ASIAMONEY Brokers Poll 2020 (India)

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	49,662	0.9	4.0
Nifty-50	14,819	0.9	6.0
Nifty-M 100	24,333	1.3	16.7
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,080	0.1	8.6
Nasdaq	13,689	-0.1	6.2
FTSE 100	6,885	0.9	6.6
DAX	15,176	-0.2	10.6
Hang Seng	11,071	-1.3	3.1
Nikkei 225	29,731	0.1	8.3
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	62	1.0	22.0
Gold ($/OZ)	1,738	-0.3	-8.5
Cu (US$/MT)	8,919	-1.5	15.1
Almn (US$/MT)	2,240	-0.4	13.5
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	74.6	1.6	2.1
USD/EUR	1.2	-0.1	-2.8
USD/JPY	109.9	0.1	6.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.1	-0.04	0.2
10 Yrs AAA Corp	6.8	-0.04	0.2
Flows (USD b)	**7-Apr**	**MTD**	**CY21**
FIIs	0.03	2.36	7.33
DIIs	0.05	0.76	-3.17
Volumes (INRb)	**7-Apr**	**MTD***	**YTD***
Cash	768	695	786
F&O	43,863	45,452	41,434

Note: *Average

Today's top research theme

INDIA STRATEGY | 4QFY21 PREVIEW: Earnings drought ending, finally!

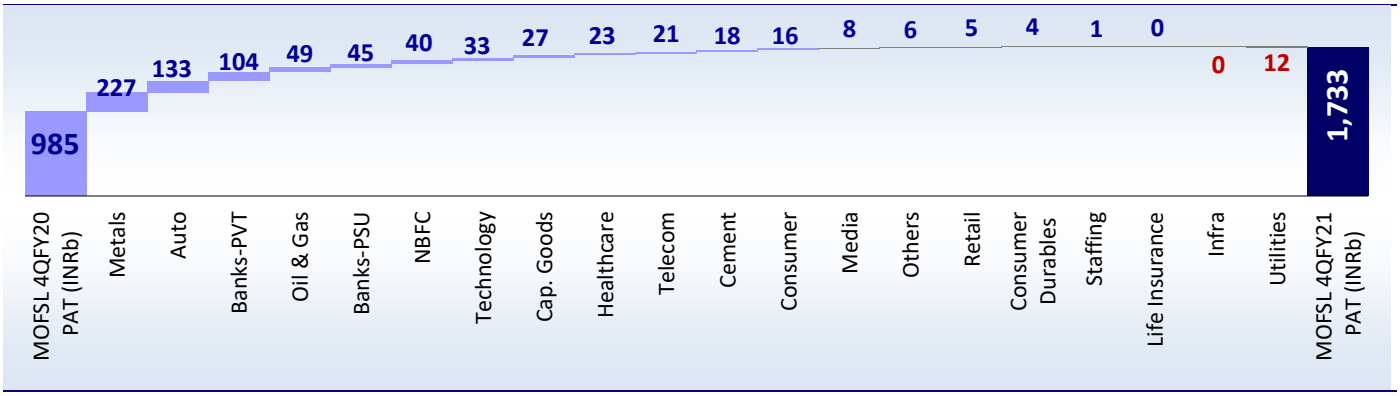
- FY21 has been a stellar year for the markets as all the mainstream indices have delivered solid returns on the back of sharper-than-expected economic and corporate earnings recovery. The Nifty is expected to end FY21 with healthy 13% earnings growth, the highest since FY11, despite the challenges posed by the COVID-19 pandemic.
- We expect PBT/PAT to grow 98%/76% YoY for the MOFSL Universe in 4QFY21, aided by continued economic recovery and low base. 14 of the 20 sectors are expected to post >20% YoY earnings growth. Metals, Private Banks, and Automobiles are expected to drive ~60% of the incremental 4QFY21 PAT growth.
- Nifty sales/EBITDA/PBT/PAT should grow 18%/26%/77%/65% YoY in 4QFY21E. Over 4QFY19–4QFY21, it should post a CAGR of 6%/10%/12%/14%.
- FY21E/FY22E Nifty EPS estimates have seen minor tweaks. Nifty FY21 EPS has seen a marginal 1% cut to INR533 (prior: INR541), while Nifty FY22/FY23 EPS is stable at INR726/INR861 (prior: INR719/INR857). Overall, despite the unprecedented challenges of FY21, the Nifty should end the year with healthy 13% EPS growth. While the expectation for FY22 remains buoyant, resurgence in COVID-19 cases may pose a risk to estimates.

Research covered

Cos/Sector	Key Highlights
INDIA STRATEGY	4QFY21 PREVIEW: Earnings drought ending, finally!
EcoScope	An unexpectedly dovish monetary policy
Technology	ISG, Gartner point to increasing IT spends
Titan Company	Outstanding performance in Jewelry aided by soft base
Godrej Consumer Products	Strong momentum in the domestic business continues
Westlife Development	Second wave restrictions lead to temporary overhang

Chart of the Day: INDIA STRATEGY (Earnings drought ending, finally!)

Metals, Autos, Private Banks to lead aggregate earnings growth; Utilities likely to trail



Source: MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Liquidity support, bond yield management: Key takeaways from RBI Policy

Given the rise in the spread of the coronavirus (Covid-19) infection and imposition of fresh localised lockdowns, the Reserve Bank of India's (RBI's) monetary policy committee (MPC) on Wednesday decided to leave the key repo-rate unchanged at 4 per cent. It also maintained the policy stance as…

2

Spooked by lockdown fears, rupee crashes 105 paise against dollar

Fear of another round of lockdown hitting economic recovery led traders to sell the rupee and buy US dollars. As a result, the Indian counter on Wednesday saw its worst one-day fall in nearly 20 months since August 2019. It was down 1.5 per cent on Wednesday. Traders fear the rupee could hit 75 to the dollar though it closed the day at 74.47…

3

Coffee Day stares at bankruptcy as asset sale fails to make headway

The lenders to Coffee Day Enterprises Ltd (CDEL), which owns and operates a café chain, are considering sending the company to the National Company Law Tribunal (NCLT) for debt resolution after the firm announced that it had defaulted on its loans in the March 2021 quarter. According to an exchange filing, for the March quarter, …

4

White goods, solar modules get Rs 10,738 crore worth of PLI push

The Union Cabinet on Wednesday approved production-linked incentive (PLI) schemes for white goods (air conditioners and LED lights) and high-efficiency solar photovoltaic (PV) modules with a total budgetary outlay of Rs 10,738 crore in a bid to boost domestic manufacturing. …

5

Govt likely to tweak RoDTEP scheme amid outcry over refund rates

The Department of Commerce may take a relook at the refund rates recommended by a government-appointed committee for the recently announced Remission of Duties and Taxes on Exported Products (RoDTEP). This is after an industry outcry over the suggested rates….

6

Mudra loan sanctions in FY21 drop 21% YoY to 2.7 trn as Covid-19 weighs

Loans sanctioned to small businesses and entrepreneurs under the Pradhan Mantri Mudra Yojana (PMMY) dropped to Rs 2.7 trillion in financial year 2020-21 as the Covid-19 pandemic weighed on business activity. Loans sanctioned under PMMY were Rs 3.4 trillion in FY20 …

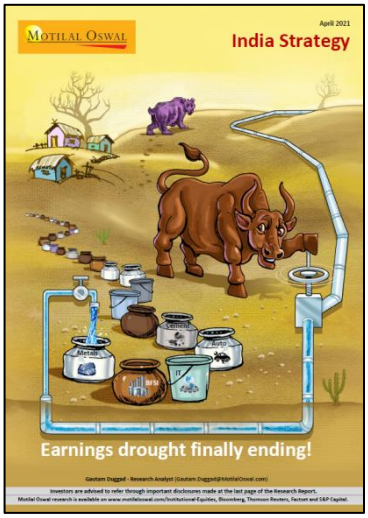
7

Maharashtra Shuts 109 Vaccination centers Due to Shortage of Vaccine

As many as 109 vaccination centres remained shut in Maharashtra's Pune due to a shortage of Covid-19 vaccines. …

India Strategy

BSE Sensex: 50,030 **Nifty 50: 14,867**

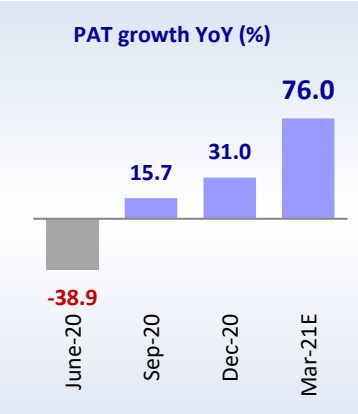


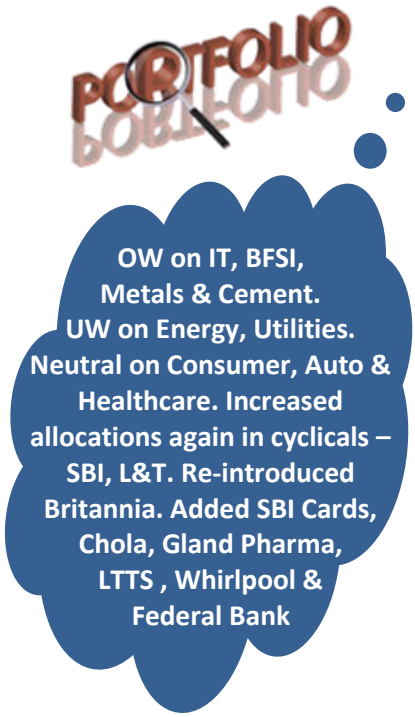
Earnings drought ending, finally!

Cyclicals to drive 4QFY21 earnings; rising COVID-19 cases a headwind

- FY21 has been a stellar year for the markets as all the mainstream indices have delivered solid returns on the back of sharper-than-expected economic and corporate earnings recovery. The Nifty is expected to end FY21 with healthy 13% earnings growth, the highest since FY11, despite the challenges posed by the COVID-19 pandemic. a) Broad market share shifts toward organized corporates across sectors and b) prudent cost optimization measures catalyzed this 13% earnings growth in a year when nominal GDP is expected to decline 4% YoY. 4QFY21 is likely to be another strong quarter as high-frequency data points indicate decent economic recovery. However, toward the end of 4QFY21, a spike in COVID-19 cases in the second wave has started somewhat muddying the outlook. The daily cases in the second wave have already exceeded the peak of the first wave and forced state governments to introduce various restrictions and localized lockdowns. The interplay of resurgence in COVID-19 cases and the pace of vaccination would decide the trajectory of economic recovery going ahead, in our view.
- After two consecutive quarters of solid earnings beats and upgrades, we expect another strong quarter, aided by a deflated base of 4QFY20 and healthy demand recovery for the large part of 4QFY21 – as attested by high-frequency indicators. Performance is expected to be healthy despite headwinds of commodity cost inflation in various sectors. The key drivers of the 4QFY21 performance include: a) Metals – on the back of a strong pricing environment and higher volumes; b) Private Banks and NBFCs – on moderation in slippages and improved disbursements / collection efficiency; c) a continued strong performance from IT – as deal wins translate into higher revenues; d) Autos – as operating leverage benefits offset commodity cost pressures; and e) Consumer Staples and Durables – on strong demand recovery despite commodity price inflation. MOFSL and the Nifty are expected to post a healthy two-year profit CAGR of 16% and 14%, respectively, over 4QFY19–4QFY21.
- **65%/76% YoY profit growth expected for Nifty/MOFSL Universe in 4QFY21:** We expect PBT/PAT to grow 98%/76% YoY for the MOFSL Universe in 4QFY21, aided by continued economic recovery and low base. 14 of the 20 sectors are expected to post >20% YoY earnings growth. Metals, Private Banks, and Automobiles are expected to drive ~60% of the incremental 4QFY21 PAT growth. Consumer Durables, Cement,Healthcare, Consumer Staples, and Technology are likely to post earnings growth of 62%, 59%, 43%, 19%, and 16% YoY, respectively. Nifty sales/EBITDA/PBT/PAT should grow 18%/26%/77%/65% YoY in 4QFY21E. Over 4QFY19–4QFY21, it should post a CAGR of 6%/10%/12%/14%. The MOFSL Universe, ex-OMCs and financials, is expected to post a 300bp YoY expansion in operating margins.
- **Minor tweaks to FY21E/FY22E Nifty EPS:** FY21E/FY22E Nifty EPS estimates have seen minor tweaks. Nifty FY21 EPS has seen a marginal 1% cut to INR533 (prior: INR541), while Nifty FY22/FY23 EPS is stable at INR726/INR861 (prior:

MOFSL Universe expected to deliver strong earnings





INR719/INR857). Overall, despite the unprecedented challenges of FY21, the Nifty should end the year with healthy 13% EPS growth. While the expectation for FY22 remains buoyant, resurgence in COVID-19 cases may pose a risk to estimates.

- **Key model portfolio changes:** Our model portfolio changes reflect our growing conviction in cyclical recovery and acceleration in earnings growth going ahead. We maintain our OW stance on **IT, Metals,** and **Cement**. **BFSI** is now marginally OW from Neutral. We **have added weight** to **Capital Goods** and made it **OW**. We have reduced our allocations in **Telecom** and **Healthcare** from **OW** to **Neutral. We have maintained our Neutral** stance in **Consumer** and **Autos,** while staying UW on **Energy** and **Utilities**. In BFSI, we have added **Chola** and **SBI Card** in the Diversified Financial space. We have further increased the weight in **SBI given the attractive valuations and improving operating performance**. In Consumer, we have re-introduced **Britannia** after the rating upgrade by our Consumer team. In Healthcare, we have introduced **Gland Pharma, while maintaining our allocation in Divi's Labs**. In Capital Goods, we have added weight in **L&T** to partake in the cyclical and capex recovery at reasonable valuations. In the Mid-caps space, we have introduced **Federal Bank**, **Whirlpool, Gujarat Gas,** and **LTTS**.

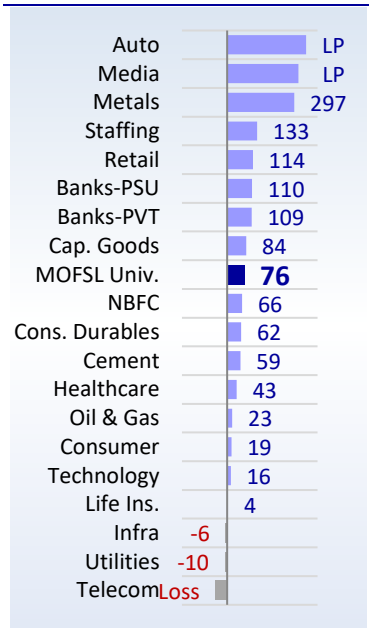
Top picks

- **Large-caps: ICICI Bank, SBI, Infosys, HCL Technologies, UltraTech, M&M, HUVR, Titan, Divi's Labs, Hindalco, SBI Cards**
- **Mid-caps: SAIL, IEX, L&T Technology, Chola Finance, Gland Pharma, Emami, Gujarat Gas, Orient Electric, Varun Beverages, Federal Bank**

Key sectoral trends/highlights

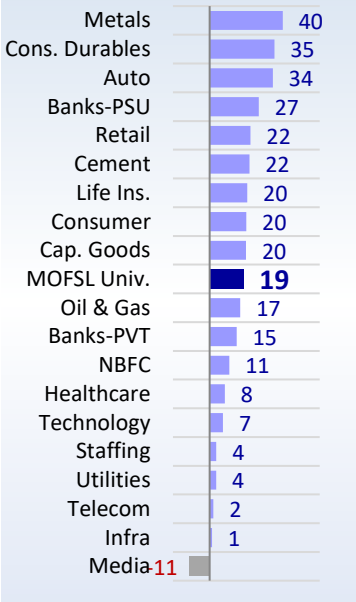
- The **Metals** Universe should post a ~4x YoY jump in PAT, aided by a demand surge for metals globally and a strong uptrend in realizations. The Metals Universe would post the highest absolute profits in 4QFY21. Profit for our Metals Universe would exceed that for our IT Universe for the first time since the Jun'12 quarter.
- The **Technology** Universe is likely to deliver revenue (USD) / adjusted EBIT / PAT growth of 8%/19.7%/16.2% YoY in 4QFY21. Growth in 4QFY21 continues to be driven by a supportive demand environment and large deal wins. In Tier I IT, we expect strong sequential growth trends across companies. We expect Tier I IT to grow at 3.6% QoQ in USD terms, aided by cross-currency tailwinds. In Tier II IT, we expect COFORGE and LTTS to lead the growth trends in the Midcap IT space.
- **Private Banks** Universe should report 18%/110%/109% YoY growth in PPOP/PBT/PAT. The two-year profit CAGR over 4QFY19–4QFY21 should stand at 30%. The improved earnings outlook is led by a continued uptick in economic recovery and abating concerns around asset quality.
- The **NBFCs** under our coverage are likely to post PBT/PAT growth of 60%/66% YoY. Across product segments, MoM improvement is expected in collection efficiency (CE). Companies are also witnessing movement to the lower DPD segment from the higher DPD segment, leading to a lower provisioning

Sectoral PAT growth-quarter ended Mar-21 (%, YoY)



Fourteen sectors within our Coverage Universe are expected to post more than 20% YoY profit growth

Sectoral sales growth-quarter ended Mar-21 (%, YoY)



requirement. Capital market players have continued to witness strong traction, led by an uptick in transactions in 4QFY21.

- **PSU Banks** would deliver NII/PPOP growth of 27%/15% YoY and PAT growth of ~110% YoY (on a low base). Within PSBs, we expect SBIN to report a healthy performance, supported by the resolution of stressed assets.
- The **Consumer** Universe is likely to report sales/EBITDA/PAT growth of 20%/27%/19% YoY (10% profit CAGR over 4QFY19–4QFY21). Ex-ITC, the Consumer Universe is expected to post 45%/41% PBT/PAT growth. Performance is expected to be led by strong buoyancy in the rural areas, good winter season demand, and continued momentum in healthcare products.
- 4QFY21 PBT for our **Auto** universe is expected to grow to INR147b, from INR6b in 4QFY20; PAT, on the other hand, is expected to come in at INR114b v/s loss of INR19b in 4QFY20. Tata Motors is expected to drive 80% incremental PAT for the sector. On a two-year CAGR basis (v/s 4QFY19), wholesale volumes grew strongly for Tractors (+20.3% CAGR, -10% QoQ), while PVs (+2.4% CAGR, +9.3% QoQ) and 2Ws (+0.3% CAGR, -7% QoQ) recovered to 4QFY19 levels.
- The **Healthcare** Universe is expected to continue its strong earnings momentum; it would grow 43% YoY, resulting in the 5th consecutive quarter of strong double-digit earnings growth YoY. 16 of the 20 companies in our Coverage Universe are expected to post YoY profit growth.
- The **Cement** Universe should report 34%/67%/59% YoY growth in EBITDA/PBT/PAT. EBITDA margins are likely to increase to 22.6% YoY from 20.2% YoY. On a two-year basis, the profit CAGR is expected to be 19%.
- The **Oil and Gas** Universe should report 23% YoY growth in PAT, led by gains from heavyweights such as ONGC and HPCL – which would post PAT growth of 207% and 78% YoY, respectively. Reliance Industries would post PAT growth of 18% YoY.
- The **Consumer Durables** Universe should report 62% YoY PAT growth. Revenue is likely to rise 35% YoY as demand recovery has been faster than expected. On a two-year basis, the profit CAGR is expected to be 17%.
- The **Telecom** Universe should report loss for the 15th straight quarter, largely due to Vodafone Idea. Sectoral EBITDA margins are likely to expand 590bps YoY to 45.5%.
- The **Capital Goods** Universe should report PAT growth of 84% YoY, largely on account of BHEL's performance. Ex-BHEL, the Capital Goods Universe should post a tepid 7% profit growth in 4QFY21. Sectoral revenue is likely to grow 20% YoY. ABB/Siemens would post PAT growth of 442%/91% YoY on a low base. L&T is likely to post 2% growth in YoY profits. BHEL is expected to post profit of INR8.2b v/s loss of 15.3b in 4QFY20.
- The **Utilities** Universe should see 26%/10% YoY decline in PBT/PAT, largely dragged by Coal India.

An unexpectedly dovish monetary policy…

…as RBI moves to manage the yield curve

- **The Monetary Policy Committee (MPC) resolution has come on expected lines with the policy repo rate unchanged at 4%. The reverse repo and Marginal Standing Facility (MSF) rates were also kept unchanged at 3.35% and 4.25%, respectively. Besides the decision on rates, all MPC members voted unanimously to continue with the accommodative stance as long as necessary.**
- **RBI also kept its GDP growth forecast unchanged at 10.5% (lower than market consensus of 11%) and revised inflation projections only marginally up to ~5% for FY22 (higher than the market consensus of 4.75%).**
- **Contrary to our expectation of no further monetary policy easing, the RBI announced a number of measures aimed at managing the yield curve and enhancing liquidity. These measures include conducting a secondary market G-Sec acquisition program (G-SAP 1.0), or what is popularly known as Open Market Operations (OMOs) to purchase government securities worth INR1t in 1QFY22, of which INR250b will be purchased on 15th Apr'21; extension of on-tap Targeted Long-Term Repo Operations (TLTROs) up to 30th Sep'21; additional special refinance facility worth INR500b to All India Financial Institutions (AIFIs); among others.**
- **While the unchanged policy rates and stance came on expected lines, the tone of the monetary policy statement was rather dovish, contrary to our expectation. The rising second wave of COVID-19 cases may have caused the RBI to take a step back from the liquidity normalization process that it had started in Dec'20. In fact, RBI's major focus at this point in time seems to be more on yield curve management, given the massive government borrowing program in FY22. Its announcement of new liquidity measures and extension of a few indicates that monetary policy normalization might be delayed and be more gradual than earlier expected.**

I. Policy interest rates kept unchanged

Policy rates were kept unchanged…: The MPC decided to keep policy rates unchanged – the repo rate at 4%, the reverse repo at 3.35%, and the MSF at 4.25%. Besides the decision on rates, all MPC members voted unanimously to continue with the accommodative stance as long as necessary – to sustain growth on a durable basis *(Exhibit 1-2)*.

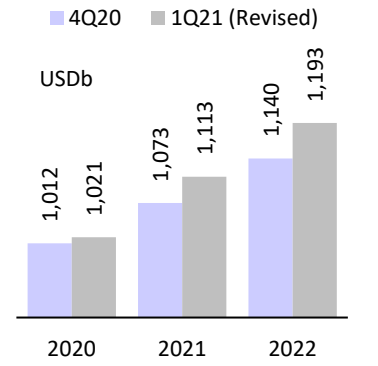
- **…and FY22 inflation and growth target were also broadly unchanged:** While inflation projections for 4QFY21 was revised downward to 5% from 5.2% YoY, the same for FY22 was kept largely unchanged ~5% (5.2%/5.2%/4.4%/5.1% YoY in 1Q/2Q/3Q/4QFY22). FY22 real GDP growth forecast was also kept unchanged at 10.5% YoY (1Q/2Q/3Q/4QFY22 real GDP at 26.2%/8.3%/5.4%/6.2% YoY). While inflation risks are broadly balanced, the RBI expects a buoyant rural economy, strengthening urban economy, and continued government support to sustain growth in FY22 *(Exhibit 2-3).*
- **A set of new measures and extensions were also announced:** The RBI also announced a variety of measures in its policy statement on 7th Apr'21:
  - In its first, RBI will conduct a secondary market G-Sec acquisition program (G-SAP 1.0), or what is popularly known as OMOs, to purchase government securities worth INR1t in 1QFY22, of which INR250b will be purchased on 15th Apr'21. However, the RBI will continue to conduct Variable Rate Reverse Repo (VRRR) auctions of longer maturity in order to suck out additional liquidity. Effectively, yield curve management seems to be RBI's

major focus. By sucking liquidity and supporting long-dated securities, the yield curve is expected to flatten.

- On-tap TLTRO scheme, which was made available up to 31st Mar'21, has now been extended for six more months to 30th Sep'21. Liquidity availed by Banks under this scheme is to be deployed in corporate bonds, commercial papers, and non-convertible debentures issued by entities in 26 specific stressed sectors as identified by the KV Kamath Committee. This liquidity can also be used to extend Bank loans and advances to these sectors.
- Special refinance facilities worth INR500b will be provided to AIFIs. Of this, the National Bank for Agriculture and Rural Development (NABARD) would receive INR250b, National Housing Bank (NHB) would receive INR100b, and the remaining INR150b would be deployed to SIDBI. This is over and above the INR750b already provided to these AIFIs during Apr-Aug'20.
- Bank lending to registered NBFCs (other than MFIs) for on-lending to Agriculture, MSME, and Housing was permitted to be classified as Priority Sector Lending (PSL). This dispensation, which was available from 13th Aug'19 to 31st Mar'21, has been further extended by another six months up to 30th Sep'21.
- In a bid to further promote financial inclusion, the RBI has decided to expand Payment Banks' ability to cater to the needs of their customers, including MSMEs, small traders, and merchants, by enhancing the maximum balance limit at the end of the day to INR0.2m per individual customer from INR0.1m.
- A committee is to be set up to undertake a comprehensive review of the working of ARCs in the financial ecosystem and recommend suitable measures for enabling such entities to meet the growing requirements of the stressed financial sector.

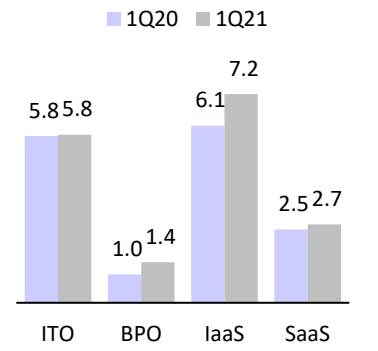
- **Monetary policy normalization to be more gradual that earlier expected:** While the unchanged policy rates and stance came on expected lines, the tone of the monetary policy statement was rather dovish, contrary to our expectation. The rising second wave of COVID-19 cases may have caused the RBI to take a step back from the liquidity normalization process that it had started in Dec'20. In fact, RBI's major focus at this point in time seems to be more on yield curve management, given the massive government borrowing program in FY22. Its announcement of new liquidity measures and extension of a few indicates that monetary policy normalization might be delayed and be more gradual than earlier expected.

Revised growth in IT Services to 9% in CY21



Source: Gartner, MOFSL

Increase in ACV YoY (USD b)



Source: ISG, MOFSL

ISG, Gartner point to increasing IT spends

ISG and Gartner, leading global consultants and advisors to the IT Services industry, released a strong forecast for industry growth in 2021. While Gartner revised up its 2021 IT Services spend for the third straight quarter, ISG hinted at a likely upward change over the next three quarters during its quarterly industry outlook call. We view this as supportive of our positive stance on the IT sector. Here are the key takeaways:

ISG index starts CY21 with all-time high ACV; maintains double-digit guidance

- Overall annual contract value (ACV) increased 11% YoY in 1QCY21, with the As-a-Service (AAS) market up 15% YoY and Managed Services up 6% YoY.
- Growth in AAS was driven by 18% YoY growth in Infrastructure-as-a-Service (IaaS) on account of a robust performance from hyperscalers. Growth in Managed Services was led by 43% YoY growth in the BPO business (on a lower base) and flattish ACV in ITO.
- Americas ACV was up a modest 6% YoY; EMEA grew 20% YoY, led by 25% YoY growth in Managed Services – led by large deals and a **favorable base.**

Expect significant uptick in Traditional IT for CY21

- ISG guided for a 5% YoY increase in Managed Services (Traditional IT Services) for CY21 after weak growth over the last two years. This was led by four large deals and an array of smaller size deals. Cost optimization remains the key focus of clients.
- AAS is expected to remain strong and grow 18% YoY (last-quarter guidance at +20% YoY) as it continues to benefit from IaaS spend. Software-as-a-Service (SaaS), on the other hand, remains a drag.
- ISG guided for a potential 500–700bp increase in growth in Managed Services if the four to five mega deals under discussion get converted to orders. If it happens, Managed Services would expand 10–12% YoY – this implies the decline of the past five years would be reversed to marginal growth.

Industry to witness growth-led talent crunch

- ISG believes there would be huge competition for talent in CY21; the ability to staff projects with resources would likely pose a key challenge.
- There would be higher demand for the relevant skills – with rising digital transformation, the hire-and-train model would become less relevant.

ER&D rebounding at rapid pace

- ISG indicated engineering R&D (ER&D) outsourcing is picking up rapidly, led by spends on 'Industry 4.0'. ER&D ACV reported 2x the pre-COVID highs.
- Large M&A deals are underway owing to the potential lucrativeness of the industry – given its strong growth potential.

Gartner 2021 IT spending forecast revised up once again

- Gartner's 1Q 2021 IT spending forecast indicates ~9.0% YoY growth in 2021, following a 1.8% contraction in 2020. It further estimates 7.3% growth in 2022.

- This is the third straight quarter of upward revision in the 2021 forecast, with 1Q 2021 estimates higher by 8.7% v/s the 2Q 2020 guidance.
- Gartner also highlighted the growing role of business departments in determining the Digital IT spend – Digital IT is increasingly being seen as a revenue driver.

Valuation and view; expect strong double-digit growth to continue

- The strong commentary on both AAS and Managed Services is encouraging for the Indian IT Services industry from a revenue perspective. We build in double-digit growth across both large- and mid-cap IT Services vendors.
- We continue to see cloud – coupled with transitional cost takeout deals – as major themes for the IT Services industry from the near- to medium-term perspective.
- We continue with our bottom-up stance for the sectoral picks. Among the Tier I players, we like INFO and HCLT on the expectation of industry-leading growth. From the Tier II pack, we prefer LTTS and CYL, given their attractive and industry-relevant portfolios.

Relative Valuation Comparison

	CMP	MCap	EPS (INR)			EPS CAGR %	Div. Yield (%)	PE (x)			ROE (%)		
Company Name	(INR)	(INR b)	FY21E	FY22E	FY23E	FY20–23E	FY21E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
CYL	691	76	33.3	43.2	48.5	12.9	1.3	20.8	16.0	14.2	13.6	15.9	16.0
HCLT	1037	2810	46.2	55.0	64.2	16.4	1.7	22.5	18.9	16.2	22.8	24.2	25.9
INFO	1430	6070	46.1	55.5	65.8	19.6	2.4	31.0	25.7	21.7	29.4	34.0	38.5
LTI	4300	751	107.0	121.1	142.8	18.1	0.9	40.2	35.5	30.1	31.3	29.1	28.4
LTTS	2844	299	63.7	88.8	108.6	11.9	0.7	44.6	32.0	26.2	22.5	26.7	27.5
MTCL	2173	358	65.3	75.4	86.9	31.4	1.1	33.3	28.8	25.0	30.8	29.4	28.1
MPHL	1730	323	64.4	75.7	91.4	13.1	1.9	26.9	22.9	18.9	19.8	21.0	22.8
COFORGE	3092	187	77.2	98.7	113.9	14.7	0.7	40.1	31.3	27.1	18.2	20.3	20.3
PSYS	1965	146	56.2	73.7	85.8	24.4	0.8	35.0	26.7	22.9	17.3	20.4	20.5
TCS	3271	12100	87.2	109.8	126.2	13.6	1.1	37.5	29.8	25.9	38.6	46.8	50.7
TECHM	1000	971	52.6	59.8	67.9	12.0	1.8	19.0	16.7	14.7	19.9	19.9	19.9
WPRO	437	2390	18.3	21.2	23.8	13.2	4.2	23.9	20.6	18.4	19.4	22.7	25.7

Source: Company, MOFSL

Titan Company

BSE SENSEX	S&P CNX
49,661	14,819

Stock Info

Bloomberg	TTAN IN
Equity Shares (m)	888
M.Cap.(INRb)/(USDb)	1344.1 / 18
52-Week Range (INR)	1621 / 810
1, 6, 12 Rel. Per (%)	4/-4/-5
12M Avg Val (INR M)	3847
Free float (%)	47.1

Financials Snapshot (INR b)

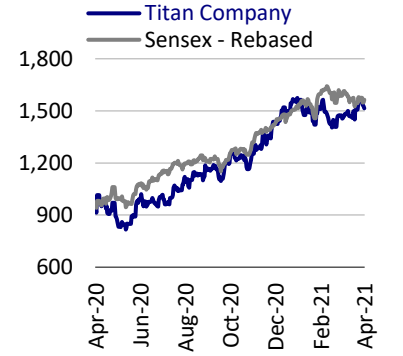
Y/E Mar	2021E	2022E	2023E
Sales	216.9	255.8	316.0
Sales Gr. (%)	3.0	17.9	23.5
EBITDA	17.4	30.8	38.9
EBITDA Margin (%)	8.0	12.1	12.3
Adj. PAT	10.0	20.5	26.7
Adj. EPS (INR)	11.3	23.0	30.0
EPS Gr. (%)	-34.0	104.6	30.3
BV/Sh.(INR)	78.0	89.5	101.5
Ratios			
RoE (%)	14.7	27.5	31.4
RoCE (%)	13.6	24.7	28.8
Payout (%)	45.0	50.0	60.0
Valuation			
P/E (x)	134.4	65.7	50.4
P/BV (x)	19.4	16.9	14.9
EV/EBITDA (x)	76.8	43.1	34.0
Div. Yield (%)	0.3	0.8	1.2

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	52.9	52.9	52.9
DII	11.2	11.3	9.3
FII	18.6	18.1	18.3
Others	17.3	17.7	19.5

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,514 TP: INR1,800 (+19%) Buy

Outstanding performance in Jewelry aided by soft base

Titan Company (TTAN) has released its pre-quarterly update for 4QFY21. Here are the key highlights:

Continued momentum after a strong festive season

- TTAN recorded strong sales growth of 60% YoY for 4QFY21, aided by the low base of Mar'20. Sales growth stood at 36% YoY over Jan–Feb'21.
- 4QFY21 sales growth was further supported by a large B2B gold coin order, which contributed ~8% to growth.
- The Watches & Wearables and Eyewear divisions have also made good progress on recovery.

Jewelry: Outstanding performance

- The division continued the strong sales momentum in 4QFY21, reflecting robust market share gains. A plunge in gold prices during the quarter gave further impetus to consumer demand in the industry.
- **4QFY21 segment sales were up ~70%, led by a soft base. Retail sales (ex-B2B sales) grew ~32% YoY over Jan–Feb'21.** The B2B order contributed 10% to the segment's sales growth in 4QFY21.
- Strong growth has been witnessed in both metro and non-metro towns. Wedding jewelry has been a strong growth driver for FY21 – its share in overall jewelry revenue has increased meaningfully vis-à-vis last year.
- **The division's hero market strategy (to increase market share of Tanishq) of making various local market-specific interventions has resulted in strong growth in Tamil Nadu, which has traditionally been a stronghold of regional jewelers.**
- **Despite 70% loss in retail sales in 1QFY21 (due to lockdown), the division has exceeded the retail sales of the previous year on a full-year basis.**
- While the ticket size has normalized v/s the initial period of the year after the lockdown, it is still much better than last year's levels. Significantly, the number of buyers (invoices) moved from near full recovery in 3QFY21 to strong double-digit growth in 4QFY21 – these two developments have resulted in strong revenue generation. With the strong growth in the number of buyers, Tanishq's Golden Harvest Scheme (GHS) enrollments have also posted growth in the strong double digits.
- Segmental margins for 4QFY21 were impacted due to a lower studded ratio YoY, a higher share of coins YoY, and the one-off impact of a reduction in customs duty.
- **The division added 26 Tanishq stores on a net basis in FY21, with retail space additions at ~123k sq. ft.**

Watches & Wearables: Recovery rate continues to improve

- **The division posted a YoY recovery rate of ~90% over Jan–Feb'21. Sales for 4QFY21 were flat YoY.**
- The e-commerce channel continues to have a higher salience, with all other channels also making good progress. Metros and mall stores have seen better recovery QoQ.
- The division has entered a new category Audio Accessories with the launch of Over The Head (OTH) headphones and Truly Wireless (TWS) earphones.
- **In FY21, the division added 13 World of Titan (WOT) stores, added 11 Helios stores, and closed 13 Fastrack stores; on a net basis, it added 1.5k sq. ft. of retail space.**

Eyewear: Achieved normalcy

- **The division posted YoY sales growth of ~20% YoY in 4QFY21**. Growth over Jan–Feb'21 stood at 4% YoY.
- Growth was driven by robust expansion in the Titan Eye Plus channel.
- In FY21, the division added 15 stores on a net basis, with the addition of about 1.8k sq. ft. of retail space.

New businesses

- New businesses saw a recovery rate of ~80% YoY in 4QFY21.
- *Taneira* – The brand continued to recover well – it saw 93% recovery over Jan–Feb'21. During the quarter, it operated out of 14 stores, covering six cities.
- Fragrances – Sales have recovered ~80% YoY. Trade has seen good recovery, especially over Feb–Mar'21. The LFS channel continues to lag behind other channels in terms of sales.
- Accessories – Sales have recovered ~50% YoY. Recovery has been slow in two of the biggest channels: trade and LFS. LFS has been impacted by slower walk-in traffic at malls. Trade is affected by the lack of demand for "guys" bags – a significant contributor to this channel. Demand for "guys" bags is expected to be tepid until schools and colleges are reopened. The e-commerce business has grown 2.3x.
- *CaratLane* – This delivered 60% growth in 4QFY21, continuing its strong growth trajectory. Despite the challenges at the start of the year, CaratLane's B2C business grew at 26% YoY in FY21. The brand has also significantly scaled up its international business – it delivered 10x growth in FY21 v/s FY20. 25 new stores were added in FY21, taking the total count to 117 across 44 cities in India.

Other points

- **In May'20, mid- to senior-level employees had taken pay cuts to help the company tide over the uncertain environment. In light of better-than-expected recovery, TTAN has fully reinstated the cash component of the salaries that were cut with a retrospective effect.**
- TEAL posted revenue decline of 26% in 4Q as the Aerospace business has continued to face challenges due to continued headwinds in the industry. However, the Automation business vertical is showing signs of good revival.
- The company successfully exited the joint venture with Montblanc during the quarter and closed the transaction.

Valuation and view

- TTAN's strong sales growth of 60% YoY for 4QFY21 and 70% YoY in the Jewelry segment was far ahead of our expectations of 39% and 48%, respectively.
- TTAN's penetration in the Tamil Nadu market – a stronghold of regional players – is another positive development.
- The recent sharp correction in gold prices bodes well for consumer demand in the near term. However, restrictions imposed on account of the second COVID wave may play spoilsport for the next few months; any developments in this regard are key observables.
- While margins would be impacted in 4QFY21, this is largely on account of one-off factors. The margin outlook is expected to improve unless a second round of restrictions disrupts the business once again.
- The Watches & Wearables and Eyewear segments are also on track to recover – the segments posted 90% and 104% recovery, respectively, over Jan–Feb'21.
- The structural investment case for TTAN remains extremely strong. Maintain **Buy**, with TP of INR1,800 per share at 60x FY23E EPS.

Godrej Consumer Products

BSE SENSEX	S&P CNX
49,662	14,819

Consumer Products Ltd.

Stock Info

Bloomberg	GCPL IN
Equity Shares (m)	1,022
M.Cap.(INRb)/(USDb)	756.1 / 10.1
52-Week Range (INR)	808 / 484
1, 6, 12 Rel. Per (%)	8/-23/-33
12M Avg Val (INR M)	1162
Free float (%)	36.8

Financials Snapshot (INR b)

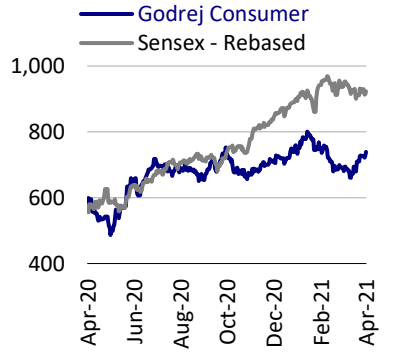
Y/E Mar	2021E	2022E	2023E
Sales	109.7	118.3	132.4
Sales Gr. (%)	10.7	7.9	11.8
EBITDA	24.7	26.2	29.6
Margins (%)	22.5	22.1	22.4
Adj. PAT	17.1	18.1	21.0
Adj. EPS (INR)	16.8	17.7	20.6
EPS Gr. (%)	18.4	5.8	15.9
BV/Sh.(INR)	82.1	85.5	89.3
Ratios			
RoE (%)	21.0	21.2	23.5
RoCE (%)	16.1	16.3	18.5
Payout (%)	59.6	67.6	68.0
Valuations			
P/E (x)	44.1	41.7	35.9
P/BV (x)	9.0	8.6	8.3
EV/EBITDA (x)	31.3	29.4	25.8
Div. Yield (%)	1.4	1.6	1.9

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	63.2	63.2	63.2
DII	3.1	3.1	2.2
FII	26.8	26.8	27.7
Others	6.9	6.9	6.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR739 TP: INR720(-3%) Neutral

Strong momentum in the domestic business continues

Highlights from Godrej Consumer Product's (GCPL) pre-quarterly update for 4QFY21.

- **Macros:** Demand trends in GCPL's categories across the key countries it operates in remained stable.
- **In India,** the management expects to deliver **~30% sales growth**, led by strong volume growth and calibrated price increases.
  - Sales growth was quite broad based across key categories of Soaps, Household Insecticides, and Hair Colors.
  - GCPL also witnessed strong sales growth momentum in each of the months within 4QFY21.
- **In Indonesia,** it expects a gradual recovery, with **mid-single digit constant currency (CC) sales growth**. While macroeconomic variables and a stretched COVID-19 environment continue to pose challenges, it is witnessing a gradual recovery in the Air Fresheners category. It is strategically addressing the high competitive intensity in the Wet Wipes category.
- **In GAUM (Godrej Africa, the US and the Middle East),** growth momentum continued across most key countries. It expects to deliver **~30% CC sales growth**.
- **Within 'others' geographies,** sales growth in the Latin America business is expected to remain strong in CC terms. SAARC business too continues to deliver healthy sales growth.
- **At the consolidated level, the company expects to deliver sales growth in the mid-20s in 4QFY21.**
- **Valuation and view:** Over FY10-20, GCPL posted healthy growth on all fronts. However, a domestic sales slowdown in recent years and continued inability to scale up margin and improve weak RoCE in the international business has adversely affected the pace of earnings growth. The loss of dominance in Hair Color, the advent of unorganized incense stick players in HI, and weak execution in the Africa business remains areas of worry. Although close to 30% topline performance in 4QFY21 is encouraging, it is on a soft base of a 12.2% sales decline in 4QFY20 due to the COVID-19 led lockdown. We need to watch out for management commentary to determine the sustainability of the performance. Given the uncertain outlook and inferior RoCE v/s peers, valuations of 35x Mar'23E EPS appear fair. Maintain **Neutral.**

Westlife Development

BSE SENSEX	S&P CNX
49,662	14,819

Bloomberg	WLDL IN
Equity Shares (m)	156
M.Cap.(INRb)/(USDb)	65.4 / 0.9
52-Week Range (INR)	535 / 271
1, 6, 12 Rel. Per (%)	-15/-17/-39
12M Avg Val (INR M)	120

Financials & Valuations (INR b)

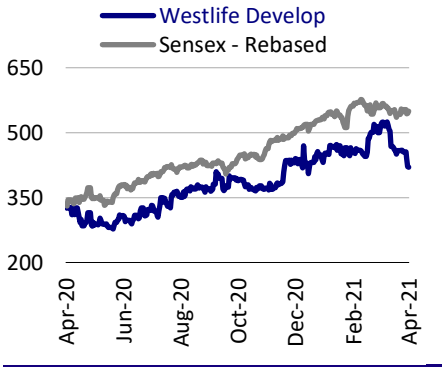
Y/E March	2020	2021E	2022E	2023E
Sales	15.5	10.1	15.4	21.1
Sales Gr. (%)	10.4	-35.0	53.2	37.1
EBITDA	2.1	0.5	2.2	3.3
Margin (%)	13.8	5.3	14.1	15.6
PAT	0.1	-0.9	0.2	1.0
EPS (INR)	0.6	-5.9	1.4	6.2
EPS Gr. (%)	-56.4	P/L	L/P	329.6
BV/Sh.(INR)	37.1	31.5	32.9	39.1
Ratios				
RoE (%)	1.6	-17.2	4.5	17.2
RoCE (%)	9.4	-3.6	13.4	23.6
Valuations				
P/E (x)	703.6	N/M	290.2	67.5
P/BV (x)	11.3	13.3	12.8	10.7
EV/EBITDA (x)	31.4	125.2	31.0	20.3

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	59.1	59.1	62.1
DII	20.4	19.4	9.3
FII	9.6	10.0	17.2
Others	10.9	11.5	11.3

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR420 | **TP: INR450 (+7%)** | **Neutral**

Second wave restrictions lead to temporary overhang

Structural opportunity intact

- Amid the rising second wave of COVID cases, Maharashtra has imposed stringent restrictions from 5th to 30th Apr'21. Accordingly, restaurant players have been directed to stop dine-ins, though deliveries are permitted 24x7. This offers some respite, especially for QSR players, which depend heavily on the channel.
- On account of the high delivery salience and best practices in hygiene and safety, QSRs are better placed vis-à-vis other formats. 50% of Westlife Development (WLDL)'s sales come from convenience channels (delivery, drive-thru, and on-the-go).
- Of the count of 304 stores as of Dec'20, we estimate ~140 of WLDL's stores in Maharashtra (46% of total stores). Hence, the state-wide restrictions could put pressure on a significant portion of WLDL's store network.
- We estimate the restrictions in Maharashtra to impact WLDL's FY22E sales by 1.1–1.8%. We cut our FY22E sales estimates by 1.5% which leads to a ~12% cut in our PAT estimates for the year. We maintain our FY23E estimates.
- Further risks cannot be ruled out yet in case the curve of COVID cases isn't flattened. These include: a) restrictions being imposed in other states, and b) restrictions being extended beyond 30th Apr'21.
- The vaccination drive offers hope that the situation may not extend beyond 30th Apr'21.
- While the current scenario poses short-term pain, the attractive structural opportunity for WLDL remains intact. We had indicated our caution on WLDL in our initiating coverage note in Dec'20 – due to near-term uncertainties and delayed recovery in the dine-in channel. Maintain **Neutral**.

SAIL: Expect steel prices to remain strong over next two quarters; Soma Mondal, CMD

- Demand has picked up, especially in auto sector
- Expect prices to remain strong over the next 1-2 quarters
- Increasing our production to cater higher demand
- Sales will be a function of production, demand is not a constraint
- Thrust will be on increasing our finished steel products in FY22
- Achieved Q3 production levels in March 2021
- Have a capital expenditure plan of Rs, 8000 crore for this year
- Company continues to emphasis on debt reduction; difficult to give an exact debt reduction plan
- We are bridging the gap that was left in the previous expansion
- Confident of getting our receivable dues; most of it is secured
- Expect wage revision to happen shortly
- FY21 iron ore sales at 3 mt

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Macrotech Developers: Q4 a record quarter, India debt at Rs. 16800 crore; Abhishek Lodha, MD & CEO

- Have seen a good anchor investment in IPO
- Q3 was a record quarter for the company; Q4 is better than Q3
- Lodha's debt in India stands at Rs. 16800 crore. Have reduced debt by around Rs. 2000 crore last year
- Cash flow generation capacity will help in debt reduction
- PAT margin around 13-14% despite high interest costs

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Max Life Insurance: Will continue to outpace industry growth; Prashant Tripathy, MD & CEO

- Issues w.r.t. stability of company and continuity of relationship are settled down
- Objective will be to keep diversifying sales through different channels
- Get 2/3 of our sales come from Bancassurance network
- FY21 has been a fantastic year for Max Life
- Max Life relationship with Axis Bank similar to what we have with Max Fin
- Momentum of chasing business going to be much higher now
- Will continue to outpace industry growth
- Do not see any sharp slowdown due to restrictions being imposed by states

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BEND IT LIKE RBI DAS: YIELD CURVE MANAGEMENT TAKES CENTER STAGE

- There is one curve that India's central bank is determined to flatten - the yield curve. Even as covid-19 infections surge in an unmistakable second wave, Reserve Bank of India (RBI) governor Shaktikanta Das knows he can do little about it than practice protocols himself. But the yield curve is in his power to bend.
- Das announced that the central bank would buy ₹1 trillion worth of government bonds from the secondary market. Calling it secondary market G-sec acquisition programme (G-SAP), Das said the RBI will commit upfront a specific amount of open market purchases of government bonds. In essence, this is a calendar for open market operations, a long standing demand of the bond market.
- Unsurprisingly, bond traders have cheered this move and the 10-year benchmark yield dropped roughly 10 basis points since the announcement. One basis point is one-hundredth of a percentage point.
- "The GSec acquisition program (GSAP) will provide a calendar for OMOs (through the secondary market) which markets have been demanding for some time. This should be positive for the bond market in the near term and push the yield curve to be flatter," said Suvodeep Rakshit, vice president & senior economist at Kotak Institutional Equities Ltd in an email.
- In FY21, the central bank bought Rs3.13 trillion worth of government bonds through its OMO route. But since the central government's borrowing was a humungous Rs13 trillion, the RBI ended up absorbing just a quarter of the total bond supply for the year.
- The fatigue in the bond market was evident over the past three months where a bunch of auctions saw tepid demand and cancellations too. Meanwhile, the central bank pulled up bond vigilantes by saying they are endangering the growth recovery process.
- In short, Das has stopped at nothing to bend the yield curve. From OMOs to moral suasion, Das has used all tools. Now, the central bank is getting deeper into yield management through a pre-commitment of bond purchases.
- While the need to safeguard fund flow to the real sector at reasonable cost may warrant the RBI's move, the distortion in yield curve cannot be wished away. Bond yields may no longer accurately price in the inflation pressure of the economy. In fact, the RBI has raised its retail inflation projection for March quarter marginally. It does not expect inflation to be below 5% up until September.
- Das said that this GSAP is intended to help those who rely on the sovereign yield curve as a pricing benchmark. So far, the measures only benefit the government. It remains to be seen whether the fall in government bond yield will eventually translate to lower cost of borrowing for corporate bond issuers.

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