Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	30,609	-0.2	-25.8
Nifty-50	9,029	-0.1	-25.8
Nifty-M 100	12,836	1.3	-24.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	2,992	1.2	-7.4
Nasdaq	9,340	0.2	4.1
FTSE 100	6,068	1.2	-19.6
DAX	11,505	1.0	-13.2
Hang Seng	9,595	1.4	-14.1
Nikkei 225	21,271	2.6	-10.1
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	36	3.0	-46.5
Gold ($/OZ)	1,711	-1.4	12.7
Cu (US$/MT)	5,327	1.3	-13.4
Almn (US$/MT)	1,495	0.9	-16.1
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	75.7	-0.4	6.0
USD/EUR	1.1	0.7	-2.1
USD/JPY	107.5	-0.1	-1.0
YIELD (%)	**Close**	**1MChg**	**CYTDchg**
10 Yrs G-Sec	5.8	0.00	-0.8
10 Yrs AAA Corp	7.2	0.00	-0.4
Flows (USD b)	**26-May**	**MTD**	**CYTD**
FIIs	0.62	1.31	-5.95
DIIs	0.38	1.41	11.07
Volumes (INRb)	**26-May**	**MTD***	**CYTD***
Cash	591	541	472
F&O	9,396	12,127	14,101

Note: *Average

Today's top research Idea

EcoScope: Expect INR to stabilize at 74–75 against USD

Current account surplus and record forex reserves to support INR

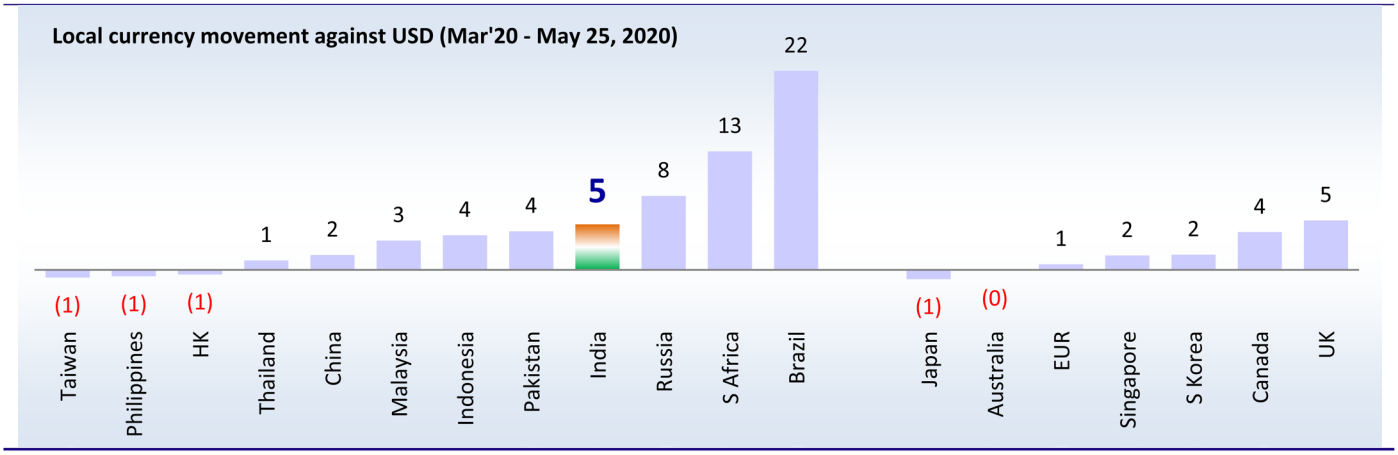
- Since the beginning of Mar'20, the Indian rupee (INR) has weakened ~5% against the US dollar (USD) - worse than the slight strengthening witnessed in the Philippine peso (PHP), but much better than the ~22% fall in the Brazilian real (BRL).
- Our calculations suggest India's balance of payments (BoP) could be in massive surplus this year (USD64b or ~2.4% of GDP), taking the foreign exchange reserves to USD540b by end-Mar'21. In the absence of any adverse global shocks (leading to global risk-off), we believe the INR could average 74-75 against the USD in FY21.
- Nevertheless, an uncertain economic environment and the lack of clarity over India's fiscal deficit keep the threat of a sovereign rating downgrade alive.

Research covered

Cos/Sector	Key Highlights
EcoScope	Expect INR to stabilize at 74–75 against USD
Titan Company	COVID-19 led lockdown adversely impacts business
Torrent Pharma	Superior product mix, lower interest outgo drive earnings
Coromandel Intl.	Strong performance; numbers above estimates
Jindal Steel & Power	Deleveraging to continue despite COVID-19
Power & Coal monthly	Power demand slumps post nation-wide lockdown

Chart of the Day: EcoScope (Expect INR to stabilize at 74–75 against USD)

INR has weakened ~5% against USD since Mar'20



Source: CEIC, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Reliance plans to list Jio Platforms abroad

After bagging multi-billion dollar deals from marquee investors in the last one month, billionaire Mukesh Ambani's Reliance Industries Ltd (RIL) will now be considering an overseas listing of Jio Platforms, said two people, requesting anonymity…

2

E-commerce orders for Amazon, Flipkart, Snapdeal, others recover to near pre-Covid levels

India's e-commerce sector seems to be on a recovery spree just around three weeks after the government started easing lockdown restrictions for online delivery of goods. Nearly 70 per cent of the pre-Covid order volume, according to e-commerce-focused cloud solution provider Unicommerce, has been re-gained by the e-commerce sector that is led by Amazon, Flipkart, Snapdeal, BigBasket, Grofers and others. Unicommerce, which provides cloud-based solutions to manage inventory and orders, said it processes over 20 per cent of e-commerce volume with over 10,000 e-commerce sellers using its services to sell on multiple e-commerce platforms…

3

Fitch projects Indian economy to contract 5% in FY21

In the wake of coronavirus pandemic, rating agency Fitch Ratings has made further cuts to its world GDP forecasts in its latest Global Economic Outlook (GEO), released on Tuesday. The biggest forecast cut was for India where Fitch now anticipates a 5% decline in FY21 in contrast to an earlier forecast of growth of 0.8%…

4

Govt to raise Rs 80,000 cr via cash mgt bills to meet liquidity mismatch

The government will on Thursday borrow Rs 80,000 crore through 84-day cash management bills (CMB), or short-term treasury bills, used to meet temporary liquidity mismatches. Cash management bills are off-budget items and are not in use frequently unless the government needs…

5

New laws on agriculture trade and contract farming in the works

The Centre is creating a new law that will help farmers in physical and electronic trade across the country, involving a major role for Farmer Producer Organizations (FPO) but without dislodging existing mandis that dominate the wholesale business in farm output. The government is simultaneously working on a new law on contract farming, a piece of legislation that seeks to supplement and complement this proposed agri-trade law….

6

Maruti partners ICICI Bank to offer retail financing schemes to customers

The country's largest carmaker Maruti Suzuki India (MSI) on Tuesday said it has joined hands with ICICI Bank to offer retail financing schemes to its customers. As part of the tie up, ICICI Bank is offering flexi EMI scheme which enables customers to pay low EMI…

7

Consumer companies seek GST cut to help push sales

Consumer-facing companies including makers of biscuits, ayurveda products, soaps and shampoos have asked the government to reduce the goods and services tax rates to help revive demand as the lockdown eases. "With constraints of disposable income, reduction in GST would spur demand…

Expect INR to stabilize at 74–75 against USD

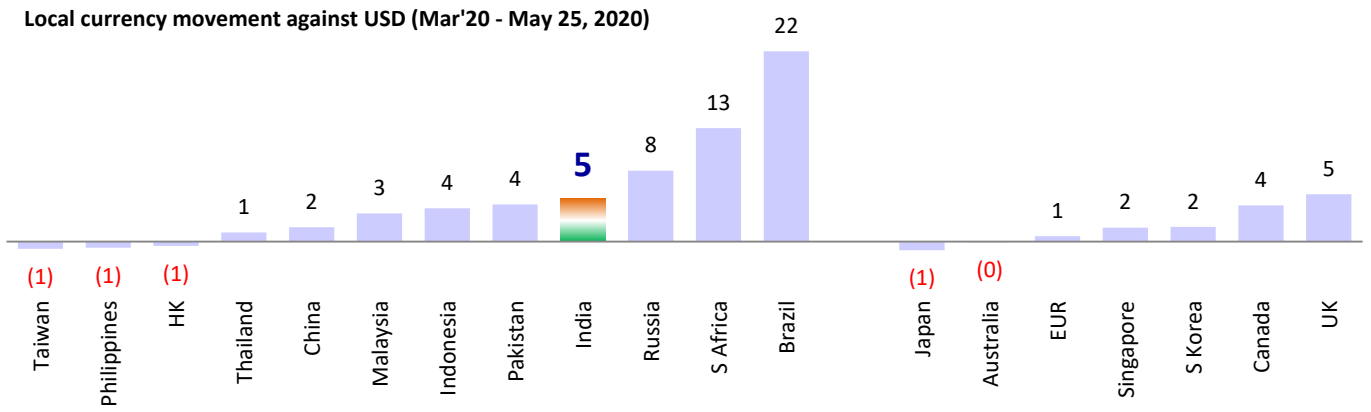
Current account surplus and record forex reserves to support INR

- **Since the beginning of Mar'20, the Indian rupee (INR) has weakened ~5% against the US dollar (USD). This is right in the middle of the EM currency pack – worse than the slight strengthening witnessed in the Philippine peso (PHP), but much better than the ~22% fall in the Brazilian real (BRL). The currencies of advanced nations have weakened only slightly in comparison.**
- **A sizable amount of foreign exchange reserves and the crash in crude oil prices may have supported INR. Although a large portion of lower import bill would be offset by lower remittance inflows and lower exports (on account of weak global growth), we believe that India's current account could post its first surplus of ~0.4% of GDP this year, against deficit of ~1% of GDP in FY20.**
- **It is also important to note foreign portfolio/institutional investment (FPI/FII) flows, driven by sentiment, are more important in determining INR movement than crude oil prices (or current account balance).**
- **Our calculations suggest India's balance of payments (BoP) could be in massive surplus this year (USD64b or ~2.4% of GDP), taking the foreign exchange reserves to USD540b by end-Mar'21. In the absence of any adverse global shocks (leading to global risk-off), we believe the INR could average 74–75 against the USD in FY21, weaker than 70.9 in FY20, but stronger than the all-time low of 76.8/USD seen in mid-Apr'20.**
- **Nevertheless, an uncertain economic environment and the lack of clarity over India's fiscal deficit keep the threat of a sovereign rating downgrade alive. Although we don't expect this to happen, any indications in this regard could weaken the INR and re-test all-time lows.**

Since Mar'20, the INR has depreciated ~5%; however, a comparison with other EM currencies confirms the INR falls in the middle of the pack.

INR has weakened ~5% against USD since Mar'20: The COVID-19 pandemic has caused massive disruption in the world economy and resulted in sharp movement in emerging economies' currencies, including the INR. Since the beginning of Mar'20, the INR has depreciated by ~5%; however, a comparison with other EM currencies (since this is a relative market) confirms the INR falls in the middle of the pack. The PHP and Thai baht (THB) have remained broadly unchanged, while the BRL has lost more than a fifth during the period *(Exhibit 1)*. Many developed economies' currencies have been largely stable, except the Great Britain pound (GBP) and Canadian dollar (CAD). In this note, we argue that while the Indian economy, owing to its twin deficit, always faces serious currency risks during any crisis, it may remain stable at 74–75/USD this year. A sovereign rating downgrade, however, remains an active threat.

INR has weakened ~5% against USD since Mar'20



Source: CEIC, MOFSL

Titan Company

BSE SENSEX	S&P CNX
30,609	9,029

Stock Info

Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USDb)	792.9 / 10
52-Week Range (INR)	1390 / 720
1, 6, 12 Rel. Per (%)	1/2/-4
12M Avg Val (INR M)	3186
Free float (%)	47.1

Financials Snapshot (INR b)

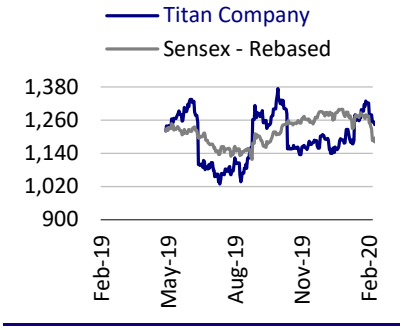
Y/E Mar	2020E	2021E	2022E
Net Sales	213.0	225.8	275.0
Sales Gr. (%)	7.7	6.0	21.8
EBITDA	23.6	24.8	33.7
Margin (%)	11.1	11.0	12.2
PAT	14.9	15.1	21.4
EPS (INR)	16.8	17.0	24.1
EPS Gr. (%)	7.4	1.1	41.4
BV/Sh (INR)	68.0	77.3	89.3
RoE (%)	24.7	23.4	28.9
RoCE (%)	27.0	25.7	31.1
Payout (%)	40.0	45.0	50.0
P/E (x)	53.1	52.5	37.1
P/BV (x)	13.1	11.6	10.0
EV/EBITDA (x)	33.3	31.8	23.2
Div. Yield (%)	0.8	0.9	1.3

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	52.9	52.9	52.9
DII	11.1	9.3	7.4
FII	17.7	18.3	19.2
Others	18.3	19.5	20.5

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR893 TP: INR1,085(+21%) Neutral

COVID-19 led lockdown adversely impacts business

Titan (TTAN) has released an update on the business impact due to the COVID-19 pandemic. Key takeaways:

Impact on operations due to the lockdown

- TTAN's operations were substantially hit during the lockdown – starting from 17th Mar'20 to the first week of May'20 – after which, the lockdown was lifted gradually.
- Sales were also impacted due to (a) '*Akshay Tritiya*', an auspicious Hindu festival, falling on 26th Apr'20 (during the lockdown), and (b) weddings scheduled in Apr-May'20 getting postponed.
- The company had marginal sales through its online channel. The share of online business is only ~2 % of sales.
- Retail stores and manufacturing operations were entirely shut during the lockdown as the company was not a part of the government denominated essential services.

Restarting operations

- TTAN has started re-opening stores in the non-containment zones after establishing thorough safety protocols.
- 43% of stores have re-opened till date.
- Manufacturing activities have commenced gradually but are expected to be well below the normal in the near term due to the current inventory and muted demand estimates.
- There is no disruption in the supply chain.

Future impact estimate

- TTAN's re-opened stores are seeing ~50% of normal sales currently. But sales are improving gradually.
- The company is currently unable to precisely gauge the future impact but expects normalcy to return only after a quarter.
- Customer sentiment indicates reduced spends on discretionary items. This is likely to impact demand for most TTAN products.
- Lower sales would impact store profitability, and hence, store rollouts would be calibrated in the immediate future.

Financial impact

- TTAN has comfortable liquidity position due to adequate banking limits.
- It enjoys highest rating in both short term and long term borrowings.
- The company has successfully issued INR10b of Commercial Papers (CP) at attractive rates during Apr-May'20.

- Even before COVID-19, the company had launched cost cutting initiatives.
- In the last two months, TTAN's OCF was negative due to (a) negligible sales during the first six weeks of lockdown, (b) increase in MTM cash outflow on gold hedge due to rising gold prices, and (c) committed costs being incurred. However, MTM cash outflow should be recovered on jewelry sales in the future.
- TTAN's profitability in 1HFY21 is expected to be adversely affected.
- The company does not see any material risks on receivables or investments.

Other points

- Caratlane's operations were adversely impacted due to the lockdown. Many of its stores are in malls and have not re-opened yet. However, Caratlane has a good proportion of sales from online operations, which is expected to aid cash flows and profitability.
- Titan Engineering & Automation Limited (TEAL) has not been impacted much by the situation as one of its Divisions (Aerospace and Defense) was categorized as an essential service.
- Annual results have been delayed due to the current situation. The Board meeting for Mar'20 results is expected to be held in mid-Jun'20.

Valuation and view

- With the Covid-19 led disruption, severe impact on business performance was anticipated, especially due to TTAN having extensive presence in malls, which were closed even before the lockdown.
- Although the lockdown is being withdrawn gradually, TTAN has been able to re-open only 43% of stores, which too are seeing significantly lower demand than normal. 1QFY21 is likely to be a washout.
- Also, the economic fallout of the lockdown is weighing down consumer sentiment. This should impact discretionary demand in the near term.
- The stock trades at 52.5x/37.1x FY21E/FY22E EPS of INR17/INR24.1. While our rating on the stock is **Neutral**, its longer-term top line and earnings opportunity remains attractive.

Torrent Pharma

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	TRP IN
Equity Shares (m)	169
M.Cap.(INRb)/(USDb)	436.8 / 5.8
52-Week Range (INR)	2679 / 1442
1, 6, 12 Rel. Per (%)	8/69/91
12M Avg Val (INR M)	783

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	79.4	88.2	98.8
EBITDA	21.7	25.1	28.5
Adj. PAT	9.5	12.2	15.9
EBIT Margin (%)	19.1	20.8	21.8
Cons. Adj. EPS (INR)	55.9	72.1	93.7
EPS Gr. (%)	30.8	29.0	30.0
BV/Sh. (INR)	285.1	348.1	408.0
Ratios			
Net D:E	0.9	0.6	0.4
RoE (%)	19.8	22.8	24.8
RoCE (%)	15.0	16.1	19.1
Payout (%)	63.6	36.1	36.1
Valuations			
P/E (x)	46.2	35.8	27.5
EV/EBITDA (x)	21.8	18.6	15.8
Div. Yield (%)	1.2	0.8	1.1
FCF Yield (%)	3.8	2.8	5.3
EV/Sales (x)	6.0	5.3	4.6

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	71.3	71.3	71.3
DII	10.9	12.3	10.5
FII	9.8	8.5	8.6
Others	8.1	8.0	9.6

FII Includes depository receipts

CMP: INR2,581 TP: INR2,350 (-9%) Neutral

Superior product mix, lower interest outgo drive earnings

With CAPA complete for Dahej, TRP awaits clarity on virtual inspection

- The COVID-19-led impact was visible in the 4QFY20 performance of the Domestic Formulations (DF) segment (lower revenue growth and higher working capital needs). The situation is gradually improving with the easing of the lockdown. The near-term revenue outlook would be subdued in Brazil/Germany/US. However, cost reduction is expected to offset this for TRP to some extent. The readiness for the USFDA inspection at Dahej is a sentiment positive.
- We cut our EPS estimate for FY21 by 6% to factor the COVID-19-led slowdown in India/Brazil sales, offset (to some extent) by cost rationalization. We continue to value TRP at 23x 12M forward earnings and roll our price target to INR2,350 (from INR2,214 earlier). Maintain Neutral.

Marginally below estimates operationally

- TRP's revenues at INR19.4b (our est.: INR20.9b) grew 4.8% YoY, led by 11.4% YoY growth in DF sales (INR8.4b; 43% of sales). Adjusting for the COVID-19 impact, YoY growth would have been 15% YoY in the DF business.
- US sales at INR3b (USD52m; 20% of sales) were up at a muted rate of 3.5% YoY.
- Growth was dragged down by the Germany business (down 9.6% YoY; 11% of sales), and Brazil business (down 4.4% YoY; 10% of sales).
- The gross margin (GM) at 72.9% improved 160bp YoY owing to a change in the product mix. The EBITDA margin at 28.2% (our estimate: 27.2%) was up 270bp YoY. EBITDA margin expansion was driven by higher GM, lower R&D spend / employee cost (-120bp/-50bp YoY as percentage of sales). Accordingly, EBITDA at INR5.5b grew at a higher rate of 16% YoY.
- A one-time tax benefit of INR530m was reported on the carrying back of operating loss under the CARES Act enacted by the US govt. in response to COVID-19. Adjusting for the same, PAT was INR2.3b (our est.: INR2.7b), up 42% YoY.
- For FY20, sales / EBITDA / adj. PAT at INR79.4b/INR21.7b/INR9.5b was up 4.3%/11.3%/31%YoY, led by better margins and lower interest cost and tax rate.

Highlights from management commentary

- TRP guided for debt reduction of INR10b for FY21.
- Remediation measures were completed at Dahej. There is also the possibility of a desktop audit (virtual inspection).
- TRP does not intend to add MRs for the India and Brazil businesses for FY21.

Valuation and view

- We reduce our EPS estimate for FY21 by 6% to factor COVID-19-led weakness in the India and Brazil businesses. Lower cost of reduced travel/admin expenses would offset the impact of lower revenue growth. We continue to value TRP at 23x 12M forward earnings and roll our price target to INR2,350.
- We expect a 30% earnings CAGR, led by an 11% CAGR in DF sales, better operating margins, and reduced interest cost on account of debt reduction. However, we believe the upside in earnings is reasonably factored at 36x FY21E EPS of INR72 and 27.5x FY22E EPS of INR94. We maintain Neutral.

Quarterly performance (consolidated) (INR m)

Y/E March	FY19				FY20				FY19	FY20	Est.	Var.
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs Est
Net Revenues	**18,720**	**18,940**	**19,880**	**18,560**	**20,220**	**20,050**	**19,660**	**19,460**	**76,100**	**79,390**	**20,877**	**-6.8%**
YoY Change (%)	36.2	32.5	34.6	7.8	8.0	5.9	-1.1	4.8	26.8	4.3	12.5	
EBITDA	**4,770**	**4,730**	**5,260**	**4,730**	**5,410**	**5,410**	**5,400**	**5,480**	**19,490**	**21,700**	**5,679**	**-3.5%**
YoY Change (%)	60.6	43.8	46.5	14.3	13.4	14.4	2.7	15.9	39.3	11.3	**20**	
Depreciation	1,500	1,520	1,560	1,600	1,600	1,630	1,630	1,680	6,180	6,540	1,635	
EBIT	**3,270**	**3,210**	**3,700**	**3,130**	**3,810**	**3,780**	**3,770**	**3,800**	**13,310**	**15,160**	**4,043**	**-6.0%**
YoY Change (%)	50.7	31.0	39.6	19.0	16.5	17.8	1.9	21.4	34.4	13.9	**29**	
Interest	1,220	1,260	1,330	1,230	1,220	1,160	1,110	1,020	5,040	4,510	1,040	
Other Income	270	100	30	170	200	340	530	150	570	1,220	230	
PBT before EO Expense	**2,320**	**2,050**	**2,400**	**2,070**	**2,790**	**2,960**	**3,190**	**2,930**	**8,840**	**11,870**	**3,234**	**-9.4%**
Extra-Ord Expense	0	0	-350	3,570	0	0	0	0	3,220	0	0	
PBT after EO Expense	**2,320**	**2,050**	**2,750**	**-1,500**	**2,790**	**2,960**	**3,190**	**2,930**	**5,620**	**11,870**	**3,234**	
Tax	690	260	290	20	630	520	680	-210	1,260	1,620	544	
Rate (%)	29.7	12.7	12.1	1.0	22.6	17.6	21.3	-7.2	14.3	13.6	16.8	
Reported PAT	**1,630**	**1,790**	**2,460**	**-1,520**	**2,160**	**2,440**	**2,510**	**3,140**	**4,360**	**10,250**	**2,690**	
Adj PAT	**1,630**	**1,790**	**2,152**	**1,656**	**2,160**	**2,440**	**2,510**	**2,344**	**7,228**	**9,454**	**2,690**	**-12.9%**
YoY Change (%)	-13.3	-12.3	-9.9	12.5	32.5	36.3	16.6	41.5	-7.1	30.8	62.4	
Margins (%)	8.7	9.5	10.8	8.9	10.7	12.2	12.8	12.0	9.5	11.9	12.9	

Key performance indicators (consolidated)

Y/E March	FY19				FY20				FY19	FY20
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
India formulations	8,300	8,160	8,350	7,540	9,070	8,990	8,710	8,400	32,340	35,170
YoY Change (%)	78.9	34.4	42.5	8.8	9.3	10.2	4.3	11.4	37.6	8.8
US generics	3,340	3,940	4,900	3,720	3,760	3,800	3,810	3,850	15,900	15,230
YoY Change (%)	22.8	54.5	84.2	21.2	12.6	-3.6	-22.2	3.5	44.5	-4.2
Latin America	1,690	1,470	1,680	2,050	1,740	1,560	1,890	1,960	6,890	7,150
YoY Change (%)	-6.6	22.5	-13.4	-4.7	3.0	6.1	12.5	-4.4	-2.8	3.8
Europe	2,510	2,510	2,670	2,390	2,620	2,500	2,190	2,160	10,090	9,470
YoY Change (%)	24.3	13.6	10.8	-3.6	4.4	-0.4	-18.0	-9.6	10.6	-6.1
ROW	1,680	1,670	1,710	1,800	1,790	1,970	1,950	2,040	6,900	7,760
YoY Change (%)	36.6	23.7	30.5	36.4	6.5	18.0	14.0	13.3	32.2	12.5
Contract manufacturing	1,200	1,200	1,200	1,050	1,240	1,230	1,100	1,060	4,600	4,610
YoY Change (%)	-9.1	31.9	103.4	-17.3	3.3	2.5	-8.3	1.0	12.7	0.2
Cost Break-up										
RM Cost (% of Sales)	30.4	29.5	29.8	29.3	28.3	27.3	28.2	27.6	28.9	27.3
Staff Cost (% of Sales)	18.9	18.5	18.9	19.0	19.3	18.2	18.4	17.6	18.3	18.0
R&D Expenses(% of Sales)	6.8	7.2	6.8	6.4	6.7	6.5	5.6	0.0	6.7	4.7
Other Cost (% of Sales)	26.8	28.5	26.4	27.6	27.4	28.9	27.5	27.9	26.6	27.4
Gross Margins(%)	69.6	70.5	70.2	70.7	71.7	72.7	71.8	72.4	71.1	72.7
EBITDA Margins(%)	25.5	25.0	26.5	25.5	26.8	27.0	27.5	28.2	25.6	27.3
EBIT Margins(%)	17.5	16.9	18.6	16.9	18.8	18.9	19.2	19.5	17.5	19.1

Coromandel International

BSE SENSEX	S&P CNX
30,609	9,029

CMP: INR650 — Buy

Strong performance; numbers above estimates

- CRIN reported overall revenue of INR28.7b (est.: INR26b) in 4QFY20, up 9% YoY. The Crop Protection segment grew 22% YoY to INR4.4b and the Nutrients & Other Allied Business segment 7% YoY to INR24.4b.
- EBITDA margins expanded 380bp to 13.6% (est.: 12.8%); RM cost as a percentage of sales came in at 65% in 4QFY20 v/s 70.2% in 4QFY19.
- EBITDA stood at INR3.9b (est.: INR3.3b), up 51% YoY.
- The EBIT margin for Nutrients & Other Allied Business expanded 400bp to 12.8%, while it contracted 50bp to 13.5% for Crop Protection. EBIT grew 56% YoY (to INR3.1b) in Nutrients & Other Allied Business and 17% YoY (to INR598m) in Crop Protection segment.
- Adj. PAT stood at INR2.3b (est.: INR1.9b), up 2.1x YoY, primarily on account of a lower tax rate (25.5% in 4QFY20 v/s 32.6% in 4QFY19), higher other income (up 33% YoY to INR115m), and lower interest cost (down 33% YoY to INR434m). On the other hand, it was offset by an increase in depreciation (up 28% YoY to INR451m).
- Government subsidy receivables were INR23.2b v/s INR23.9b last year.

Conference Call Details

Date: 27th May 2020
Time: 2:30pm IST
Dial-in details:
+91-22-6246 4117

Financials & valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	131.4	138.2	150.0
EBITDA	17.3	18.2	19.8
PAT	10.7	11.6	13.1
EBITDA (%)	13.2	13.2	13.2
EPS (INR)	36.3	39.6	44.7
EPS Gr. (%)	42.8	9.0	12.9
BV/Sh. (INR)	147	179	215
Ratios			
Net D/E	0.4	0.2	0.1
RoE (%)	27.7	24.3	22.7
RoCE (%)	20.3	20.0	19.8
Payout (%)	39.6	21.2	18.8
Valuations			
P/E (x)	17.9	16.4	14.5
EV/EBITDA (x)	4.4	3.6	3.0
Div Yield (%)	1.8	1.1	1.1
FCF Yield (%)	8.0	4.0	4.7

Quarterly performance (INR m)

Y/E March	FY19				FY20				FY19	FY20	FY20	Var
Consolidated	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	%
Net Sales	**25,285**	**50,083**	**30,495**	**26,383**	**21,307**	**48,580**	**32,787**	**28,693**	**1,32,246**	**1,31,367**	**26,030**	**10**
YoY Change (%)	11.8	36.3	11.5	9.4	-15.7	-3.0	7.5	8.8	19.3	-0.7	-1.3	
Total Expenditure	23,146	43,420	27,456	23,794	19,354	41,450	28,467	24,786	1,17,815	1,14,057	22,686	
EBITDA	**2,139**	**6,663**	**3,039**	**2,590**	**1,953**	**7,130**	**4,320**	**3,907**	**14,431**	**17,310**	**3,343**	**17**
Margins (%)	8.5	13.3	10.0	9.8	9.2	14.7	13.2	13.6	10.9	13.2	12.8	
Depreciation	256	263	269	351	305	417	408	451	1,138	1,580	450	
Interest	644	696	514	653	796	664	459	434	2,507	2,353	500	
Other Income	88	98	98	86	100	95	91	115	371	400	93	
PBT before EO expense	**1,328**	**5,802**	**2,354**	**1,672**	**952**	**6,145**	**3,544**	**3,137**	**11,156**	**13,778**	**2,486**	
Extra-Ord expense	0	197	4	37	0	0	0	0	**239**	0	0	
PBT	**1,328**	**5,605**	**2,350**	**1,635**	**952**	**6,145**	**3,544**	**3,137**	**10,917**	**13,778**	**2,486**	
Tax	423	1,944	821	533	326	1,110	899	800	3,721	3,135	602	
Rate (%)	31.8	34.7	34.9	32.6	34.3	18.1	25.4	25.5	34.1	22.8	24.2	
Minority Interest & P/L of Asso. Cos.	3	5	-14	-2	2	-4	-1	-4	-8	-8	0	
Reported PAT	**902**	**3,656**	**1,543**	**1,104**	**624**	**5,039**	**2,645**	**2,342**	**7,205**	**10,651**	**1,884**	**24**
Adj PAT	**902**	**3,853**	**1,547**	**1,141**	**624**	**5,039**	**2,645**	**2,342**	**7,443**	**10,651**	**1,884**	**24**
YoY Change (%)	24.2	10.5	-14.3	27.3	-30.8	30.8	71.0	105.3	7.7	43.1	66.9	
Margins (%)	3.6	7.7	5.1	4.3	2.9	10.4	8.1	8.2	5.6	8.1	7.2	

Jindal Steel and Power

Estimate change	⟷
TP change	↑
Rating change	⟷

Bloomberg	JSP IN
Equity Shares (m)	1,016
M.Cap.(INRb)/(USDb)	111.5 / 1.3
52-Week Range (INR)	202 / 62
1, 6, 12 Rel. Per (%)	40/-5/-10
12M Avg Val (INR M)	2874

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	370.0	359.7	413.4
EBITDA	78.5	86.4	89.2
Adj. PAT	-2.8	3.1	7.8
Adj. EPS (INR)	-2.8	3.0	7.7
EPS Gr(%)	-183.8	-210.2	153.3
BV/Sh. (INR)	315.1	318.1	325.8
RoE (%)	-0.8	1.0	2.4
RoCE (%)	4.8	5.9	6.5
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	-39.7	36.1	14.2
P/BV	0.3	0.3	0.3
EV/EBITDA (x)	6.2	5.2	4.7
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	42.7	42.3	42.7
DII	4.9	4.6	3.4
FII	17.7	18.3	19.2
Others	34.7	34.8	34.7

FII Includes depository receipts

CMP: INR109 TP: INR166 (+52%) Buy

Deleveraging to continue despite COVID-19

Improved performance across operations leads to profits

- JSP's 4QFY20 result highlights the benefits of higher steel realizations and cost efficiencies in its steel operations. 4QFY20 consolidated EBITDA was up 22% QoQ (20% YoY) to INR22.2b (v/s est. INR19.6b) due to higher steel prices in Indian and Oman operations.
- JSP continues on the path of deleveraging as it reduced net debt by INR32b in FY20. We expect JSP to reduce its net debt by INR72b (INR71/share) over FY20-22E to INR307b from INR379b (incl. acceptances) at end-FY20. This would be done through FCF generation led by higher EBITDA. Re-iterate **Buy** with an SOTP-based target price of INR166/share.

Higher realizations boost margins

- **Consolidated:** EBITDA of INR22.2b (+22% QoQ) in 4QFY20 was 13% above our est., primarily due to higher-than-expected margins in Indian Steel and Oman operations. Adj. PAT stood at INR2.2b (v/s est. Adj. loss of INR1.5b). During FY20, EBITDA declined 7% YoY to INR78.6b while Adj. loss stood at INR2.8b (v/s FY19 Adj. PAT of INR3.2b).
- **Standalone:** Steel sales volumes declined 17% QoQ to 1.33mt (-8% YoY) due to lower production led by shutdown at Angul Blast Furnace and the COVID-19 impact. Implied steel realization improved 9% QoQ to INR42,514/t on strong domestic steel prices. EBITDA/t increased 40% QoQ (18% YoY) to INR11,746/t (v/s est. INR10,963/t), primarily due to increased realization and usage of Sarda mines inventory during Mar'20, which was offset by negative operating leverage effect. As a result, EBITDA of standalone operations increased 16% QoQ to INR15.6b (+8% YoY), above est. INR14.6b.
- **Jindal Power**: JPL's generation increased 28% QoQ (-7% YoY) to 2,430m units (v/s est. 2,266m units). Realization stood at INR4.17/kWh (-9% QoQ, flat YoY). EBITDA/unit stood at INR1.5/kWh (+1% QoQ, +37% YoY). As a result, EBITDA increased 30% QoQ/25% YoY to INR3.3b (v/s est. INR2.8b).
- **Oman:** Steel sales stood at 530kt (15% YoY, -7% QoQ). Oman Steel operations reported EBITDA/t of USD120/t (v/s est. USD65/t), up 108% QoQ/58% YoY on the back of higher steel prices coupled with lower power and gas costs. This resulted in EBITDA improving 97% YoY/88% QoQ to INR4.6b (v/s est. INR2.5b).
- Net debt (excluding acceptances) increased by ~INR4.5b QoQ to INR359b (due to adverse forex impact of ~INR8b). During FY20, the company repaid debt of INR44b, however, due to adverse forex impact of INR11.6b, the debt reduction was lower at INR32b to INR359b.

Management confident on volume growth in FY21

- Indian operations' capacity utilization currently stands at ~80%. The company expects to import ~500kt during Apr-May'20. EBITDA/t is expected at ~INR9,000 in 1QFY21.

- Management has guided for FY21 production volume of 7-7.5mt (6.3mt in FY20) in Indian operations and 8.7-9.3mt (8.2mt in FY20) at consolidated level. Capex has been guided at INR6-8b for FY21 (v/s ~INR9b in FY20). The company also expects higher volumes through improved exports.
- The company has opted for moratorium till Aug'20 for debt and principal repayments that are due. This would result in deferral of principal and interest of INR7b each i.e. INR14b in Indian Steel operations.
- Scheduled debt repayment of INR61b in FY21 – Standalone (INR16b), Australia and Mauritius (INR33b), Oman (INR6b), and JPL (INR6b).

Deleveraging to continue from FCF generation

- While JSP has guided for ~15% volume growth in FY21 on the back of higher exports, we have factored in 6% volume growth. Lower export prices are likely to adversely impact realizations, thereby impacting margins. However, we expect this to be partly offset by usage of free iron ore/lower coal prices.
- We expect JSP to reduce its net debt by INR72b (INR71/share) over FY20-FY22E to INR307b from INR379b (incl. acceptances) at end-FY20 through FCF generation led by higher EBITDA.
- Refinancing of overseas debt would elongate debt repayment schedule, thereby, reducing strain on standalone cash flows. We believe that JSP would be able to refinance debt of INR33b due for maturity in Australia and Mauritius, and have factored in the same into our estimates.
- Re-iterate **Buy** with a TP (SOTP-based) of INR166 by valuing the steel business at 4.5x FY22E EBITDA and the power business using DCF methodology. At CMP, the stock trades attractively at 3.7x FY22E EV/EBITDA of steel business.

Quarterly Performance (Consolidated) - (INR Million)

Y/E March	FY19				FY20				FY19	FY20		vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**96,654**	**99,823**	**95,656**	**1,01,590**	**99,456**	**89,395**	**92,998**	**88,107**	**3,93,721**	**3,69,955**	**89,226**	**-1**
Change (YoY %)	63.6	63.0	36.8	18.1	2.9	-10.4	-2.8	-13.3	42.5	-6.0	-12.2	
EBITDA	**22,766**	**22,074**	**20,769**	**18,447**	**21,731**	**16,415**	**18,195**	**22,198**	**84,056**	**78,539**	**19,630**	**13**
Change (YoY %)	68.3	60.7	29.3	-13.7	-4.5	-25.6	-12.4	20.3	29.9	-6.6	6.4	
Interest	9,729	10,858	10,424	11,631	11,090	10,301	10,024	10,078	42,642	41,493	9,885	**2**
Depreciation	10,399	10,314	10,357	10,867	10,536	10,390	10,179	10,500	41,938	41,604	10,179	**3**
Other Income	0	9	148	0	8	8	0	246	157	262	8	
PBT (before EO item)	**2,637**	**911**	**136**	**-4,051**	**113**	**-4,266**	**-2,008**	**1,865**	**-367**	**-4,296**	**-426**	**NA**
Extra-ordinary Income	0	2,555	0	-30,204	0	0	0	1,838	-27,650	1,838	0	
PBT (after EO item)	**2,637**	**3,466**	**136**	**-34,255**	**113**	**-4,266**	**-2,008**	**3,704**	**-28,017**	**-2,458**	**-426**	**NA**
Total Tax	1,538	674	1,008	-7,122	987	-273	178	647	-3,902	1,539	1,101	
Reported PAT	**1,099**	**2,792**	**-872**	**-27,133**	**-874**	**-3,993**	**-2,186**	**3,056**	**-24,115**	**-3,997**	**-1,527**	**NA**
MI - Loss/(Profit)	-709	-645	-614	-5,676	-968	-988	57	-1,006	-7,644	-3,025	-30	
Adjusted PAT	**1,808**	**882**	**-258**	**746**	**95**	**-3,005**	**-2,243**	**2,224**	**3,178**	**-2,810**	**-1,497**	**NA**
Change (YoY %)	-146.7	-129.6	-90.3	-42.4	-94.8	-440.7	767.6	198.0	-138.7	-188.4	-300.6	
Cash profit (pre tax and MI)	**13,036**	**11,225**	**10,493**	**6,817**	**10,649**	**6,123**	**8,171**	**12,365**	**41,571**	**37,308**	**9,753**	**27**

E: MOFSL Estimates

Power & Coal monthly

Power demand slumps post nation-wide lockdown

Coal-based generation down ~32% YoY; Coal stocks remain high

Conventional generation down ~25% YoY in Apr'20

- Conventional generation decreased 25% YoY in Apr'20, largely due to lower demand from Industrial and Commercial consumers given the nationwide lockdown implemented in the wake of COVID-19. The slump in demand was broad-based and was witnessed across states.
- Coal generation was down ~32% YoY and bore the brunt of the overall decline. Hydro generation decreased ~13% YoY. On the other hand, Gas (+19% YoY) and Nuclear (+26%) generation registered positive growth.

Total generation down ~23% YoY in Apr'20

- Including RE, Total generation was down 23% YoY. RE generation grew 6% YoY, largely reflecting the benefit of must-run status. Within RE, solar generation was up 15% YoY while wind generation declined 8% YoY.

Coal stocks at plants rise to 31 days

- Coal stocks at power plants rose amidst muted power demand. While Coal India cut back on production largely to match off-take, the sharp decline in coal-based generation meant that stocks at power plants remained high. Stocks at power plants stood at 51mt (at 31 days of consumption) at end-Apr'20.

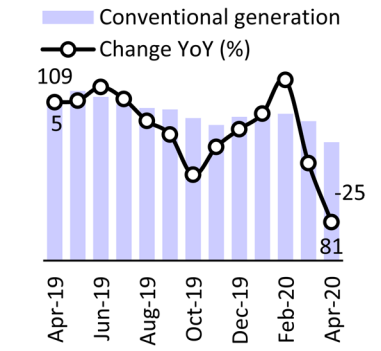
IEX volumes decrease

- DAM volumes were down by ~8% in Apr'20. On TTM basis, DAM volumes on the IEX are ~2% lower. Prices declined 2% MoM to INR2.42/kWh in Apr'20.

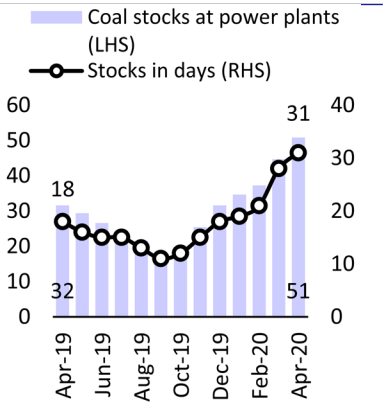
NTPC: PAF remains healthy amid abundant coal supply

- With improved domestic coal availability, plant availability factors at NTPC's critical plants (such as Sipat, Korba and Talcher, which were impacted by coal supply disruption in the previous year) have recovered. PAF at these critical plants stand at >90% for the month and well above normative levels of 85%. PLF at NTPC plants though declined sharply and stood at ~55% for the month.

All-India conventional electricity generation (b kWh)



Coal stocks at power plants



Power and Coal – Key snapshot

	FY17	FY18	FY19	FY20	Apr-20
Total generation growth (%)	**5.8**	**5.4**	**5.2**	**0.7**	**-22.7**
Conv. Generation growth (%)	4.7	4.1	3.6	0.0	-25.3
RE generation growth (%)	24.0	24.9	24.5	7.3	6.4
All India Peak Demand (GW)	**158**	**161**	**176**	**183**	**133**
Capacity addition (GW)					
Net Coal	7.0	5.0	3.5	4.8	0.0
Solar	5.5	9.4	6.5	6.4	0.2
Wind	5.4	1.8	1.6	2.1	0.1
Total capacity add	**20.3**	**17.2**	**12.1**	**14.8**	**0.2**
IEX DAM traded volumes growth (%)	16.9	12.8	11.6	-2.0	-7.9
IEX avg. prices (INR/kWh)	2.4	3.3	4.0	3.0	2.4
Coal receipts by Power plants, growth (%)	-0.2	6.2	8.2	-0.8	na
Coal cons. by Power plants, growth (%)	5.2	6.0	3.4	-1.0	na
Coal stocks at Power plants (days)	19	10	18	28	31
Coal India Dispatches, growth (%)	2.0	6.9	4.8	-4.4	-25.4
Coal India Production, growth (%)	3.2	2.4	7.0	-0.8	-10.9

Source: Company, MOFSL

SPICEJET: POSSIBLE TO DEAL WITH COMPLEXITY OF FARES AND ROUTES; Ajay Singh, CMD

- It was really important that Indian airlines be allowed to fly again because we were just sitting around suffering all the fixed costs and not being able to fly. So I think it is wonderful that we are able to fly and we are grateful to the civil aviation ministry because they have really fought hard for us; there is no question about it.
- With the fares that have been set and with the oil prices being where they are today, we do not really believe that we will lose money. We will probably make some money. Now is that going to be enough to pay for the 70% of the fleet which is sitting on the ground at this time? Probably not.
- Discussing with them several other initiatives that can be taken including the inclusion of ATF under GST and this is a work in progress.
- Have been surprised at the number of queries we are receiving at this time for vacations.

Read More

NINE PRINCIPLES THAT WILL HELP UNIFY LABOUR LEGISLATION

- Who has not read Charles Dickens? Hard Times, for example. During the Industrial Revolution, work conditions were tough in the UK. When Indians complain about our Factories Act (FA,1948) or Chapter V of the Industrial Disputes Act (IDA, 1947), they may not realize that their antecedents lay in India's 1881 Factories Act, which followed similar legislation in Britain. While there was a powerful labour movement within India, legislation (Trade Unions Act, TU, 1926, is another example) was often implanted from London. Life and legislation has moved on there, and other countries that inherited colonial laws like the IDA. A revamp of all labour legislation is over-due. This doesn't mean tinkering with Chapter V-B of the IDA alone. Stated simply, there is an organized sector, driven by registration under the FA. Measured in employment terms, that means around 8% of our labour force, including the public sector. So, 92% is informal, and there are informal workers (without contracts) in the organized sector too. While 8% are subject to rigid labour laws (stoking high capital intensity), 92% have no protection worth the name. Reforms are about making the former flexible and also protecting the latter (not only because of International Labour Organization norms), not one without the other.

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

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

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