Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	29,894	-0.6	-27.5
Nifty-50	8,749	-0.5	-28.1
Nifty-M 100	12,144	1.8	-29.0
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	2,750	3.4	-14.9
Nasdaq	8,091	2.6	-9.8
FTSE 100	5,678	-0.5	-24.7
DAX	10,333	-0.2	-22.0
Hang Seng	9,682	-1.7	-13.3
Nikkei 225	19,353	2.1	-18.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	28	3.8	-58.1
Gold ($/OZ)	1,646	-0.1	8.5
Cu (US$/MT)	4,978	-0.8	-19.0
Almn (US$/MT)	1,426	-1.0	-20.0
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	76.3	0.9	6.9
USD/EUR	1.1	-0.3	-3.2
USD/JPY	108.8	0.1	0.2
YIELD (%)	**Close**	**1MChg**	**CYTDchg**
10 Yrs G-Sec	6.4	0.03	-0.1
10 Yrs AAA Corp	7.6	0.03	-0.1
Flows (USD b)	**8-Apr**	**MTD**	**CYTD**
FIIs	0.25	-0.04	-6.90
DIIs	-0.23	-0.16	10.21
Volumes (INRb)	**8-Apr**	**MTD***	**CYTD***
Cash	602	477	441
F&O	11,622	9,036	14,959

Note: *Average

Today's top research idea

InterGlobe Aviation: Keep your seat belt fastened!

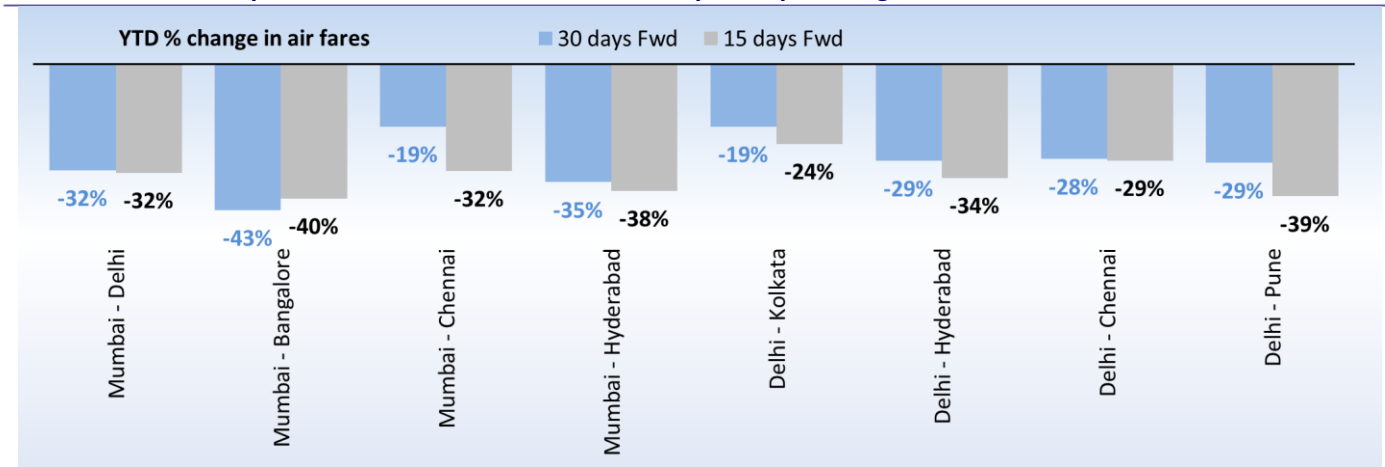
- As the nationwide lockdown end date approaches near (15th Apr'20), many airlines have started accepting advance bookings. In this note, based on our interactions with various industry experts, we highlight various issues/challenges that INDIGO might face on its flight back to normal operations.
- According to our airfare tracker, post the lockdown, domestic operations (mainly on key/metro routes) should see a staggered start to operations. Indian carriers are using a hawk-eyed approach in resuming domestic operations; however, the rate of PLFs will be a key concern. The tracker also suggests that YTD average yield across metro routes has declined by ~30% for both 30-day/15-day ticketing window. For Indian carriers, typically 1Q is the strongest period while 2Q is a weak quarter. In this fiscal, as the lockdowns/shutdowns are playing out in 1Q, we expect gradual improvement in the dynamics of the Indian aviation industry only from 3QFY21.

Research covered

Cos/Sector	Key Highlights
InterGlobe Aviation	Keep your seat belt fastened!
Capital Goods	Short-cycle businesses brace for sharp revenue drop
Titan Company	COVID-19-led lockdown weighs on performance
Marico	Revenue decline and unfavorable mix to impact EBITDA
Info Edge	18% YoY drop in hiring activity on Naukri.com – Mar'20
MAS Financials	Liquidity and asset quality – key priorities
Technology	ISG shares weak outlook for traditional sourcing
Expert Speak	CONSUMER: Lockdown an urban phenomenon, rural seeing staggered impact
	LOGISTICS: COVID-19 impact on logistics sector
	AGRO CHEMICALS: Labor/logistical issues restraining pesticide manufacturing

Chart of the Day: InterGlobe Aviation (Keep your seat belt fastened!)

From Airfare tracker – yields have declined ~30% for both 30-day/15-day ticketing window



Source: Ticket portal, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

To help small firms India seen unveiling 2nd coronavirus stimulus worth $13 billion

A second stimulus package India is poised to announce in coming days will be worth around Rs 1 lakh crore ($13 billion) and focus on help for small and medium businesses weathering the coronavirus outbreak, two senior officials said on Wednesday…

2

Lockdown: Govt to soon issue guidelines for real estate sector

The government will soon issue guidelines and regulatory measures to help the real estate sector in dealing with the crisis triggered by the Covid-19 outbreak, Housing and Urban Affairs Secretary Durga Shanker Mishra said on Wednesday. With construction work on projects suspended because of the nationwide lockdown, he asked builders to help the labourers working on their sites…

3

Make private Covid-19 tests free, says Supreme Court

The Supreme Court asked the government to make Covid-19 testing by private laboratories free of charge in an interim order. Private lab charges are capped at ₹4,500 apiece while the test is free at government facilities…

4

RBI tells HDFC Bank to pause appointment of two directors till new CEO is on board

The Reserve Bank of India has directed HDFC Bank to keep in abeyance the appointment of two directors from among its executives saying that the choice of candidates should be left to the incoming chief executive…

5

Govt to release ₹18,000 crore tax refunds to businesses, people

The finance ministry will immediately release ₹18,000 crore in tax refunds to individuals and businesses to provide relief against the backdrop of the covid-19 pandemic, it said on Wednesday…

6

Rajasthan High Court allows UltraTech plea

In a major relief for UltraTech Cement, the Rajasthan High Court has struck down the demand raised by the Goods and Services Tax (GST) Department against the company for unpaid dues of Binani Cement. The court termed the demand illegal and arbitrary…

7

Lemon Tree Hotels undertakes pay cuts for senior leadership

Patu Keswani, chairman of listed hospitality chain Lemon Tree Hotels has sent an email to his employees stating in order to ensure job security to all staff members, the chain is undertaking salary cuts for the management or leadership teams…

InterGlobe Aviation

BSE SENSEX	S&P CNX
29,894	8,749

Stock Info

Bloomberg	INDIGO IN
Equity Shares (m)	384
M.Cap.(INRb)/(USDb)	377.2 / 4.8
52-Week Range (INR)	1911 / 765
1, 6, 12 Rel. Per (%)	3/-26/-8
12M Avg Val (INR M)	2956
Free float (%)	25.1

Financials Snapshot (INR b)

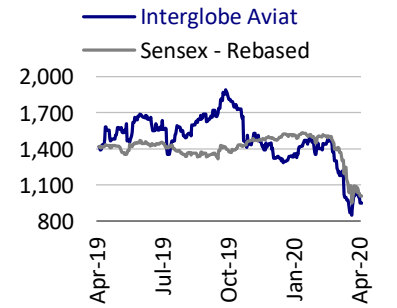
Y/E March	2020E	2021E	2022E
Sales	353.3	320.9	474.2
EBITDAR	54.7	13.7	95.9
NP	4.8	-28.6	31.2
EPS (INR)	12.5	-74.3	81.2
EPS Gr. (%)	NM	-	-
BV/Sh (INR)	190.2	133.8	195.5
Ratios			
Net D:E	0.6	0.4	-0.9
RoE (%)	6.8	-45.9	49.4
RoCE (%)	9.7	-4.8	18.2
Payout (%)	24.0	24.0	24.0
Valuations			
P/E (x)	79.8	-13.5	12.3
P/BV (x)	5.3	7.5	5.1
Adj.EV/EBITDAR(x)	8.4	32.5	3.8
Div. Yield (%)	0.3	-1.5	1.6
FCF Yield (%)	-26.3	4.4	26.6

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	74.9	74.9	74.9
DII	5.7	5.4	5.4
FII	15.3	15.5	14.9
Others	4.2	4.3	4.7

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR990 TP: INR1,300 (+31%) Neutral

Keep your seat belt fastened!

As the nationwide lockdown end date approaches near (15th Apr'20), many airlines along with InterGlobe Aviation (INDIGO) have started accepting advance bookings. However, the Director General of Civil Aviation (DGCA) has not yet issued a clear directive on resumption of operations.

In this note, based on our interactions with various industry experts, we highlight various issues/challenges that INDIGO might face on its flight back to normal operations.

Domestic operations start, but speeding off may get difficult

- As India moves out of the lockdown on 15th Apr'20, domestic operations are expected to start in a phased manner; however, international operations should still remain closed due to various travel ban advisories.
- **According to our airfare tracker, post the lockdown, domestic operations (mainly on key/metro routes) should see a staggered start to operations.** Indian carriers are using a hawk-eyed approach in resuming domestic operations; however, the rate of PLFs will be a key concern.
- **The tracker also suggests that YTD average yield across metro routes has declined by ~30% for both 30-day/15-day ticketing window.** Note that the steep decline is on the already under-pressure metro routes, which would lead to higher break-even PLFs for the respective carriers.
- **For Indian carriers, typically 1Q is the strongest period while 2Q is a weak quarter. In this fiscal, as the lockdowns/shutdowns are playing out in 1Q, we expect gradual improvement in the dynamics of the Indian aviation industry only from 3QFY21.**

International takeoffs grappling with travel bans

- The spread of the Coronavirus (COVID-19) epidemic has greatly impacted global travel and aggravated the slowdown in the aviation industry.
- **All countries where INDIGO operates have shut their borders for foreign travelers until further notice.**
- Even if travel bans are discontinued, we believe that progress for the airlines would occur in a staggered manner. For instance, only transit passengers allowed (within airports) or self-quarantine if they want to enter any country, which is a big dampener for international travel.
- **India's business travel spends currently stand at just ~5.2%** (v/s world's 21.5%), further highlighting subdued recovery in international demand.
- International operations constitute ~22% (ASK-9MFY20) for INDIGO, which is likely to see extended impact of the shutdown in operations. The lack of visibility on foreign travel could also challenge INDIGO's ASK growth plan (at 20% for FY21 with ~50% deployment on international routes).

Enough cash, but erosion could be quick

- Cash on INDIGO's books at end-3QFY20 stood at ~INR201b (~INR94b of free cash and ~INR107b of restricted cash).
- **The cash is sufficient for the company to run operations for another 5 quarters** (~2 quarters on free cash and ~3 quarters on restricted cash), assuming ~10% average salary cut for all its employees (detailed salary cut in the article).
- Even in such tough times, we expect INDIGO to continue enjoying the highest domestic market share (~48% in Feb'20) in India as other carriers face the challenge of operational existence.
- **However, flying with lower PLFs would turn on the tap of variable cost and will lead to more cash erosion than in the above stated environment.**
- Also, cost for airlines can significantly rise due to offering COVID-19 related hygiene products on board, along with meeting various other compliance requirements of different countries.
- **For instance, China has capped PLFs to 75% only, while Thailand has asked for sanitization of the entire plane before the next takeoff, which takes ~45mins, affecting an aircraft's block hours/utilization.**

Valuation and view

- **Apart from the above stated challenges, vulnerabilities to the company's profitability could be higher** led by high sensitivity to (a) ticket yield, (b) PLF, and (c) crude price assumption; note that material change to any of these will impact our estimates.
- **We have highlighted a conservative scenario analysis** of various legs of revival in domestic operations combined with international operations in exhibit 3.
- The stock has already corrected ~35% in the last 45 days; however, **we believe that stability in operations would be lagged until 3QFY21.**
- Globally, various airline companies have withdrawn their earnings guidance (link) indicating uncertainty in the aviation industry. Likewise, even we remain keen on hearing management guidance and commentary before taking a leap of faith in the industry/stock. **We maintain Neutral on the stock**.

Capital Goods

Fixed cost analysis

INR b	TFC (excl. Dep.)	as % of rev	Cash coverage of TFC (in months)
Siemens	23.5	17.1	25
ABB	9.3	12.7	21
Cummins	7.7	13.6	15
Thermax	10.4	17.4	13

Target price changes

Company	Earlier TP	Current TP	Rating
L&T	1,320	1,320	Buy
ABB	1,410	1,255	Buy
Siemens	1,520	1,450	Neutral
Cummins	670	360	Neutral
Thermax	855	865	Neutral
BHEL	40	22	Neutral

Source: MOFSL, Company

Short-cycle businesses brace for sharp revenue drop

Capex plays appear more vulnerable due to leverage and high working capital

- **Short-cycle businesses set to witness plunge in order inflows / revenue over next six months:** While we remain structurally positive on short-cycle businesses (ABB and Siemens) owing to their technological advantage, digitalization and automation theme, and robust balance sheet, we brace for the risk of order inflows and revenue plummeting in the near term. We note that ABB's OB/Rev stood at 0.6x and that of Siemens at 0.9x at Dec'19 end. We expect order inflows to decline sharply in the 4QFY20/1QFY21 quarters and revenue to plunge in the subsequent two quarters. We expect short-cycle businesses to rebound sharply once the situation improves; however, it is difficult for us to predict recovery in timelines in the near term.
- **Plant closures to weigh on Industrial Automation:** Various manufacturing units across sectors, including automobile and cement, have suspended operations until mid-April owing to the COVID-19 lockdown. The suspension may be extended depending on the situation. The same has been cited as a risk factor by various business leaders across companies. In our view, such a move would weigh heavily on the Industrial Automation business and hence we have lowered our estimates for the same.
- **Robust balance sheets provide comfort on strong comeback subsequently:** A positive of such short-cycle businesses is their net cash balance sheets, which help in maintaining low fixed cost v/s that of highly levered players. Companies with stronger balance sheets would be able to ride out such uncertain times of cash flow mismatch.
- **Continued preference for net cash balance sheets and low working capital cycle:** Within our coverage universe, we prefer companies with net cash balance sheets and those with superior working capital (WC) cycles as they are relatively better placed. In comparison, companies with high leverage/WC may face short-term challenges in cash flow management and require support from government agencies (for payment) or banks (for easing interest and principal payments).
- **Low fixed cost businesses with high cash balances prove better off:** In these uncertain times, as a part of stress testing, we have attempted to approach our coverage universe based on the balance sheet ability to absorb fixed cost. Siemens and ABB stand out as they have low fixed costs and the highest cash balances, thereby enabling them to absorb the shock from economic downturn, if any, for a considerable time. Also, their strong global parentage provides additional comfort to us. Thermax has relatively high fixed cost, which may require some addressing if the situation worsens. L&T has multiple levers to ride out the crisis situation; however, it is likely to witness the worsening of WC in the near term. Moreover, the development business, such as road, metro, and power projects, may require cash funding.
- **Top picks:** We have cut our FY20–22E earnings estimates across our coverage universe by 0–37% (refer to Exhibit 24). We believe L&T, ABB, and Siemens are better placed to navigate the current turbulent times. We maintain our Buy rating on L&T and ABB and Neutral rating on Siemens, Cummins, BHEL, and Thermax.

Titan Company

BSE SENSEX	S&P CNX
28,265	8,254

Stock Info

Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USDb)	831.6 / 11
52-Week Range (INR)	1390 / 720
1, 6, 12 Rel. Per (%)	1/-1/11
12M Avg Val (INR M)	3000
Free float (%)	47.1

Financials Snapshot (INR b)

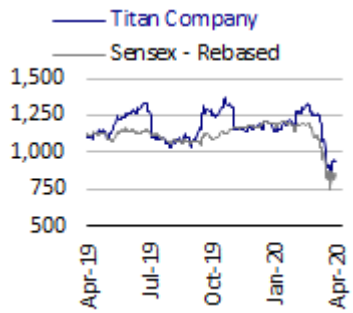
Y/E Mar	2019	2020E	2021E
Net Sales	197.8	218.6	256.7
Sales Gr. (%)	22.7	10.5	17.4
EBITDA	19.9	24.9	30.6
Margin (%)	10.1	11.4	11.9
PAT	13.9	16.2	20.2
EPS (INR)	15.7	18.3	22.7
EPS Gr. (%)	24.0	16.6	24.5
BV/Sh (INR)	68.5	68.8	81.3
RoE (%)	24.9	26.6	30.3
RoCE (%)	25.5	28.4	32.1
P/E (x)	58.3	50.0	40.2
P/BV (x)	13.3	13.3	11.2

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	52.9	52.9	52.9
DII	9.3	8.8	8.4
FII	18.3	18.8	18.5
Others	19.5	19.5	20.3

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR914 TP: INR1,320 (+41%) Neutral

COVID-19-led lockdown weighs on performance

Titan Company Ltd (TTAN) has released its pre-quarterly update for 4QFY20. Here are the key highlights:

COVID-19 disruption: Closure of all stores drastically impacts sales

- In the early stages of the COVID-19 outbreak, it was believed the pandemic may be restricted to China; therefore, the concern was essentially regarding supply chain disruptions. However, as the virus spread and WHO deemed it a pandemic, sales began to plunge in March, particularly in the Watches division.
- **All stores were closed on 22nd March due to the Janta Curfew and continue to remain closed post the nation-wide lockdown announced midnight onward on 24th March.**
- **Consequent to serious disruptions in March operations, revenue growth for the quarter as well as the year has been impacted severely.** TTAN is working out a strategy to manage this crisis, with particular focus on ensuring adequate liquidity is available until normalcy returns. Cost would be another major focus area for the company in these trying times.
- TTAN is reaching out to all associates, vendors, and other business partners to ensure they are capable of managing the crisis and ensuring salaries are being paid to all employees, direct and indirect, on time. The company is also ensuring there are no disruptions in payments to vendors, particularly MSMEs.

Jewelry: COVID-19-led lockdown leads to sales decline despite robust growth in Jan and Feb

- **Revenue for the division declined 5% due to lost sales in the month of March. Revenue growth in Jan and Feb stood at around 16.5%.**
- The diamond-studded jewelry activation in the quarter did well, and wedding jewelry sales remained good until the disruption.
- In FY20, the division added 40 Tanishq stores, one Zoya store, and eight Mia stores for the year to date on net basis, with the retail space addition being ~151,000 sq. ft.
- Mr Sandeep Kulhalli, Sr VP Sales and Marketing for the Jewelry division retired on 31st March and was succeeded by Mr Arun Narayan, a long-time employee of Titan.

Watches: Marginal growth despite disruption

- **The division grew 1% despite significant loss in sales in March.**
- E-commerce was the fastest growing channel for both Q4 and FY20.
- Retail sales in large format stores or LFS (Shop-in-shops) also increased, well-aided by activation sales for Valentines' Day and new product introductions.
- Titan Connected X, a full touchscreen smartwatch with analog hands, was announced at the division's first wearables showcase, 'Titan NXT,' held in Bangalore.
- In FY20, the division added 13 WOT, 11 Fastrack, and 16 Helios stores on net basis, adding ~15,000 sq. ft. of retail space.

- Mr Ravi Kant, CEO of the Watches division, retired on 31st March 2020 after serving at Titan for 32 years. He took over as CEO of the Watches division in 2015 and has led its journey and turnaround in the last five years. Ms Suparna Mitra, Head of Sales & Marketing for the Watches division, who has spent 20 years in the company, has been appointed CEO of the division.

Eyewear: Lockdown leads to plunge in already struggling division

- **The division struggled to achieve growth in the quarter, primarily due to decline in trade channels, but the disruption in March led to a 20% drop in revenues for the quarter. Growth for Jan and Feb came in flat.**
- 'Smart Sunglasses' was launched during the quarter. Under the Fastrack brand, three new collections were launched for Sunglasses: 'Go Skate', 'Blockers', and 'Blends.'
- In lens, the 'Clear Sight' collection with improved functionalities was launched in the quarter.
- The division added 47 stores during the year to date on net basis, adding ~31,000 sq. feet of retail space.

New businesses

- Other businesses expanded robustly at 42% during the quarter over the same period last year.
- *Fastrack* perfumes: This division continued to increase its distribution reach and is now available across over 1,800 outlets and e-commerce channels.
- *Taneira*: This division opened two stores during the quarter, one each in Mumbai and Bangalore, taking the total store count to 12, covering five cities. The brand launched 'Chakra', an in-house designed workwear collection.
- *CaratLane*: This brand was significantly impacted by the lockdown as many its stores located in malls were shut in early March. CaratLane's growth in Jan and Feb came in strong at 48%, but the disruption in March resulted in 18% growth in the quarter. CaratLane launched two diamond jewelry collections in Q4, Mandala and Royal Romance, both of which were well-received by customers. It also opened 10 new stores during the quarter, taking the total count to 92 by the end of the year.

Other points

- Titan Engineering and Automation Limited (TEAL) had a very good quarter, with 39% growth for the quarter and 35% for the financial year. The Automation as well as Aerospace and Defense divisions did exceptionally well during the year.

Valuation and view

The COVID-19-led disruption was expected to strongly impact business performance, especially due to the Titan brand's extensive presence in malls, which were shut down even prior to the lockdown. Even after the lockdown ends, the footfall in malls is likely to be low as people continue to maintain social distancing. It would be interesting to hear the management commentary on the road ahead. We would prefer to wait and watch in the current scenario as there is no clarity on when the lockdown will be lifted. We are yet to incorporate the impact of the lockdown in our estimates. Based on our last estimate, the stock trades at 40.2x/31.1x FY21E/FY22E EPS of INR22.7/29.4. While our rating on the stock is **Neutral**, its longer term topline and earnings opportunity remains attractive.

Marico

BSE SENSEX	S&P CNX
28,265	8,254

Stock Info

Bloomberg	MRCO IN
Equity Shares (m)	1,290
M.Cap.(INRb)/(USDb)	342.2 / 4.7
52-Week Range (INR)	404 / 234
1, 6, 12 Rel. Per (%)	15/-5/3
12M Avg Val (INR M)	781
Free float (%)	40.4

Financials & Valuations (INR b)

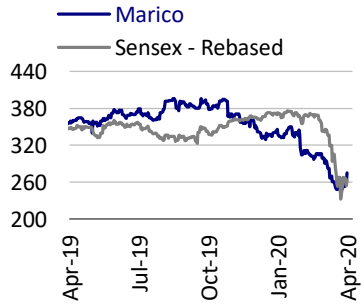
Y/E March	2019	2020E	2021E	2022E
Sales	73.3	74.1	80.3	91.4
Sales Gr. (%)	16.0	1.1	8.3	13.9
EBITDA	12.8	14.7	14.2	16.2
Margin (%)	17.5	19.9	17.7	17.7
Adj. PAT	9.3	10.5	10.1	11.5
Adj. EPS (INR)	7.2	8.1	7.8	8.9
EPS Gr. (%)	14.3	12.5	-3.7	14.6
BV/Sh.(INR)	23.2	28.8	32.5	35.0
Ratios				
RoE (%)	33.6	31.2	25.5	26.5
RoCE (%)	31.0	29.3	24.2	25.1
Payout (%)	76.0	79.4	82.4	72.0
Valuations				
P/E (x)	40.2	35.8	37.1	32.4
P/BV (x)	12.5	10.1	8.9	8.3
EV/EBITDA (x)	28.7	24.4	25.2	22.0
Div. Yield (%)	2.3	2.2	2.2	2.2

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	59.6	59.6	59.7
DII	9.7	8.8	6.0
FII	23.9	25.0	26.5
Others	6.8	6.6	7.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR290 TP: INR315(+9%) Buy

Revenue decline and unfavorable mix to impact EBITDA

Marico (MRCO) has released its pre-quarterly update for 4QFY20. Key highlights from the release:

- **Macro view:** In view of the nation-wide lockdown, all offices across India have been shut down and all employees are working from home using remote access, virtual private network and enterprise communication platforms. In line with the directives from Government authorities, **production at units that manufacture essential food and grocery products continues at a much reduced scale,** while deploying the highest safety standards**. Production is currently suspended at the company's other manufacturing units and shall commence as and when Government approvals to that effect are received**. **The distribution network has also been significantly impacted due to lack of manpower at each point.** MRCO is focusing on movement of essential food and grocery items to consumers subject to necessary approvals from local Government authorities. The company is striving to ensure uninterrupted supplies of essential products to customers across channels within the existing constraints.
- **Domestic business:** In the India business, early signs of improvement across categories seen until early-Mar'20 were more than offset by disruptions in the last 12 days due to lockdowns in some states, which culminated into the first-ever national lockdown to contain the outbreak of COVID-19. During the impacted period, the company managed to register sales largely in the Edible Oils and Foods portfolio. The continued healthy growth in the *Saffola* portfolio was further topped up by households stocking up food and essential items in the early stages of the outbreak. **Overall, the India business posted a low single-digit volume decline in the quarter**, with skewed high growth in the *Saffola* portfolio. However, **overall secondary growth in the quarter was in low single-digits, as the primary movement of goods was relatively more impacted during the lockdown period. Value growth for the business continued to trail volume growth.** Traditional trade, which was already reeling under liquidity constraints, was further weakened. However, Modern Trade and E-Commerce still managed to stay on the growth path.
- **International business impacted:** With COVID-19 being declared a pandemic, MRCO's international businesses were also affected. **With many of the territories experiencing partial/complete lockdown in Mar'20, international business recorded mid-single-digit decline on constant currency basis**.
- **Margin likely to be impacted:** Revenue decline (both in India/International) coupled with an unfavorable mix in the India business, should translate into modest EBITDA decline this quarter v/s the corresponding quarter last year.

- **Company outlook:** MRCO has started an aggressive cost management exercise to mitigate the impact of reduced sales. It will continue to drive sustained profitable volume-led growth over the medium term, through its focus on strengthening the franchise in its core categories and driving the new growth engines toward gaining critical mass.
- **Valuation and view:** Two factors underpinning our investment case on MRCO are (1) FY21/ FY22E valuations of 37.1x FY21 EPS and 32.4x FY22E lower than 3-year/5-year/10-year average of 44.8x/42.9x/35.4x, and (2) benign raw material costs YoY. Our forecasts are conservative as we have assumed copra price inflation in 2HFY21E; due to this, EBITDA margin would be lower in FY21E. If copra inflation does not come through, upside risk to our forecasts is significant. Given the uncertain environment, we are attributing a target multiple of 35x, close to its 10-year average.

Info Edge

BSE SENSEX	S&P CNX
29,894	8,749

infoedge

Stock Info

Bloomberg	INFOE IN
Equity Shares (m)	104
M.Cap.(INRb)/(USDb)	275.8 / 3.8
52-Week Range (INR)	3125 / 1580
1, 6, 12 Rel. Per (%)	5/17/44
12M Avg Val (INR M)	747
Free float (%)	59.5

Financials & Valuations (INR b)

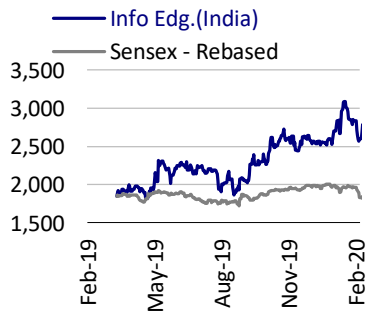
Y/E Mar	2020E	2021E	2022E
Net Sales	12.5	12.1	14.6
EBITDA	3.9	3.1	3.8
NP	2.4	2.8	3.5
EPS (INR)	19.8	23.0	28.2
EPS Gr. (%)	-13.5	15.9	22.7
BV/Sh. (INR)	204.2	216.6	230.6
RoE (%)	13.7	11.0	12.7
RoCE (%)	13.7	11.0	12.6
Payout (%)	35.6	46.7	50.8

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	40.5	40.6	41.2
DII	12.9	14.1	16.4
FII	36.4	34.8	31.3
Others	10.3	10.6	11.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR2,268 TP: INR2,400(+6%) Neutral

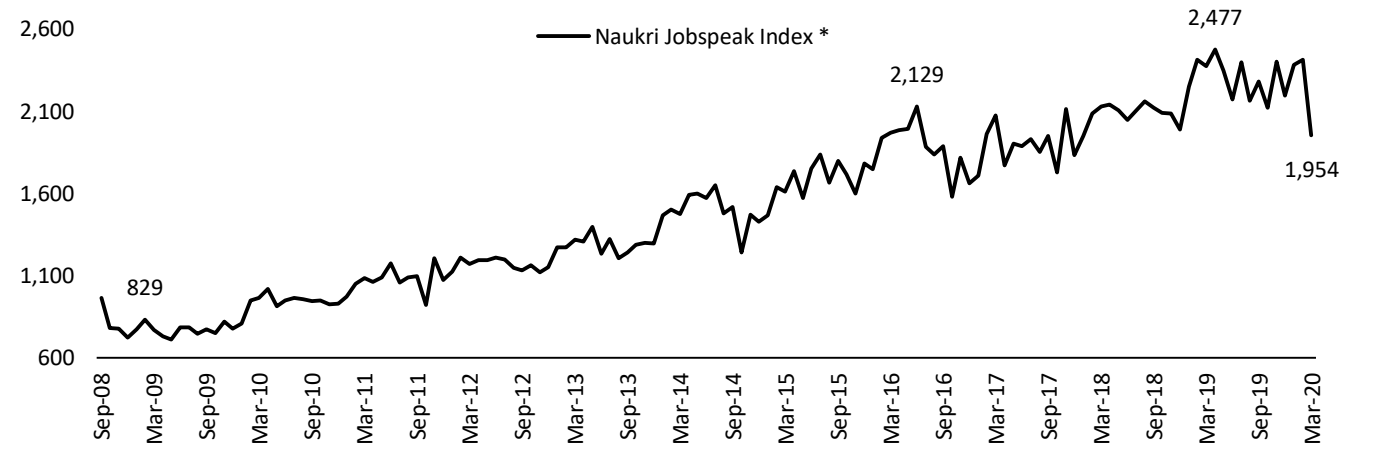
18% YoY drop in hiring activity on Naukri.com – Mar'20

Naukri.com publishes monthly hiring trends, with details across experience levels, sectors, and geographies. Appended below are the key highlights observed as of Mar'20. Note that Naukri JobSpeak Index indicates the newly added job listings on the portal. This represents the white collar hiring activity in the country as Naukri has >70% market share in the same.

- The Naukri JobSpeak Index for Mar'20 marked **decline of 18% in hiring activity** against that in Mar'19. On a monthly level, this implies a 19% drop.
- Hiring activity had shown early signs of slowing down from January itself, but the plunge came only in March. The first 20 days of Mar'20 saw just a 5% fall. However, due to the nationwide lockdown, a substantial drop was observed in recruitment activity in the last 10 days of the month, resulting in an overall drop of 18% in hiring.
- The decrease in hiring activity was led by industries such as Hotel/Restaurant/Travel/Airlines (-56%), Retailing (-50%), Auto/Ancillary (-38%), Pharma (-26%), Insurance (-11%), Accounting (-10%), IT-Software (-9%), and BFSI (-9%).
- Decline in new jobs was consistent across geographies. Delhi slipped by 26%, followed by Chennai & Hyderabad at 24% and 18%, respectively. Mumbai saw a YoY drop of 14% in new job postings.
- Demand for entry-level job seekers with experience of 0–3 years and mid-level executives with experience of 4–7 years fell by 16% each. Similarly, hiring for mid-management roles with 8–12 years experience witnessed a drop of 20%.

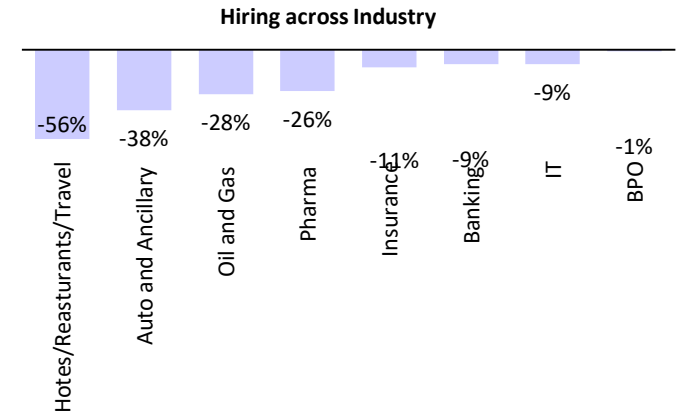
Valuation and view: We foresee a halt in near-term momentum, led by the expectation of billing decline in the recruitment segment for 1HFY20. However, given the market positioning of its entities, multi-dimensional growth can be expected for Info Edge (India) Ltd (INFOE) in the medium-to-long term, backed by recruitment, real estate, and Zomato (its biggest investee company). Our SOTP-based price target of INR2,400 implies 6% upside to CMP. Maintain **Neutral**.

18% YoY decline in hiring activity for Mar'20



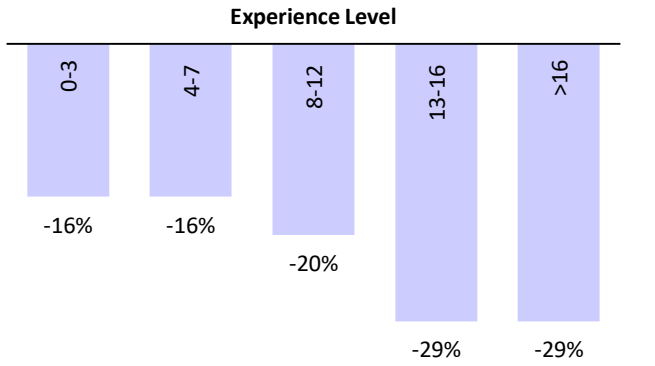
** Total no. of new jobs posted in Jul'08 scaled to 1,000 & indexed*

Highest decline in hospitality sector



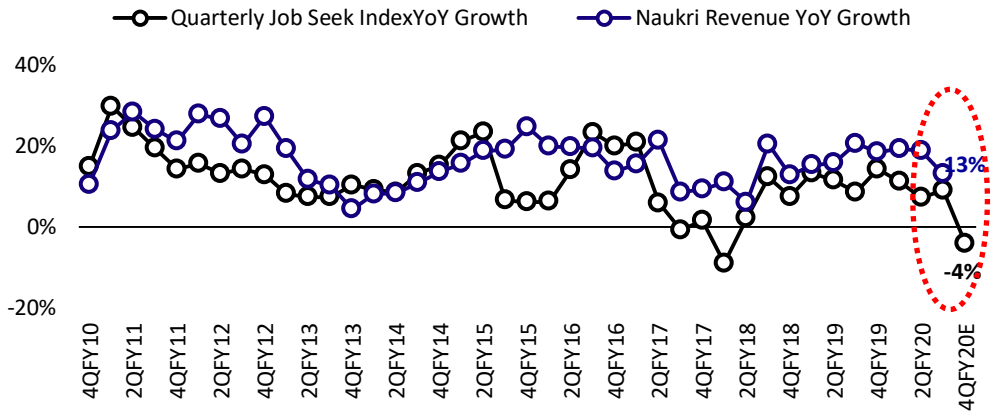
Source: MOFSL, Company

Largest drop in mid/senior management positions



Source: MOFSL, Company

Billings in Naukri to see steep impact in 4QFY20



Source: MOFSL, Company

MAS Financial Services

BSE SENSEX	S&P CNX
29,894	8,749

Bloomberg	MASFIN IN
Equity Shares (m)	55
M.Cap.(INRb)/(USDb)	30.3 / 0.4
52-Week Range (INR)	1269 / 448
1, 6, 12 Rel. Per (%)	-28/1/15
12M Avg Val (INR M)	23

Financials & Valuations (INR b)

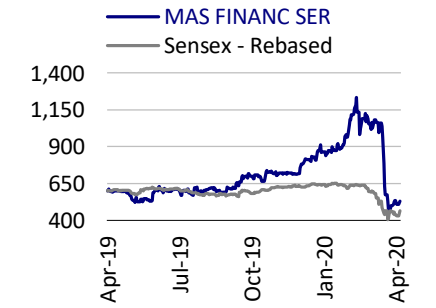
Y/E March	2020E	2021E	2022E
Total income	4.2	4.4	5.0
PPP	3.3	3.5	3.9
PAT	1.6	1.7	2.0
EPS (INR)	29.9	30.8	37.2
EPS Gr. (%)	7.6	2.8	21.0
BVPS (INR)	177	202	231
Ratios			
NIM (%)	8.5	8.2	8.3
C/I ratio (%)	21.1	21.3	20.8
RoA on AUM (%)	2.9	2.8	3.0
RoE (%)	18.1	16.2	17.2
Payout (%)	21.0	21.0	21.0
Valuations			
P/E (x)	18.5	18.0	14.9
P/BV (x)	3.1	2.7	2.4
Div. yield (%)	1.0	1.0	1.2

Shareholding pattern (%)

As Of	Dec-19	Sep-19	Dec-18
Promoter	73.5	73.5	73.5
DII	10.9	10.8	9.9
FII	1.6	2.3	2.6
Others	14.0	13.4	14.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR554 **TP: INR690 (+25%)** **Buy**

Liquidity and asset quality – key priorities

MAS Financial Services (MASFIN) hosted a concall to share the impact of the COVID-19 related lockdown on its business.

- MASFIN's management has mentioned that while there could be near-term challenges, it does not expect large spikes in delinquencies as (a) ~40% of the AUM is assigned to banks wherein the bank holds the credit risk, and (b) its NBFC channel partners (who bear the first loss) are well-capitalized with a CRAR of 20-22%.
- In the current situation, MASFIN is engaging with customers and asking them to avail a moratorium only if necessary. At the same time, it is unlikely to avail a moratorium from banks as it is flushed with adequate liquidity (INR7b of cash and cash equivalent and an almost similar amount of cash credit facilities) worth one year's borrowing commitments.
- We expect MASFIN to remain focused on liquidity and asset quality with growth likely to moderate sharply. We also bake in higher one-off provisions in 4QFY20/FY21 for asset quality disruption caused by COVID-19. Overall we cut our FY20/21/22E PAT estimates by 18%/30%/29%. **Buy** with revised target price of INR690 (3x FY22E BV).

Early collection trends positive; Providing moratorium when necessary

Collection trends in Mar'20 were positive – between 26th-31st March, there were INR2.5b collections due, most of which were collected. Note that on an average, **85-87% people pay on time in a normal scenario. In Mar'20, 93-94% of these people paid their installments.** The company is engaging with its customers to provide a loan moratorium as and when needed rather than announcing a blanket moratorium.

Confident of maintaining asset quality in the medium term

Management has iterated its priority of handholding its customers over the next 1-2 quarters. While there could be some asset quality disruptions in the interim, management believes its customer segment would be the first to bounce back once the moratorium is lifted and normalcy restored. Over the medium term, there should be lesser rise in GNPAs for MASFIN as (a) ~40% of its AUM is sold down to banks via assignment transactions – in these cases, the bank bears the credit risk, and (b) In case of loan sourcing via NBFC channel partners (58% of AUM), the NBFC partners are liable to bear the first loss. These NBFC partners are well-capitalized with a median CRAR of 20-22%. In addition, barring a few, most banks are willing to provide a moratorium to NBFCs – this should provide relief to its NBFC partners in these tough times.

Liquidity abundant; ALM positive

MASFIN has ~INR13.7b liquidity on its balance sheet (including undrawn credit lines of ~INR7b). The company also did a direct assignment transaction with a PSU Bank and has additional sanctions for direct assignments in place for the next two quarters. **This liquidity is enough to meet all borrowing-related obligations for the next year.** Hence, while the company may avail moratorium from banks, it would still continue with repayments. **Note that MASFIN has historically maintained positive ALM mismatch due to the short tenor of its lending book – typically 55-60% of its assets mature in 12 months.**

Spreads to be largely stable, Flexible cost structure

Given MASFIN's track record of asset quality performance, both in its own as well as assigned portfolio, it has not faced any funding or liquidity challenges even in tough times. While cost of funds increased during the IL&FS crisis, it has reverted back to ~9% levels now. In the current situation, we do not foresee any meaningful increase in the cost of funds for MASFIN. Hence, it should be able to largely maintain its spreads. **On the other hand, the company has the ability to reduce its expenses as ~40% of costs are variable in nature.** This has been demonstrated over the past two years as the expense ratio has declined nearly 50bp to 1.5%.

Factoring sharp moderation in growth and higher credit cost

MASFIN has a unique business with (a) 40% of AUM sold down, which has thus freed up capital, and (b) nearly 60% of business is sourced by partners who bear the first loss in case of a credit default. Given its strong underwriting performance, it enjoys liquidity from banks, even in tough times like the IL&FS crisis. While the impact of the current situation is uncertain, we do believe the company would curtail disbursements sharply to protect its balance sheet. We cut our FY21 AUM growth estimate from 17% to ~4%. Apart from the normal rise in provisions caused by the COVID-19 situation, we expect management to be more proactive and make contingency provisions. We factor in credit cost to rise to 2% v/s 1-1.2% historical averages. Overall we cut our FY21/22E EPS estimates by ~30%. However, given the favorable positioning of this business, long-term growth opportunities and strong management, we maintain a **Buy** rating with a TP of INR690 (3x BV FY22E).

We our estimates by ~30% to factor in lower growth and higher credit cost

INR b	Old Est.			New Est.			Change (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
NII	3.0	3.5	4.2	2.9	3.0	3.4	-2.7	-14.4	-19.5
Other Income	1.3	1.5	1.8	1.3	1.4	1.6	0.0	-8.3	-11.7
Total Income	**4.2**	**5.0**	**6.0**	**4.2**	**4.4**	**5.0**	**-1.9**	**-12.6**	**-17.1**
Operating Expenses	0.9	1.0	1.1	0.9	0.9	1.0	0.0	-6.4	-9.2
Operating Profits	**3.4**	**4.0**	**4.8**	**3.3**	**3.5**	**3.9**	**-2.4**	**-14.1**	**-19.0**
Provisions	0.7	0.8	1.0	1.1	1.2	1.2	56.2	44.0	16.0
PBT	**2.6**	**3.2**	**3.8**	**2.2**	**2.2**	**2.7**	**-18.5**	**-29.6**	**-28.6**
Tax	0.6	0.8	1.0	0.5	0.6	0.7	-19.2	-29.6	-28.6
PAT	**2.0**	**2.4**	**2.9**	**1.6**	**1.7**	**2.0**	**-18.3**	**-29.6**	**-28.6**
AUM	63	73	88	60	62	72	-4.4	-14.8	-17.4
NIM (%)	5.1	5.2	5.2	5.1	4.9	5.0	-0.3	-4.8	-3.9
ROAA (%)	**5.2**	**5.4**	**5.3**	**4.3**	**4.2**	**4.7**	-16.6	-21.1	-12.3
RoAE (%)	**21.8**	**21.9**	**21.9**	**18.1**	**16.2**	**17.2**	-17.0	-25.7	-21.6

ISG shares weak outlook for traditional sourcing

Expects delays in new rollouts, pricing pressure and payment deferrals

ISG is one of the leading outsourcing consultants in the world working with both enterprise buyers and service providers. In its latest edition of the quarterly index call (1QCY20), ISG presented its assessment on the potential impact of COVID-19 and the trends in traditional sourcing and As-A-Service markets. Key takeaways -

Traditional sourcing bears bigger brunt due to COVID-19 disruption

- Overall ACV increased 7% YoY in 1QCY20. Partial COVID-19 impact dragged down growth in traditional sourcing by ~700bp to 2.2% YoY.
- As-A-Service ACV increased ~11% YoY. Weakness in SaaS was offset to an extent by the surge in IaaS as a result of Work from Home (WFH).
- Among the traditional sourcing deals, contribution of March was limited to just 15% as the COVID-19 related drop-off in core geographies started in the month.
- Despite the near full-quarter impact in certain key geographies, APAC ACV was up ~8% YoY, driven by strong increase in IaaS.

Expect new technology investments to be delayed by ~90 days

- ISG estimates that ~80% employees of service providers are currently on WFH and are operating at ~80% productivity (v/s previous level).
- While 60% enterprises are expected to delay new technology investments by ~90 days, 30% of the firms have cited no COVID-19 impact on new rollouts.
- ISG has also called out a trend of requests for price discounts in the range of 20%-50% across verticals for the near term (may be next 120 days). Commonly agreed upon price reduction is in the range of 20%-30%.
- Request for extension of payment terms up to 120+ days (v/s 30-60 days before COVID-19) is also being noticed across industries.
- 15%-25% cuts in discretionary spending, in areas like digital transformation, is being noticed. ISG sees this as a short term trend which may last for ~120 days.
- Sub scale and under-performing captive/data centers are expected to be monetized, creating opportunities for portfolio expansion of service providers.

Weak outlook for CY20, largely attributed to traditional sourcing

- Supply chain resiliency, B2C solutions should accelerate ERP & Digital solutions.
- For 2QCY20, ISG expects traditional sourcing to drop 17% QoQ and As-a-Service market to grow 5% QoQ.
- Most verticals are expected to report sharp declines (ranging from 3-45% QoQ) in 2QCY20 with Retail, CPG, Travel and Transportation being the most impacted.
- Relatively, verticals like Telecom, Media and Healthcare should be resilient.
- For CY20, while traditional sourcing is anticipated to decline 7% YoY, As-a-Service market should increase ~12% YoY.

We expect near-term uncertainty due to COVID-19; prefer INFO, HCLT and LTI

- Given the continuously evolving nature of COVID-19, we expect demand, supply, pricing and receivable uncertainties to remain in the near term.
- Negative news flow around the sector may continue given the seriousness of the COVID-19 pandemic in the core geographies like US, the UK and EU.
- In this backdrop, we expect stocks to trade below their long-time cross cycle average P/E multiples until the time this uncertainty is behind.
- Despite the near-term uncertainty, we continue to prefer Infosys and HCLT among large caps and LTI among Tier-II companies due to their historical track record of adapting to business challenges/technological change cycles.
- Besides, we find the P/E multiples of these stocks to be meaningfully lower than their historical averages, offering adequate margin of safety.

Relative Valuation Comparison

	CMP	MCap	EPS (INR)			EPS CAGR %	Div. Yield (%)	PE (x)			ROE (%)		
Company Name	(INR)	(INR b)	FY20E	FY21E	FY22E	FY20-22E	FY20E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Cyient	219	24	35.8	32.7	40.9	6.9	6.6	6.1	6.7	5.4	14.3	12.6	14.6
HCL Technologies	463	1255	40	42.2	49.2	10.9	2.2	11.6	11.0	9.4	23.3	21.2	22.1
Hexaware Tech.	249	74	21.2	20.4	25.8	10.3	3.8	11.7	12.2	9.7	24.8	20.8	22.8
Infosys	632	2690	38.6	38.4	44.6	7.5	3.8	16.4	16.5	14.2	26.8	27.2	29
L&T Infotech	1,357	236	84.2	92.5	111.4	15.0	1.6	16.1	14.7	12.2	27	24.4	24.5
Mindtree	732	120	44.7	37.4	50.4	16.1	1.4	16.4	19.6	14.5	20.2	18.5	22.2
MphasiS	672	125	59	52.1	62	2.5	4.2	11.4	12.9	10.8	21.7	18.9	20.7
NIIT Tech.	1,101	69	75	72.2	91.3	10.3	4.1	14.7	15.2	12.1	21.3	18.3	20.4
Persistent Systems	512	39	42.8	36.1	47.9	5.8	3.3	12.0	14.2	10.7	14.1	11.6	14.3
TCS	1,706	6400	86	86.6	102.7	9.3	4.4	19.8	19.7	16.6	35.8	35.1	38.1
Tech Mahindra	560	540	46.8	47.1	59.8	13.0	4.2	12.0	11.9	9.4	20	19.3	22.4
Wipro	193	1104	17.2	16.2	18	2.3	2.8	11.2	11.9	10.7	17.7	16.9	17.3
Zensar Tech	90	20	11.5	8.8	13.1	6.7	3.1	7.8	10.2	6.9	12.7	11.4	14.0

Source: Company, MOFSL

Expert Speak

Lockdown an urban phenomenon, rural seeing staggered impact

Rabi output could be healthy, but re-opening *mandis* could prove critical

In light of the current COVID-19 climate, we hosted a conference call with Mr Benjamin Mathew, Partner & Strategy Head, MART, an expert on the rural sector. He disclosed certain key insights, including: (a) the lockdown is more of an urban phenomenon, which is yet to percolate to the village level, (b) rural logistics are witnessing a staggered impact, (c) rabi has been a bumper crop, but re-opening the *mandis* (markets) is important, and (d) rural consumption has been impacted due to staggered supplies and locked payments, but overall demand has not been materially impacted as consumers tend to purchase in bulk.

Lockdown impact on rural

- The imposed lockdown is more of an urban phenomenon; it is yet to percolate to villages, where social restrictions are widespread.
- 8,000 towns and 5000 villages are near the larger towns / urban areas that have been under lockdown. These towns and village account for 1–2% share in the country's total population.
- The staggered impact has affected logistics leading to supplies to rural areas getting delayed. Resources are held up or moving slowly as goods are being screened more thoroughly. For instance, at one toll naka, just 230 trucks have been moving, against 600 witnessed in a normal scenario.
- Urban migrant labor has returned to villages, but this is more of a corridor phenomenon. This labor would take three to six months to return to cities. This group may be able to engage in productive work in the rural areas depending on skills set and the type of work available, such as harvesting.

On rural economy

- Rural contributes 53% to India's GDP. Agriculture/Services/Industry in rural areas contributes 29–30%/52%/18%.
- The frequency of cash circulation has reduced in rural areas due to issues such as banks being far away (as far as 20 km, in some cases).
- Savings in rural areas have fallen YoY.
- Payouts in microfinance are likely to be impacted.
- Rural indebtedness is increasing, resolving which would require government intervention.

Impact on agriculture

- Agriculture would likely hold up, but services would suffer the greater impact of the lockdown.
- Rabi has been a bumper crop and grains are ready for harvesting. The harvesting season ends on 30th April. Although this is some time away, labor availability is a concern; mechanization may have limited benefit.
- Income from rabi alone would not lead to overall recovery.
- At present, it appears the kharif crop is unlikely to be affected and may see a normal season.

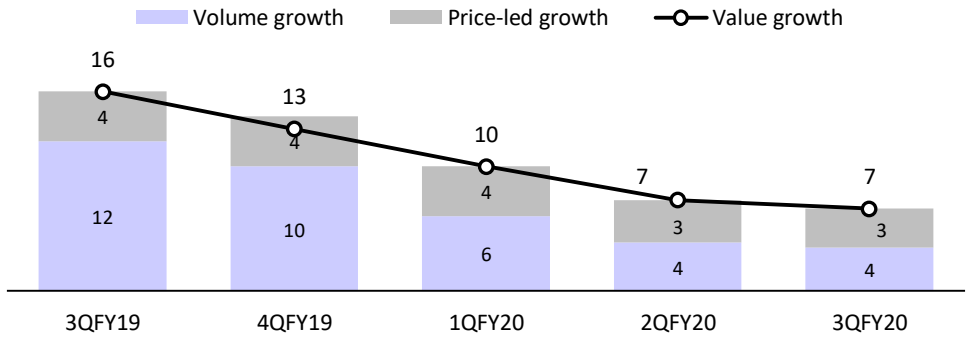
On rural consumption

- Consumption is driven more by the services sector than by agriculture.
- The supply of essential commodities has been impacted in some rural areas. The general impact is largely staggered, with supplies reaching the rural areas less frequently (every six days instead of every alternate day). However, as people are buying in bulk, overall demand may not be materially impacted.
- Payment and work are affecting purchasing power. In our view, consumption is likely to be impacted due to payments being locked.
- Once the lockdown ends, he expects staples to pick up first.

Other points

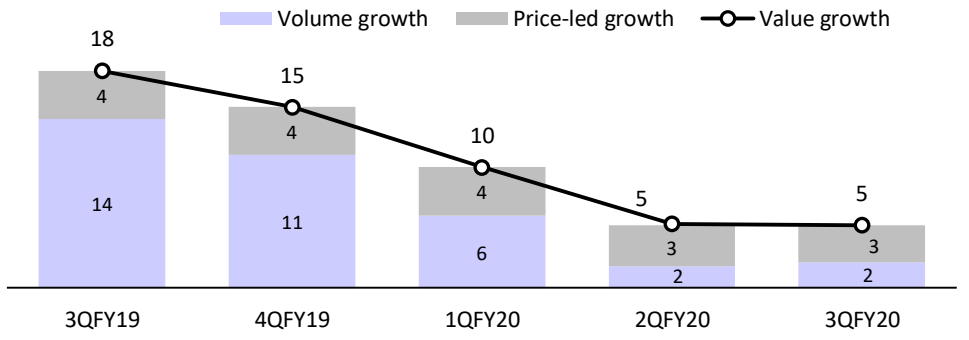
- The strategy that the government uses to tackle this concern remains to be seen. Following the lockdown, it would prove critical to keep even the remotest *mandi* open, and minimum support price (MSP) would have to be extended. The government could achieve this with proper structuring even when social distancing has to be maintained.
- Of the ~6.5L villages in India, Hindustan Unilever (HUL) has a reach in 1.5L villages. The company is likely to have reached out to almost all the large villages thus far.
- Rural areas have 497m mobile connections, 165m of which are smartphones with maximum data usage of 1GB. Thus, telephone expenses make up a small portion of the household expenses in rural areas.

All India FMCG growth has been declining since the past few quarters…



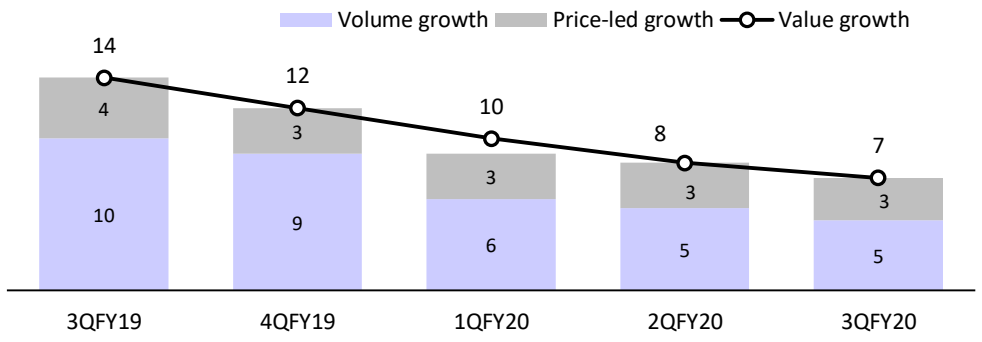
Source: Nielsen, MOFSL

…with rural FMCG growth sharply affected…



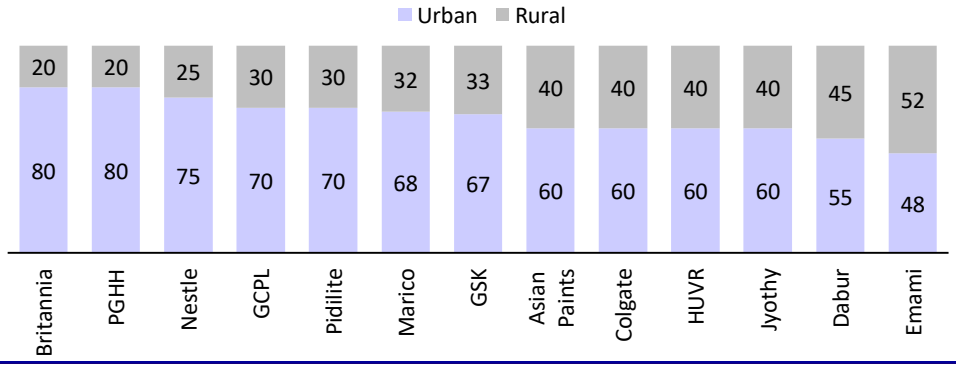
Source: Nielsen, MOFSL

...but urban FMCG growth relatively less impacted



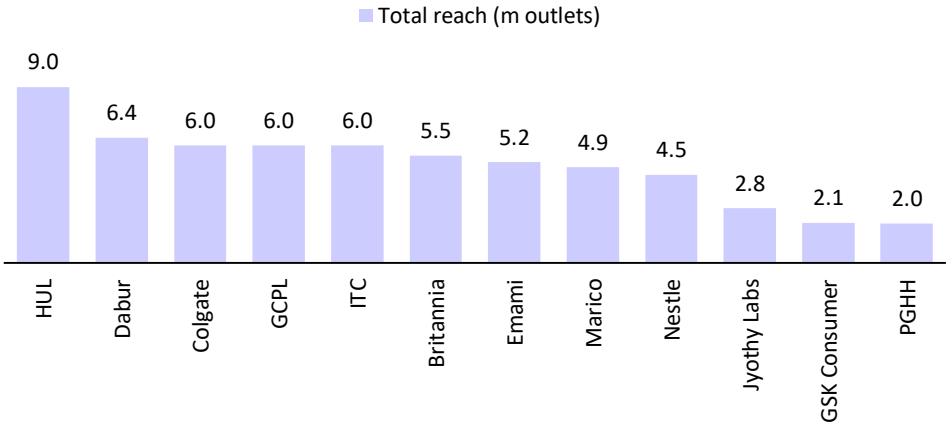
Source: Nielsen, MOFSL

Urban-rural mix of FMCG companies



Source: MOSL, Company

Distribution reach of FMCG companies



Source: MOSL, Company

Expert Speak

COVID-19 impact on logistics sector

Volumes to be down sharply in near term, inefficiency hurting margins

We hosted a conference call with Mr Raj Somani, Director of Inland World Logistics, to understand the impact of COVID-19 on the logistics sector. Key takeaways:

- **Shortage of labor and warehouse space is the key logistical constraint.**
- **Transport volumes are likely to decline by >40% in 1QFY21 even if the lockdown is lifted on 14th Apr'20.**
- **Weak volumes are also creating inefficiencies as LTL and hub-and-spoke model are not feasible.**
- **Deferment of EMIs is a relief for fleet operators, but fixed costs will likely still cause distress**

Mr. Raj Somani, Director of Inland World Logistics

Mr. Somani is a Director at Inland World Logistics, a 30 year old Multi-Modal Logistics Company in India. It operates 550 serviceable outlets in 350 locations across India, Nepal, Bangladesh and Bhutan. It counts prominent companies in various industries (capital goods, pharma, FMCG, Oil & Gas etc) among its clients

Shortage of labor and storage space impacting business

- Migration of labor from cities back to their native places has brought the industry to a standstill. There is shortage of labor at the end of both the suppliers and the customers. Labor shortage has created problems even in evacuation of consignments at the ports.
- Migration has been highest in northern India (from Delhi NCR) which has been worst impacted. However, since most of the migrant labor force in Delhi NCR lives in neighboring states like UP and Rajasthan, their return would also be faster.
- Non-availability of trucks, labor and warehouse space has affected the movement of goods. Many trucks are stranded mid-way as customers are unwilling to accept consignments due to shortage of labor for unloading as well as dearth of storage space as warehouses are running full (because outward movement from warehouses is too low). Since the lockdown started on 25th April, goods have only come in the warehouses and not gone out.
- **Labor movement could be both ways once lockdown opens:** Currently, many amongst the migrant workforce, who are still in cities, are desirous of relocating to their native places due to the lack of daily income, the fear of contracting COVID-19 and the pressure from their families back home to return. Hence, once the lockdown is over, several of them may return to their native places. This could affect recovery in the transport sector in areas where there is inverse movement of labor. Some laborers, who went back to the villages before the lockdown, could also likely come back to the cities in hope of getting back their daily wages.

Volumes to decline sharply but freight rates unlikely to be impacted

- **Lockdown to impact freight volumes by at least 40%:** Even assuming that the lockdown is lifted on 14th April as scheduled, freight movement is expected to be lower by 40% YoY in 1QFY21 as it would take at least 2-3 weeks to achieve normal business operation.
- **Transporters exposed to auto sector worst hit:** As the auto industry is fully shut down, companies involved in automotive logistics are amongst the worst hit. Transporters exposed to pharma and groceries are able to get some business, but labor availability is a challenge for them as well.
- **Freight rates unlikely to be impacted:** Freight rates are unlikely to be impacted much due to the lockdown. Once the lockdown gets over, freight rates could be higher for 10-15 days due to a surge in demand for evacuation of stranded inventory, but should normalize post that.

Logistical inefficiencies creeping in due to low volumes, procedural issues

- As there is not enough volume for aggregation, it is not feasible to operate a hub-and-spoke model. This is increasing logistics cost.
- While there is some demand for less than truckload (LTL) cargo, it is tough to aggregate and deliver the same.
- Multi-modal transport is also non-operational as not all modes are available – air freight is shut.
- The first two days after the lockdown announcement were the toughest with even the movement of essential goods being stopped. While there has been more clarity subsequently easing the essential goods movement, truckers still need to carry with them letter from the customers. Moreover, one cannot have more than two people in the vehicle.
- In some cases, due to labor shortage, shipments are taking 10-15 days to get cleared from the ports.

Other takeaways

- **Deferment of EMIs a relief for fleet operators:** The RBI's decision to defer the EMIs for the next three months would provide some relief to fleet operators. Fixed costs of the business with minimal revenue, however, would still cause financial distress.
- **Bhutan and Bangladesh stopped inward movement of goods; Nepal accepting movement up to borders:** Amongst the neighboring countries where Inland provides logistical services, Bhutan and Bangladesh have stopped accepting shipments from India, while Nepal is accepting it at the border.

Expert Speak

Labor/logistical issues restraining pesticide manufacturing

With production hurdles surfacing at manufacturing units amidst the country wide lockdown, we hosted a conference call with Mr Pradeep Dave, President of Pesticides Manufacturers & Formulations Associations of India (PMFAI), to understand the disruptions faced by the pesticides sector. Key highlights:

- **Pesticides now included under essential items…:** Following the PMFAI's appeal to the Prime Minister's Office, 'pesticides' too is now included in the list of essential items. Previously, only agri inputs like seeds and fertilizers were included under the Essential Commodities Act.
- **…but approvals from local authority/collector required to run plants:** Amidst the ongoing lockdowns, approval from local authority/collector is required to run pesticide, fertilizer or seed manufacturing plants which takes 8-10 days.
- **Only 10% of workforce allowed to work at plants:** Pesticide companies are allowed to operate plants amidst the ongoing lockdown but with only 10% of workforce. This is leading to constrained production.
- Indian pesticide companies were looked upon as an alternative after supply chain collapse in China. However, domestic manufacturers' role here was restricted due to **issues on the logistics, labor and RM fronts amidst country wide lockdown.**
- **6-7 days required to restore production to normal levels:** Even after the lockdown is lifted, it would take minimum 6-7 days to restore production to normal levels, particularly because labor force has left for their home towns.
- Manufacturing of pesticides usually happens from March to May and supply for Kharif starts from May to June. Kharif season (May to September) forms 75% of pesticide consumption and Rabi (November to January) for 25%.
- **Inventory:** Current channel inventory will be able to meet 30% Kharif demand. Another 50% of Kharif demand will be met if production starts fully from May.
- **Prices of pesticides are likely to increase due to supply shortage.**
- Unavailability of labor, logistic and RM are amongst the key challenges faced by pesticides manufacturers and thus would impact the supply for Kharif if the lockdown prolongs.

THYROCARE: CORONAVIRUS TEST PRICES COULD BE REDUCED IN THE NEXT 10 DAYS; A Velumani, Chairman

- Will conduct coronavirus testing on a zero profit basis for the next one year.
- When workloads are there, when vendors are adequate, when you negotiate, the cost comes down, that is number one. Number two is the cost of collection is optimized. Company now has confidence that it has enough supply, so felt that now reducing the rate will get more volume. Company took a conscious decision, it looks like Rs 3,500 is fair [for coronavirus testing] and it could even go down in another ten days' period.
- Company is fully ready. This is a blood test, have been having a very powerful network to do blood collection test. May even scale up to 10,000 in just 10 days.
- Currently company is crossing 200 swab tests per day. Looking at ramping it up by 1,000 tests per day in the next 10 days' time.

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UNLOCKING INDIA IS A FAR BIGGER CHALLENGE THAN STAYING LOCKED

- In less than a week from now, India's government will have to decide on ending the countrywide lockdown that's intended to slow down the spread of covid-19 infections across the country's population. Unfortunately, it may not have all the data needed to take a well-informed decision. Whatever is decided, there will be negative consequences, either on the health front or on the economic front, or both. There is no win-win solution available. Most doctors appearing on television channels are saying that by 12-13 April we may get better data on whether the spread of infections is manageable, which implies that the government will barely have a day to decide. It also means that the easier decision to take would be to extend the lockdown for another week or two. There are two better alternatives: one is to restrict the lockdown to covid hotspots and ease it in lower-risk districts. The other is to relax the lockdown in phases, easing it sector by sector and geography by geography over an extended period of time that may last till the end of May or early June. The critical risk trade-off is between health and economics. With every additional week, the health risks may come under better control, but at the cost of the economy. Getting the economy to resume, on the other hand, adds to the risk of a faster spread of the pandemic, since economic activity will, by definition, force people to come out of their homes and deal with other people, use public transport and gather in public spaces.

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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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