33% in FY21 and FY22.

SYNGENE		Q3FY20			Base Case Scenario			Bear Case Scenario	
(In INR MN)	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	21,177.00	25,591.00	31,609.00	21,177.00	25,591.00	31,609.00	21,177.00	24,913.00	29,896.00
Growth Y-o-Y	16.00%	20.84%	23.52%	16.00%	20.84%	23.52%	16.00%	17.64%	20.00%
EBITDA	6,091.00	7,629.00	10,024.00	6,091.00	7,629.00	10,024.00	6,091.00	7,138.00	8,782.00
Growth Y-o-Y	12.00%	25.25%	31.39%	12.00%	25.25%	31.39%	12.00%	17.19%	23.03%
EBITDA Margins	28.76%	29.81%	31.71%	28.76%	29.81%	31.71%	28.76%	28.65%	29.38%
PAT	3,556.00	4,282.00	6,171.00	3,556.00	4,282.00	6,171.00	3,556.00	3,889.00	5,177.00
Growth Y-o-Y	7.00%	20.42%	44.11%	7.00%	20.42%	44.11%	7.00%	9.36%	33.12%
EPS	8.9	10.7	15.4	8.9	10.7	15.4	8.9	9.7	12.9
P/E	28.31	23.55	16.36	28.31	23.55	16.36	28.31	25.98	19.53
Price Target		384			384			330	
Upside from CMP		54%			54%			32%	

Outlook @ Rs 250: Syngene is one of the leading contract research organizations (CRO) in India. **Fundamentally there is a robust demand for research services from the developed markets.** The disruption in trade and the spread of COVID 19 in US and Europe has created a fear adding to the temporary slowdown. We believe there may be a marginal impact for 2-3 quarters, followed by a sharp recovery thereafter.

Reducing our EV/EBITDA multiple from 18x to 15x FY22E, and P/E multiple from 30 to 25x, we arrive at a target price of Rs 330, indicating an upside of 30%. **We retain our BUY rating on Syngene.**

11.Pfizer India Ltd (CMP Rs 4026)

We do not expect any impact on Pfizer's business due to COVID 19. Hence no change in estimates. For 9MFY20, Pfizer sales growth was 7%, EBITDA growth 12% and PAT growth at 27%, in view of lower taxes in FY20. It is an India focused company and thus not heavily dependent on imports.

Company is achieving growth through new launches, including patented products. Pfizer relaunched MINIPRESS XL and ZIMFORO in the Indian market in Q3FY20. Expect traction from the launch in the coming quarters.

Pfizer to benefit from higher sales of Becosules due to the health issues in the Indian market. Becosules is amongst the top 3 products comprising 15% of sales.

PFIZER (In INR Mn)	FY20E	FY21E	FY22E
Sales	**22,896.50**	**25,186.20**	**27,704.80**
% growth	10%	10%	10%
EBITDA	**6,404.70**	**7,015.30**	**7,820.50**
% growth	13%	10%	11%
PAT	**5,220.90**	**6,150.60**	**6,886.20**
% growth	22%	18%	12%
EPS	**114.1**	**134.4**	**150.5**
P/E	36.5	30.94	27.63

The company expects growth in line with the industry going forward. Pfizer benefits from largest contribution of patented products (20%) to sales, leading to higher profitability compared to peers.

Outlook @ Rs 4026: We retain our BUY rating on Pfizer, with a target price of Rs 5005 i.e upside of 24%.

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