Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	29,468	3.6	-28.6
Nifty-50	8,598	3.8	-29.3
Nifty-M 100	11,704	2.3	-31.6
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	2,585	-1.6	-20.0
Nasdaq	7,700	-1.0	-14.2
FTSE 100	5,672	1.9	-24.8
DAX	9,936	1.2	-25.0
Hang Seng	9,595	2.0	-14.1
Nikkei 225	18,917	-0.9	-20.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	21	-2.6	-67.7
Gold ($/OZ)	1,577	-2.8	3.9
Cu (US$/MT)	4,939	3.7	-19.7
Almn (US$/MT)	1,493	-0.4	-16.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	75.5	0.2	5.8
USD/EUR	1.1	-0.2	-1.6
USD/JPY	107.5	-0.2	-1.0
YIELD (%)	**Close**	**1MChg**	**CYTDchg**
10 Yrs G-Sec	6.1	-0.07	-0.4
10 Yrs AAA Corp	7.5	-0.03	-0.1
Flows (USD b)	**31-Mar**	**MTD**	**CYTD**
FIIs	-0.40	-7.81	-5.62
DIIs	0.47	7.48	9.67
Volumes (INRb)	**31-Mar**	**MTD***	**CYTD***
Cash	420	520	439
F&O	6,734	11,784	15,329

Note: *Average

Today's top research idea

Reliance Industries: Core business implies mere 2.5x FY22E EV/EBITDA

- Given the current shutdown of retail stores (except grocery), Reliance Retail could see 4-5% revenue loss; however, the pace of recovery is key. Thus, we have reduced our target multiple to 19x EV/EBITDA to capture this impact (21x earlier), with revised TP of INR450 (v/s INR500 earlier).
- Further RJio should see limited impact as drop in new subscriber addition/physical recharges would get offset by an increase in data consumption. For the core business, we have revised down refinery throughput and petrochemical sales to factor in the COVID-19 lockdown. Demand for both air and road transportation fuels has been drastically affected. Considering that the tide would soon turn in favor of the core segment, we highlight RIL as one of the top picks in the sector.
- At CMP, the core business implies mere 2.5x FY22E EV/EBITDA.

Research covered

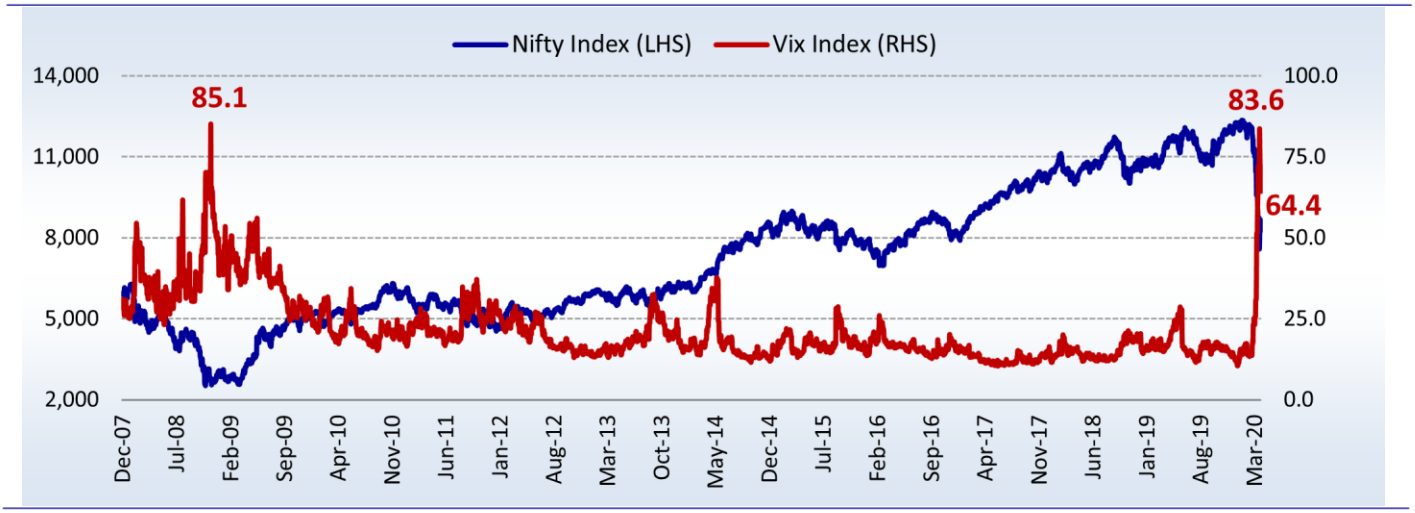
Cos/Sector	Key Highlights
Reliance Industries	Core business implies mere 2.5x FY22E EV/EBITDA
Hero MotoCorp	Focus on supporting dealers/vendors
MCX	Key beneficiary of global market volatility
EcoScope	Government plans to borrow INR4.9t from the market in 1HFY21

Piping hot news

Fiscal deficit touches 135.2 pc of budget estimate at Feb-end

The government's fiscal deficit touched 135.2 per cent of the full-year target at February-end mainly due to slower pace of revenue collections, according to an official data released on Tuesday.

Chart of the Day: Volatility index India (VIX) slipped by 10.4% to 64.4 levels on 31-Mar-20



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Natural gas prices cut by steep 26 pc

Natural gas prices on Tuesday were cut by a steep 26 per cent to its lowest rate since the pricing was made formula-driven in 2014, a move that is likely to translate into lower CNG and piped cooking gas prices but also make a huge dent in revenues of producers such as ONGC…

2

PPF to fetch 7.1%, NSC 6.8% as govt cuts small savings interest rates

Your money in small savings schemes, such as public provident fund (PPF), would fetch you much lower rates of return in the first quarter of 2020-21. This is because the government went for one of the steepest cuts of up to 1.4 percentage points in these interest rates to facilitate banks to lower their rates.

3

Govt to borrow Rs 4.88 trn, 62.56% of gross target in April-Sept period

The Centre will borrow Rs 4.88 trillion, or 62.56 per cent of the 2020-21 gross borrowing target of Rs 7.8 trillion, in April-September, the government and the Reserve Bank of India (RBI) said on Tuesday…

4

Bank loan growth pace halves in February

Credit grew almost half the pace in February this year compared to last February as loans to all major sectors-Agriculture, industry and services slowed. Retail led by credit card outstanding, vehicle and loans to purchase consumer durables, was the only segment to post a higher growth…

5

FMCG cos say supply of products to ease in one week though shortage of labour remains

Fast moving consumer goods (FMCG) companies said it will take another 7-10 days for supplies to resume with production running at critical low at 15-20% and manufacturing at third-party locations taking a worse hit due to unavailability of labour...

6

Retailers bulk deliver to RWAs for smooth supply to societies

Retailers and online grocery companies have started tapping resident welfare associations (RWAs) to bulk deliver to thousands of households with minimum resources amid the Covid-19 lockdown…

7

H-1B visa holders seek more time limit to stay in the US

Fearing massive layoffs in America due to the coronavirus crisis that is hitting businesses around the globe, foreign technology professionals on H-1B visas, the most sought after among Indians, demand the Trump administration extend their permissible post-job loss limit to stay in the US from the existing 60 to 180 days…

Reliance Industries

BSE SENSEX	S&P CNX
29,468	8,598

Reliance Industries Limited

CMP: INR1,112 TP: INR1,523 (+37%) Buy

Core business implies mere 2.5x FY22E EV/EBITDA

- **Given the current shutdown of retail stores (except grocery), Reliance Retail could see 4-5% revenue loss; however, the pace of recovery is key. Thus, we have reduced our target multiple to 19x EV/EBITDA to capture this impact (21x earlier), with revised TP of INR450 (v/s INR500 earlier).**
- **Further, RJio should see limited impact as drop in new subscriber addition/physical recharges would get offset by an increase in data consumption. RJio should also gain from the weakening third player in the market.**
- **For the core business, we have revised down Reliance Industries' (RIL) refinery throughput and petrochemical sales to factor in the COVID-19 lockdown. The demand for both air and road transportation fuels has been drastically affected, leading to fall in cracks of ATF, petrol and diesel.**
- **Considering that the tide would soon turn in favor of the core segment, we highlight RIL as one of the top picks in the sector. At CMP, the core business implies mere 2.5x FY22E EV/EBITDA.**

Reliance Retail – recovery expected to be slow

- The potential revenue loss due to the shutdown of Reliance's retail network (except grocery), given the ongoing lockdown in India, is estimated at ~50% in 1QFY21E with monthly cash burn of ~INR7.6b. Recovery is expected to be slow with potential EBITDA cut of ~60%/30% for FY21/FY22E.

RJio – revenue growth estimates may see upward revision

- The ongoing lockdown should have limited impact on RJio as telecom companies are expected to see recharge upgrades given the increase in data consumption. While this may partly be impacted by low new subscribers and physical store recharges, it would be cushioned by increase in digital recharges.
- Further, our FY21/FY22E revenue growth estimates (49%/14%) could see an upward revision as there is an increase in noise around the next round of price hikes to improve industry health. For FY21/FY22E, we estimate subscribers at 469m/483m and ARPUs of INR158/INR163.

RIL – core may suffer

- As demand for both air/road transportation fuels have been drastically affected due to COVID-19, cracks of ATF, petrol and diesel have slumped. ATF cracks have declined from USD13.9/bbl in 3QFY20 to ~USD4/bbl in the past few days. Cracks of petrol have dropped from USD12.9/bbl in 3QFY20 to USD0.5/bbl and that of diesel from USD12/bbl to USD8/bbl.
- Singapore GRM has declined to -USD2/bbl in the past few days led by low cracks. The decline in oil price and low LNG prices would certainly help through lower fuel and loss. However, the lower cracks, light-heavy differential and huge inventory losses are currently staring the company in the face.

Stock Info

Bloomberg	RIL IN
Equity Shares (m)	6,339
M.Cap.(INRb)/(USDb)	7052.1 / 86.8
52-Week Range (INR)	1618 / 876
1, 6, 12 Rel. Per (%)	7/7/5
12M Avg Val (INR M)	14266
Free float (%)	51.1

Financials & Valuations (INR b)

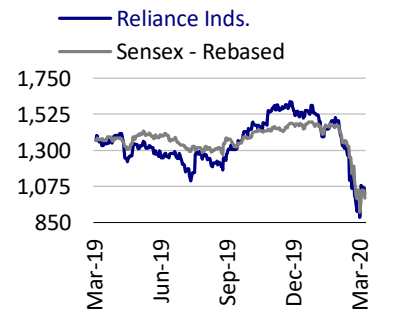
Y/E Mar	2020E	2021E	2022E
Net Sales	6,072	6,148	7,797
EBITDA	879	965	1,377
Net Profit	449	458	689
Adj. EPS (INR)	75.8	77.2	116.2
EPS Gr. (%)	12.8	1.8	50.5
BV/Sh. (INR)	720.2	788.5	891.2
Ratios			
Net D:E	0.6	0.5	0.3
RoE (%)	11.0	10.2	13.8
RoCE (%)	9.0	8.9	12.5
Payout (%)	11.6	11.6	11.6
Valuations			
P/E (x)	14.1	13.8	9.2
P/BV (x)	1.5	1.4	1.2
EV/EBITDA (x)	10.1	9.0	5.7
EV/Sales (x)	1.5	1.4	1.0
Div. Yield (%)	0.7	0.7	1.1

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	48.9	48.9	46.2
DII	13.6	14.2	12.2
FII	26.3	25.6	25.7
Others	11.2	11.4	16.0

FII Includes depository receipts

Stock Performance (1-year)



- Further, petrochemical margins have shown marginal QoQ improvement. For 4QFY20 YTD, the P/E delta has increased to USD435/mt (v/s USD381/mt in 3QFY20), PP delta to USD509/mt (v/s USD497/mt in 3QFY20) and PVC delta to USD428/mt (v/s USD342/mt in 3QFY20). Nevertheless, we believe that petrochemical margins would come off as demand destruction across the globe becomes a sore point.

A wild shot at FY21

- RIL exported 39.3mmt of refined products in FY19. Slowdown in global demand of petroleum/petrochem products should eventually result in lower utilization of refinery and petrochemicals as well. Few state refiners have already started cutting their utilization (news link). It is difficult to fathom how RIL's utilization would fare in FY21.
- We have cut RIL's refinery throughput from 70mmt to 61.25mmt (1.5m shutdown). We have also trimmed net sales of petrochemicals by a similar amount. We have cut GRM forecast from USD10/bbl earlier to USD8/bbl for FY21E. However, we have maintained FY22E forecasts for the time being.
- As a result, we have pruned standalone EBITDA/PAT from INR630/INR405b to INR444/INR239b for FY21E. With valuation of INR450/share for Reliance Retail and INR500/share for RJio, the current price implies 2.5x FY22E EV/EBITDA for the core segment. However, this is based on unchanged forecasts for FY22. If FY22E were to turn out similar to FY21E, the current price would imply 3.2x FY22E EV/EBITDA for the core segment.

Valuation and view

- The unprecedented developments globally currently require an unprecedented crystal ball. On a conservative note, we have cut EV/EBITDA for the core segment from 7.5x to 6x. After adding the equity valuation of retail and telecom, we arrive at revised valuation of INR1,523 (from INR1,820 earlier).
- Our valuation for RJio remains intact at INR500/share with potential higher valuation of INR747/share. This could be due to additional ARPU increase or market share gains as RJio remains well placed to gain from the bleeding industry situation.
- Given the fluid nature of the current circumstances, we have not cut our estimates for Reliance Retail, but have trimmed valuations to capture the potential revenue loss in the coming period and the risk of slow recovery. Our workings indicate potential EBITDA cut of ~60%/30% in FY21/FY22E. Subsequently, we have reduced our target multiple to 19x EV/EBITDA from 21x currently to capture the same. We have, thus, reduced target price for the retail business to INR450/share v/s earlier INR500.
- We cut our consol. FY21E EPS by 27%. The stock is trading at 5.7x FY22E consol. EV/EBITDA. Even if FY22 is similar to FY21 in terms of core performance, then too the stock is trading at 6.5x FY22E consol. EV/EBITDA.
- Considering that the tide would soon turn in favor of the core segment as well as the retail business, we highlight RIL as one of the top picks in the sector. Continued stress in core and retail segments remain a risk though.

Hero MotoCorp

BSE SENSEX	S&P CNX
29,468	8,598

Bloomberg	HMCL IN
Equity Shares (m)	200
M.Cap.(INRb)/(USDb)	318.4 / 4.1
52-Week Range (INR)	3021 / 1475
1, 6, 12 Rel. Per (%)	1/-17/-14
12M Avg Val (INR M)	2332
Free float (%)	65.4

Financials & Valuations (INR b)

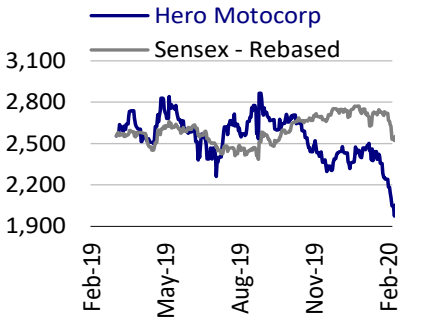
Y/E March	2020E	2021E	2022E
Sales	288.6	297.8	317.4
EBITDA	41.7	41.4	44.4
Adj. PAT	30.9	30.7	32.5
EPS (INR)	154.4	153.3	162.3
EPS Gr (%)	-8.9	-0.8	5.9
BV (INR)	688.2	727.0	762.7
Ratios			
RoE (%)	23.2	21.7	21.8
RoCE (%)	22.4	21.0	21.1
Payout (%)	56.8	71.3	74.4
Valuations			
P/E (x)	10.3	10.4	9.8
P/BV (x)	2.3	2.2	2.1
Div. Yield (%)	5.6	6.0	6.6
FCF Yield (%)	13.8	8.8	9.4

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	34.6	34.6	34.6
DII	19.6	19.2	15.4
FII	35.3	36.5	40.0
Others	10.5	9.7	10.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,594 TP: INR2,000(+25%) Neutral

Focus on supporting dealers/vendors

BS4 inventory liquidation plan in place

We attended Hero MotoCorp's (HMCL) conference call on its strategy on (i) handling BS4 inventory post the Supreme Court judgment on 27th March and (ii) business continuity. Key takeaways:

- **Unsold BS4 inventory:** HMCL had ~150k BS4 inventory as of the lockdown date. According to the SC order, vehicles sold till 31st March can be registered till 30th April (v/s 31st March earlier). Of the unsold BS4 inventory as of 31st March, only 10% can be sold beyond the deadline.
- **Online sales during lockdown**: Dealers are now selling online based on the earlier inquiries or purchasing on their firm's name to resell in the second-hand market later. The company is providing incentive of INR10k per motorcycle and INR15k per scooter to support dealers for online sales (ex-Delhi NCR). It will take back Delhi NCR stock of ~12k units as it has decided not to sell online as well. The company will ascertain how much can be exported and the remaining will be converted in parts.
- **Business continuity plan (BCP):** HMCL setup a BCP task force earlier in Jan'20 (when COVID-19 was identified as threat in China). Task force is meeting every day since Feb'20. Earlier the focus was on supply chain continuity, which then shifted to lockdown preparation and now it is on restart plans. First priority is to safeguard health of all employees and business partners. Currently, it is not thinking of growth and profits, but health of its ecosystem is important including liquidity within its ecosystem.
- All eight manufacturing facilities (incl. Bangladesh and Columbia) and two R&D centres (India & Germany) have been on work from home/shutdown much before the nationwide lockdown was announced.
- **Salaries and vendor payments**: It has paid all its contractual workers well in advance without retrenching any people.
- **Vendor payments:** It is prioritizing payment to its vendors, with full and advance payment to SME/MSME vendors. Vendor notice was precautionary to prioritize resources. It would pay in a graded manner to all vendors.
- **Relief package:** It has earmarked INR1b for relief efforts, of which INR500m will be toward PM CARES fund and the balance INR500m will be directly spent by the group.
- **Operating cost and liquidity:** It has fixed monthly operating cost of INR2b. It has over INR40b in liquid funds to sustain expenses, payment obligations, etc.
- **Product development:** HMCL is not going slow on new product development. Investment in R&D will continue (in premium segment of motorcycle and scooter). It would prioritize capex as the business normalizes.

- **Readiness when lockdown is lifted:** HMCL is well prepared for restart as and when it happens, as dealers have around one month of BS6 inventory. Pent-up demand will be there and be realized at some point in time, which is difficult to predict as of now. Risk of downgrading not necessarily a threat to the executive segment but could be across segments. It is too early to comment on that.
- **Buyback of shares**: The focus is to conserve liquidity and ensure business continuity from shareholder value creation perspective. However, promoters have increased some stake through the open market (276k shares equivalent to 0.14% of capital of the company). The promoter's shareholding in the company has increased from 34.63% to 34.77%.
- **E-Carburettor:** The company is working on E-Carburettor technology. Though FI systems have better efficiency, e-carburettor is cheaper. The company might introduce them in lower cc segment in future.

Valuation and view: The near-term outlook is challenging amid economic stress across sectors due to lockdown. The lockdown has added pain to the already weak demand environment and anomalies due to BS6 transition. This is largely discounted in the price with the recent fall in the stock price. We believe that clarity on the demand scenario will emerge post the lockdown is lifted as there will be pent-up retail demand and refilling of inventory with BS6 models. Barring near-term volatility, we see limited downside risk from current levels (due to cheap valuations). Also, valuations at 10.4x/9.8x FY21/22E EPS and ~5.6% dividend yield provide protection from any material downside. We have lowered our target multiple to factor in the risk of demand shock due to the impact from coronavirus. Maintain **Neutral** with a TP of ~INR2,000 (~12x Dec-21 EPS + ~INR98/sh of Hero FinCorp) due to no significant catalyst in the foreseeable future.

Revised estimates

(INR B)	FY20E			FY21E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	6,418	6,632	-3.2	6,260	6,939	-9.8
Net Sales	288.6	294	-1.8	297.8	326	-8.5
EBITDA	41.7	42	0.1	41.4	45	-8.5
EBITDA Margins (%)	14.4	14.2	30	13.9	13.9	0
Net Profit	30.9	30	2.8	30.7	34	-8.6
EPS (Rs)	154.4	150.2	2.8	153.3	167.7	-8.6

Source: MOFSL

MCX

BSE SENSEX	S&P CNX
29,468	8,598

MCX METAL & ENERGY Trade with Trust

Stock Info

Bloomberg	MCX IN
Equity Shares (m)	51
M.Cap.(INRb)/(USDb)	57.7 / 0.7
52-Week Range (INR)	1442 / 762
1, 6, 12 Rel. Per (%)	11/42/64
12M Avg Val (INR M)	688
Free float (%)	100.0

Financials Snapshot (INR b)

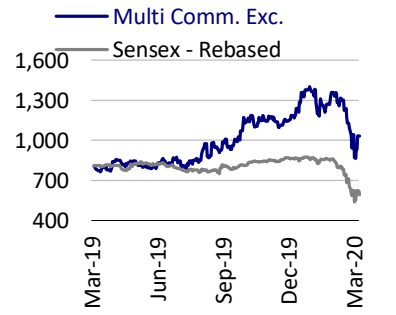
Y/E Mar	2020E	2021E	2022E
Sales	3.8	4.4	5.1
EBIT Margin (%)	39.9	39.1	40.7
PAT	2.4	2.2	2.9
EPS (INR)	46.7	44.0	56.0
EPS Gr. (%)	63	(5.7)	27.1
BV/Sh. (INR)	269	292	320
Ratios			
RoE (%)	18.2	15.7	18.3
RoCE (%)	17.6	15.3	17.8
Payout (%)	51.8	68.6	54.0
Valuations			
P/E (x)	23.7	25.1	19.8
P/BV (x)	4.1	3.8	3.5
EV/EBITDA (x)	26.3	23.7	18.8
Div Yield (%)	2.2	2.7	2.7

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	0.0	0.0	0.0
DII	35.6	36.9	38.1
FII	34.1	32.0	31.3
Others	30.3	31.0	30.7

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR 1,131 TP: INR 1,400 (+24%) Buy

Key beneficiary of global market volatility

- **Total value of contracts traded on MCX increased strongly by ~44% YoY in 4QFY20. This was significantly ahead of our earlier estimate and largely led by heightened uncertainty and volatility in the global markets. Gold/silver/crude reported strong growth of ~120%/133%/60% YoY in traded value.**
- **Against the backdrop of COVID-19 outbreak, trading at MCX was truncated to eight hours (v/s 14 hours earlier), making it out of sync with the global commodity markets. This led to a sharp ~80% drop in traded value (v/s monthly average till 25th Mar'20). In our base case, we expect the restrictions to continue till end-Apr'20, materially impacting revenue growth/EBITDA margins (0%/16% QoQ contraction) for 1QFY21.**
- **Nevertheless, the medium-term prospects of MCX remain robust. Cues from the GFC period hint at increased interest in precious metals over a 2-3 year period following crisis/market volatility. COVID-19-led slowdown in global growth, soft interest rates and liquidity injections should be the key factors driving interest in gold/silver this time. Normalization of margin requirements in the crude segment is likely to drive continued strength in volume growth.**
- **Over FY21-22, we expect strong revenue growth of 14-18% and stable EBITDA margin of 42-44%, notwithstanding the COVID-19 impact on 1QFY21 operations. We upgrade our EPS estimate by 5-7% over FY21-22 to factor in the increase in volumes led by global market volatility. We continue liking the company for its near monopoly in the commodity exchanges segment in India. Reiterate Buy.**

Global market volatility drives sharp increase in activity in Feb/Mar'20

Total value of contracts traded on MCX increased strongly by ~44% YoY in 4QFY20 (data considered only till 30th March 2020). This was significantly ahead of our earlier estimate and largely led by heightened uncertainty and volatility in the global markets. Precious metals like gold and silver reported a robust increase of ~120%/133% in total value of contracts traded. Volatility in crude prices led to a surge in speculation activity translating into ~60% YoY growth in traded value

During the quarter, while growth in traded value of gold and silver was more pronounced in Feb and March, it was more front ended for crude (toward Jan and Feb) due to the sharp fall in crude prices. Most of the base metals continued to show a trend of decline (YoY) due to the compulsory delivery rule, which impacted the interest levels of speculators and arbitrageurs.

Expect COVID-19 disruption in the near term

Against the backdrop of the three-week lockdown imposed in the country, trading at MCX is truncated to 8 hours per trading day (v/s 14 hours earlier) from 30th March to 14th April 2020. This makes the timings of the Indian commodity markets largely out of sync with those of the global commodity markets/news flows. Our interactions with commodity market experts suggest this limitation should have a material negative impact on speculation/investment appetite on MCX.

Post this change, a look at the total contract value traded suggests a sharp ~80% drop (v/s monthly average till 25th March 2020). It was a broad-based decline across all important asset classes (84%/76%/80% drop in gold/silver/crude). In the base case, we expect the restrictions on trading hours to extend till the end of Apr'20. However, as trading returns to the normalized duration of 14 hours/day, we expect a recovery in volume growth.

Medium-term prospects robust

Recent volatility in global markets further underscores the need for diversification into alternate assets like gold and silver. Cues from the GFC period hint at an increased interest in precious metals over a 2-3 year period following the crisis/ market volatility. For instance, gold prices rallied ~170% in the three-year period (2009-12) subsequent to the GFC. COVID-19 led slowdown in global growth, soft interest rates across economies and massive liquidity injections by central banks should be the key factors driving the interest this time.

Over the previous two months, growth in traded value in crude decelerated (67%/87%/24% in Jan/Feb/Mar YoY). This was largely driven by the sharp decline in crude prices over this period. This price decline was accompanied by a strong increase in the margin requirements (~47-48% v/s 8-10% normally), further impacting volumes. Nevertheless, it is key to note that the traded value in Mar'20 still reported a robust growth of ~24% YoY. Normalization of margin requirements should drive continued strength in crude volume growth on MCX.

Base metals continue to report declines, largely led by the compulsory delivery rule, which impacted the interest levels of speculators and arbitrageurs. This was further complicated by the limitations on delivery capacity and shutdown of Vedanta's copper complex which resulted in a shortage of the metal in the domestic market. Our interactions with the commodity market experts suggest this segment will take time to recover. Interest from SMEs, increase in delivery capacity for metals and liquidity concentration measures by the exchange (e.g. through single contract for each metal) should drive a recovery in this segment over the medium term.

Despite the one-off near-term impact on 1QFY21E (0% YoY revenue growth), we expect strong ~14%/18% revenue growth over FY21/22, primarily led by precious metals and crude. Notwithstanding the sharp EBITDA margin contraction expected in 1QFY21 (33% v/s 49% in 4QFY20E), we expect the EBITDA margins over the next two years to remain largely stable (in the range of ~42%-44%).

Valuation view: To be key beneficiary of global market volatility

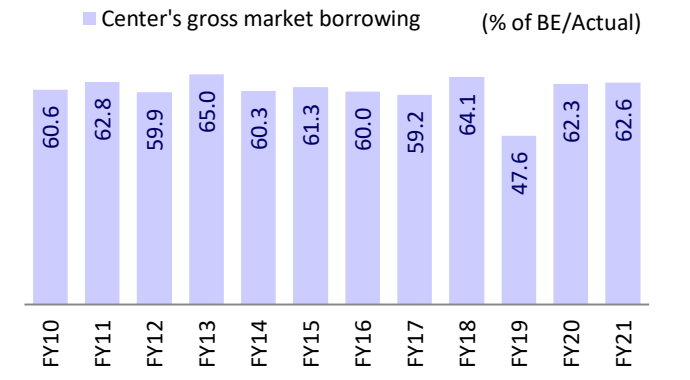
We upgraded our EPS estimate over FY21-22 by 5%-7% to factor in the increase in volumes led by the global market volatility. We continue liking the company for its near monopoly in the commodity exchanges segment in India. Over the course of its listed history, one-year forward P/E multiples averaged ~25x. Our target price implies 25x FY22E EPS. Reiterate Buy.

Government plans to borrow INR4.9t from the market in 1HFY21

Amounts to 63% of gross market borrowings for FY21BE

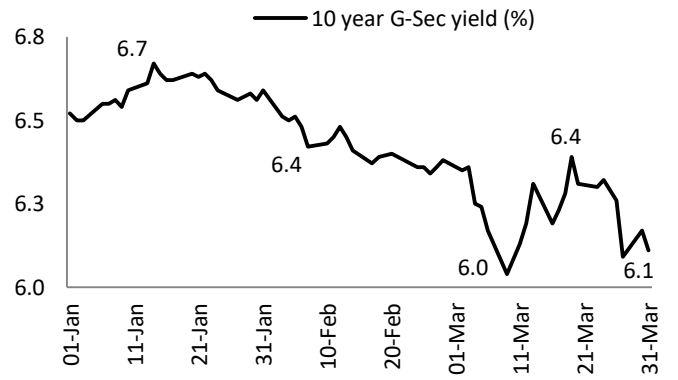
- **The government has budgeted to borrow INR4.88t in 1HFY21. This implies that the government plans to borrow 63% of annual borrowings planned for FY21BE, similar to the ratio last year. It also suggests that, as of now, the government plans to stick to its budgeted target of gross market borrowings for FY21 (BE).**
- **This is very difficult to comprehend because of three reasons: (i) already tight fiscal position of the central government, (ii) additional burden of INR1.7t worth welfare package announced on 26th Mar'20 in light of COVID-19 and (iii) severely impacted government receipts (especially indirect taxes) due to loss of economic activity at least till mid-Apr'20.**
- **If this is the case, we expect the government to revise its borrowing calendar toward 2QFY21 or go for some other means of financing the additional gap.**
- **Notably, just a day back, the RBI announced opening up of government securities under the 'Fully Accessible Route' (FAR) to non-resident investors without any limits, except of the fact that those securities will also be available for domestic investors. These are securities of 5-, 10- and 30-year tenor and are called 'specified securities.' Although there is no clarity on how much the government targets to borrow through this route, it certainly implies that government is looking for other ways to finance its FY21 spending.**

Center plans to borrow ~63% of full-year budget estimate in 1HFY21...



Data for Apr-Sep for all years

10-year G-Sec yields have been falling rapidly since the start of this calendar year



Source: CEIC, MOFSL

EICHER MOTORS: REGISTRATION OF SOLD VEHICLES, MANAGING FIXED COSTS LIKE RENT, SALARY ARE FOREMOST CHALLENGES; Vinod Aggarwal, MD and CEO – VECV

- Not expecting any relief as far as the BS-IV inventory is concerned but the large impact is the registration of the vehicles, which have been sold, those are not happening and that stock is large and whatever sales have been concluded, the customers still haven't got the registration numbers. That is a major challenge as far as CV industry is concerned or we as VECV is concerned.
- The first and the foremost challenge is how to manage the operations or the fixed cost. Have 12,000-15,000 of our employees who have to be paid salaries. There are some other fixed costs like rents to be paid or minimum charges for power to be paid or other security expenses for plants that have to be paid and that is the immediate challenge.
- The second challenge is going to be the set up time to get back to the normal operations. Whenever the lockdown is opened up, the supply chain would be impacted and how fast they are able to come back has to be seen. All the workmen, or the people who have been working on the line, most of them have migrated back to their villages. To get them back to work is going to be a very big challenge. It means that whenever it will start, it will take some time for the life to come back to normal.
- There is leap of three months for the interest payment or EMIs, which will help some of the customers who are under pain. Other than that the government is trying to do their bit; they should see how fast these lockdowns can be opened depending on the ground conditions. That is the only thing which will help now. At this point of time, have to get out of this current situation fast.

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FARMERS MAY NOT BE INFECTED BUT ARE CERTAINLY AFFECTED

- The Covid-19 pandemic is probably the biggest threat to health that people across the globe are facing. More than the threat to health is the challenge it poses to the global economy. The chief of International Monetary Fund said, “The global economy has now entered a recession that could be as bad or worse than the 2009 downturn". Several countries are working tirelessly to save their citizens through announcing the economic packages to keep their economies afloat. The panic from the outbreak is so intense that the supply chains of even the agriculture sector that provides food - the most fundamental need of every human being - have been curbed. The lockdown imposed in several countries is essential to maintain social distancing and help flatten the curve. While imposing these policies, overlooking the agriculture sector could turn out to be the biggest blunder. The impact of coronavirus on agriculture is already being felt. The Food and Agriculture Organization (FAO) food price index, which records monthly changes in the international prices of commonly-traded food commodities, averaged 180.5 points in February, 1% lower than in January. It is worth noting that the fall in food prices in February is the first recorded incidence in the last four months. The outbreak is likely to lead to worse news in the coming months for India’s major staple crop wheat.

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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

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