

ASIAMONEY Brokers Poll 2020 (India)

Best Local Brokerage

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	49,744	-2.3	4.2
Nifty-50	14,676	-2.0	5.0
Nifty-M 100	22,823	-1.3	9.5
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	3,877	-0.8	3.2
Nasdaq	13,533	-2.5	5.0
FTSE 100	6,612	-0.2	2.3
DAX	13,950	-0.3	1.7
Hang Seng	11,894	-1.8	10.8
Nikkei 225	30,156	0.5	9.9
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	65	4.2	26.4
Gold (\$/OZ)	1,810	1.4	-4.7
Cu (US\$/MT)	9,133	2.1	17.9
Almn (US\$/MT)	2,154	1.8	9.2
Currency	Close	Chg .%	CYTD.%
USD/INR	72.5	-0.2	-0.8
USD/EUR	1.2	0.3	-0.5
USD/JPY	105.1	-0.4	1.8
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	6.2	0.06	0.3
10 Yrs AAA Corp	7.2	0.07	0.6
Flows (USD b)	22-Feb	MTD	CY21
FII	-0.12	3.79	5.89
DII	-0.13	-2.08	-3.59
Volumes (INRb)	22-Feb	MTD*	YTD*
Cash	793	871	819
F&O	33,871	42,036	38,659

Note: *Average

Today's top research idea

Hindalco: On a firm footing

Strong cash flows to support growth and deleveraging

- ❖ Hindalco (HNDL) 5-year strategy focuses on organic growth in Novelis and the downstream business in India as well as deleveraging its balance sheet, supported by strong cash flows in both India and Novelis. Net debt/ EBITDA is targeted to fall to 2.5x by Mar'22 (from peak of 3.8x in Jun'20).
- ❖ We reiterate HNDL as our top non-ferrous owing to 26% EPS CAGR over FY21-23E driven by: a) strong profitability in India aluminum business from its low-cost integrated operations (top quartile globally), b) positive outlook for Novelis driven by recovery in auto demand and cost synergies from Aleris, and c) solid FCF generation, which should reduce leverage sharply.
- ❖ Valuation is also reasonable at 4.9x FY23 EV/EBITDA and 7.7x P/E.

Research covered

Cos/Sector	Key Highlights
Hindalco	On a firm footing
Oil & Gas	BPCL: Moves closer to divestment, upgrade to Buy
Tata Motors	India business transformation underway
Torrent Power	Expanding its distribution presence
Voices	Another stellar performance; managements highlight demand recovery
Mahindra CIE	Above est., led by strong EU performance
EcoScope	MPC minutes – Core CPI inflation needs scrutiny

Piping hot news

India set for record wheat output: Expert

India is set for record wheat output in the current crop year on higher acreage, conducive weather and fewer crop pest attacks, the chief of Directorate of Wheat Research at Karnal, Gyanendra Pratap Singh, said...

Chart of the Day: Hindalco (On a firm footing)

Novelis' capacity expansion timelines and capex outlay

Identified Projects	Capacity & Spends
Cold Mill Expansion	US\$ 300 Mn
Zhenjiang China Integration	200 KT
Auto finishing Lines	US\$ 480 Mn
Kentucky, US	200 KT
Changzhou, China	100 KT
Rolling & Casting/Recycling	US\$ 175 Mn
Pinda, Brazil	100 KT
Recycling	US\$ 35 Mn
Greensboro, US	40 KT
Total Spends	US\$ 990 Mn



Research Team (Gautam.Duggad@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1

India set for record wheat output: Expert

India is set for record wheat output in the current crop year on higher acreage, conducive weather and fewer crop pest attacks, the chief of Directorate of Wheat Research at Karnal, Gyanendra Pratap Singh, said. "Production of the food grain is likely to touch 115 million tonnes compared with 107 million..."

2

India to clear 45 investments from China, likely to include Great Wall, SAIC: Sources

India is set to clear 45 investment proposals from China, which are likely to include those from Great Wall Motor and SAIC Motor Corp, government and industry sources told Reuters, as military tensions between the two countries ease at the disputed border. The proposals have been held up since last year after India tightened controls on Chinese investment in the country in retaliation against alleged Chinese troop incursions in the western Himalayan region...

3

IPO-bound Zomato raises another \$250 million

Foodtech unicorn, Zomato has raised an additional \$250 million as a part of a primary pre-IPO fundraise from existing and new investors, as it expects to go public before June-this year. With the fundraise, the company's total valuation stands at \$5.4 billion, from \$3.9 billion in December...

4

Rising Sun Energy emerges winner in NTPC auction

Small and mid-sized renewable energy developers in the country are increasingly bidding for solar power generation tenders, powered by freshly raised capital. According to sources, the winner in the latest solar auction in the country was Rising Sun Energy, a small developer which bagged a 190MW project in an auction conducted by state-run power...

5

Tata Motors to ride SUV mkt with slew of offerings after new Safari launch

After an intense focus on cars, it's a year for SUVs at Tata Motors. On Monday, the Tata Group flagship launched the new Safari. With prices starting from Rs14.96 lakh going up to Rs 21.45 lakh (automatic transmission) the seven-seater SUV will compete with the Innova, the upcoming new Mahindra XUV500, among others. "Both JLR and Tata Motors have collaborated to bring the best in class for Indian consumers," said N Chandrasekaran, Chairman Tata Motors and Tata Sons at the launch...

6

Bharat Forge joins hands with Paramount Group to manufacture armoured vehicles

Bharat Forge on Monday said it has inked a pact with global aerospace and technology firm Paramount Group to manufacture armoured vehicles in the country. An agreement to this effect was signed by both companies during the International Defence Expo...

7

Smartphone sales to hit record high in January-March quarter: Market research firms

Smartphone sales in India are poised to touch a record in the traditionally lean January-March period, crossing levels previously scaled in the opening quarter of past years, market research companies said. Sales of smartphones crossed...



Hindalco

BSE SENSEX 49,744
S&P CNX 14,676



Bloomberg	HNDL IN
Equity Shares (m)	2,229
M.Cap.(INRb)/(USDb)	709.6 / 9.6
52-Week Range (INR)	328 / 85
1, 6, 12 Rel. Per (%)	30/32/46
12M Avg Val (INR M)	3124

Financials & Valuations (INR b)

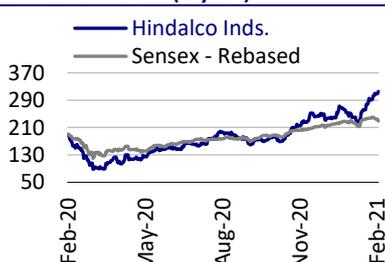
Y/E MARCH	2021E	2022E	2023E
Sales	1,281	1,480	1,537
EBITDA	165.5	195.5	204.4
Adj. PAT	51.3	73.1	82.1
EBITDA Margin (%)	12.9	13.2	13.3
Cons. Adj. EPS (INR)	23.1	32.9	36.9
EPS Gr. (%)	31.9	42.6	12.2
BV/Sh. (INR)	181	211	245
Ratios			
Net D:E	1.3	1.0	0.7
RoE (%)	13.1	16.8	16.2
RoCE (%)	8.4	9.8	10.1
Payout (%)	8.6	9.6	8.6
Valuations			
P/E (x)	13.7	8.7	7.7
P/BV (x)	1.7	1.3	1.2
EV/EBITDA(x)	7.4	5.6	4.9
Div. Yield (%)	0.5	0.9	0.9
FCF Yield (%)	10.7	14.5	17.1

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	34.7	34.7	34.7
DII	22.1	25.1	25.3
FII	23.1	19.9	21.0
Others	20.2	20.4	19.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR316 **TP: INR390 (+23%)** **Buy**

On a firm footing

Strong cash flows to support growth and deleveraging

- In its virtual analyst meet on Feb 22, Hindalco (HNDL) laid out its strategy and capital allocation roadmap for the next five years. While no new capex plans were announced, the focus remains on growing the downstream business in India and deleveraging the balance sheet, supported by strong cash flows in both India and Novelis. Net debt/EBITDA is targeted to fall to 2.5x by Mar'22 (from the peak of 3.8x in Jun'20).
- We reiterate HNDL as our top non-ferrous pick on the back of a 26% EPS CAGR over FY21–23E, driven by strong volumes, margins, and deleveraging. We roll forward our TP to Mar'22 and raise it to INR390.

Focus on organic growth and deleveraging

- The management expects to generate USD1–1.2b annual cash flow post its normal working capital and maintenance capex. It plans to broadly allocate this as follows: a) growth capex – 50%, b) deleveraging – 30%, c) returns to shareholders – 8–10%, and d) balance to be retained in treasury.
- Allocation toward organic growth capex over the next five years is accordingly guided at ~USD2.5–3.0b – ~USD1.5b in Novelis to grow its capacity to >4.5mtpa (from 4mtpa currently) and the balance USD1–1.5b in India to grow its Downstream business. At the same time, it does not plan to entertain any inorganic growth opportunity.
- Out of the post-Aleris acquisition (gross of debt of USD11.1b), HNDL also plans to repay USD2.9b by Dec'22 – USD2.6b in Novelis and USD0.3b in India. Net debt/EBITDA is targeted to fall to 2.5x by Mar'22 (from the peak of 3.8x in Jun'20) – below the pre-Aleris acquisition level of 2.6x in Mar'20.
- HNDL has also revised its dividend distribution policy to now pay out 8–10% of the consolidated FCF (pre-growth capex). We estimate this to increase the dividend to INR2.5–3/sh from INR1.2/sh in FY20.

Robust business trading at reasonable valuations; Buy

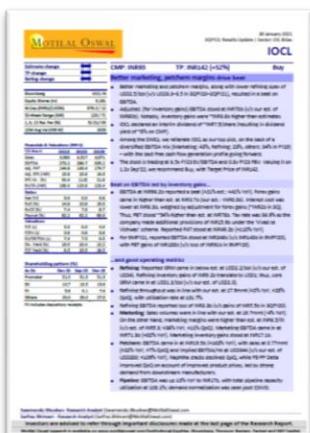
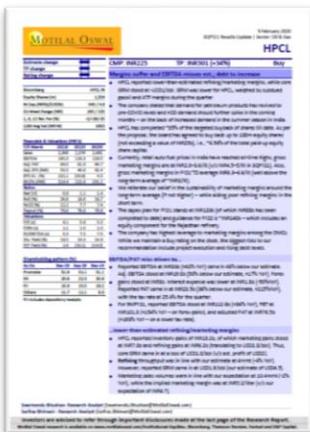
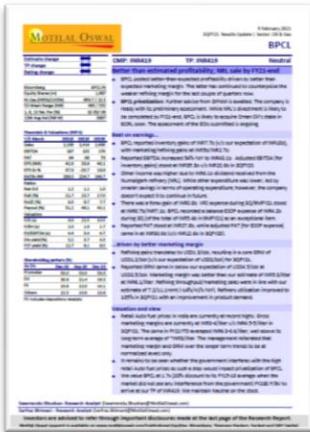
- HNDL is our preferred non-ferrous pick owing to a) its strong profitability in the India Aluminum business from its low-cost integrated operations (top quartile globally), b) a positive outlook for Novelis, driven by recovery in auto demand and cost synergies from Aleris, c) solid FCF generation, which should reduce leverage sharply, and d) reasonable valuations.
- Moreover, with ~75% EBITDA now coming from the non-LME business (Novelis), we see relatively higher stability in HNDL's earnings.
- Even on our conservative LME aluminum assumption of USD1,850/t, the valuation is attractive at 4.9x FY23 EV/EBITDA. A USD100/t change in aluminum price impacts HNDL's FY22E EPS by 11% and our TP by 9%.
- We value it at INR390/sh on FY23 EV/EBITDA – 5x for India and 6x for Novelis. Reiterate **Buy**.



Oil & Gas

Rating	TP
IOCL Reiterate Buy	INR142
BPCL Upgrade to Buy	INR520
HPCL Downgrade to Neutral	INR227

Please find our results update from 3QFY21



BPCL: Moves closer to divestment, upgrade to Buy

- With the lifting of COVID-related lockdowns, while various industries see an uptick in demand, margins, new business avenues, etc.; the global Oil and Gas industry continues to struggle with its own set of challenges.
- Refining margins continue its streak of poor performance, while marketing margins continue to offset the pain. Lately, petchem joined the club with better margins, providing further relief to the refining side of the business.
- In this report, we review the current conditions in the Oil and Gas industry, which would pave the way for privatization of BPCL (a hot topic for over a year now).
- While refining margin is yet to recover, BPCL's management has done a commendable job in streamlining the challenges presented in the initial stages like divesting its stake in major JVs and rationalizing employee count. We upgrade the stock to Buy (note: it also has similar marketing EBITDA mix as that of HPCL).
- While debt has reduced considerably YoY for OMCs, HPCL's Balance Sheet remains debt ridden – impacting its net debt profile (increasing from 0.9x in FY21E to 1.4x in FY23E – the highest among peers). In lieu of increasing debt and project execution risk at Visakhapatnam, we downgrade the stock to Neutral. However, privatization of BPCL remains the key risk to our downgrade as the stock could demand higher multiples.
- IOCL remains our preferred pick in this space on the back of a diversified EBITDA mix (marketing: 43%, refining: 23%, and others: 34% in FY19) – with the best free cash flow generation profile (15-18%) over FY22-23E (despite heavy capex of INR260b in FY21 - higher than sum of both BPCL's INR90b and HPCL's INR120b). Reiterate Buy.

Marketing margins higher than their long-term average

- Even as retail prices for Auto fuels in India touch record highs, OMCs are earning marketing margins of INR2.8-3.6/liter on Petrol-Diesel (higher than their long-term average of INR3/liter) due to regular price hikes.
- As highlighted in our report, '[Marketing margins – an elixir for OMCs](#)', the government has intervened when retail prices peaked in Aug'17 and Sep'18.
- Excise duty collection for FY21RE stands at INR3.45t. The government is targeting INR3.2t in FY22BE. Thus, we see scope for an excise duty cut when required, although the exact timing for the same remains a question.
- The government (through excise) and OMCs (through gross marketing margins) have been using margins on Auto fuels as a key tool to manage their finances. OMCs have increased gross marketing margins to INR3-5/liter in FY19-20 as SG GRM compressed to USD3-5/bbl from ~USD6-7/bbl.

Refining margins continue to record a gradual uptick

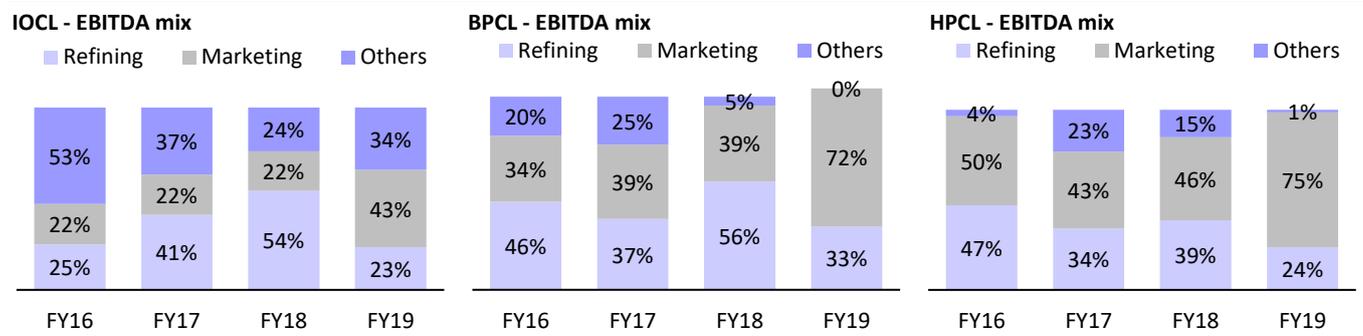
- Refining margins are the true reflection of poor global demand, primarily impacted by worst ATF demand; Gasoil and Gasoline have seen some revival.
- Thus, refiners continue to face challenges in terms of adjusting product yields or blending ATF to Gasoil/Gasoline to disburse lack of demand for the product.
- Having said that, refining margins continue to record a gradual uptick, with SG GRM for Feb'21 YTD at USD1.9/bbl (up from USD1.4/bbl in Jan'21 and USD1/bbl in 3QFY21). The improvement is primarily due to Gasoil and Gasoline cracks (stands at USD6.5-7.1/bbl currently on a daily basis v/s USD3.8-4/bbl in Jan'21). This is most beneficial for Indian refiners who already have higher middle distillate yields.
- Various refinery closures in the US (due to the cold storm along the Gulf Coast) and Japan (due to the earthquake) are supporting better margins currently.

- As per IEA, refining capacity of ~1.7mnbopd is expected to shut permanently (combined) in CY20-21, with the majority of closures in the US (~1mnbopd – permanent closure or conversion to bio-refining). As per Wood Mackenzie, an additional ~1.2mnbopd of Chinese teapot refinery capacity is expected to close in the coming one to two years.
- Also, various refiners across the globe are integrating their refineries with a petchem unit (in lieu of improved economics/spreads with forward integration).

OMCs debt profile: considerable reduction YoY

- **Debt for the OMCs have come down drastically at the end of 3QFY21:**
 - IOCL’s debt stands at INR725b v/s INR1,165b at the end of FY20,
 - BPCL’s debt stands at INR248b v/s INR419b at the end of FY20, and
 - HPCL’s debt stands at INR333b v/s INR430b at end of FY20.
- **Also, Government receivables have come down by ~INR40-50b to ~INR20-40b in 3QFY21 for these companies over FY20.**
- As per our model assumption, **IOCL/BPCL is likely to generate an FCF of INR346b/INR247b over FY21-23. On the other hand, HPCL has a negative FCF of INR98b over the same period.** As FCF is a true reflection of better profitability, it proves IOCL is better placed among its peers (with the most diversified EBITDA mix).
- **On a net debt-to-equity basis, the story remains similar, with IOCL/BPCL at 0.8x/1x in FY23E, while the same for HPCL is pegged at 1.4x in FY23E.**
- OMCs continue to reward their stakeholders, with IOCL/BPCL announcing an interim dividend of INR7.5/INR16 per share (dividend yield for FY23E at 11.9%/4.4%), while HPCL is continuing with its buyback program (expected dividend yield for FY23E at 14%).

EBITDA mix of OMCs – IOCL has the most diversified EBITDA; while BPCL and HPCL has same marketing EBITDA



Source: MOFSL



Tata Motors

BSE SENSEX 49,744 S&P CNX 14,676

CMP: INR304 TP: INR390(+28%) Buy

TATA MOTORS

Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3,598
M.Cap.(INRb)/(USDb)	1000.7 / 14.2
52-Week Range (INR)	342 / 64
1, 6, 12 Rel. Per (%)	3/122/71
12M Avg Val (INR M)	12808
Free float (%)	53.6

Financials Snapshot (INR b)

Y/E March	2020	2021E	2022E
Net Sales	2,611	2,469	3,084
EBITDA	239.1	313.7	431.9
Adj. PAT	-90.9	-29.4	78.1
Adj. EPS (INR)	-25.3	-7.7	20.4
EPS Gr. (%)	480	-69.6	-365.4
BV/Sh. (INR)	175.3	162.9	183.3

Ratios

Net D/E (x)	1.6	1.6	1.4
RoE (%)	-14.8	-4.7	11.8
RoCE (%)	3.7	-36.0	10.7
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	-12.0	-39.6	14.9
P/BV (x)	1.7	1.9	1.7
EV/EBITDA (x)	6.7	5.7	3.7
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-2.7	-16.1	18.0

India business transformation underway

Aspiring to lead EV disruption | Hopeful of achieving zero debt by FY24

Tata Motors (TTMT) hosted its India Business Investors Day ([click here for the presentation](#)) in which it presented its strategy to meet its aspiration of: a) leading the CV industry with across cycle double-digit margin, b) sustainably improving its position in the PV industry with a high single-digit margin, c) lead the EV disruption, and d) attain zero debt by FY24. We present below our key takeaways from this meeting:

- The CV industry is expected to grow by 36-38% in FY22, with M&HCVs growing at 60-65%. LCVs and Pick-ups could see slower growth (as they didn't fall as much).
- Its strategy to recover lost market share in the LCV business hinges on: a) ACE petrol/CNG in small SCVs, b) Intra platform ramp-up in small Pick-ups, c) Yoddha brand in large Pick-ups, and d) deepening its rural reach.
- The CV business would aim to achieve: a) double-digit EBITDA margin across the product cycle, b) sustainable capex at 3-4% of sales, and c) strong positive FCF.
- The PV business is targeting double-digit market share and leadership in SUVs and EVs, high single-digit EBITDA in three years, FCF breakeven in FY23 and positive FCF thereafter, and sustainable capex at 5-6% of sales.
- The Hornbill (small SUV) will be launched in CY21 and would create a new segment. It would be targeted towards hatchback buyers (premium hatches). It is expected to significantly drive volumes and market share for TTMT.
- Higher fuel prices, increasing upfront cost for ICE PVs, falling battery prices, and increasing choices in EVs for customers may bring forward the inflection point in EVs. Hence, it expects 7-10% EVs penetration in PVs in 3-4 years and EVs to form 15-20% of TTMT's PV volumes. It expects CVs for last-mile connectivity to see faster electrification. Hence, it expects SCVs to see 15-20% EV penetration by FY25. It is leveraging on synergies with group companies to bolster its EV ecosystem and support phased localization.
- It maintained plans to attain zero debt (excluding leases) by FY24 through strong operating cash flows and divestments.

CV Business: Cyclical recovery underway; targeting double-digit margin

- The outlook for FY22 is positive as tailwinds are likely to be stronger than headwinds. TTMT expects the overall domestic CV industry to grow by 36-38% in FY22, with M&HCV growing at 60-65%. LCVs and Pick-ups could see slower growth (as they didn't fall as much). FY19 peaks may be scaled only in 2-3 years after FY22. In the past cycle, it had taken 3-5 years.
- Replacement demand is yet to return due to: a) apprehension on the viability of BS-VI technology, and b) increase in the CV population. Demand is driven by freight growth. The latter should be good as economies recover. Also, recovery in Infra and Real Estate will be supportive.
- The CV business would aim to achieve: a) double-digit EBITDA margin across the product cycle, b) sustainable capex at 3-4% of sales, and c) strong positive FCF.



Torrent Power

BSE SENSEX
50,890

S&P CNX
14,982

CMP: INR379

TP: INR437 (+15%)

Buy



Bloomberg	TPW IN
Equity Shares (m)	481
M.Cap.(INRb)/(USD\$b)	175.3 / 2.4
52-Week Range (INR)	385 / 240
1, 6, 12 Rel. Per (%)	9/-30/-7
12M Avg Val (INR M)	485
Free float (%)	46.4

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	136.4	134.5	140.7
EBITDA	35.6	32.7	37.8
Adj. PAT	13.5	10.8	14.9
EBITDA Margin (%)	26.1	24.3	26.9
Adj. EPS (INR)	28.0	22.6	30.9
EPS Gr. (%)	49.7	-19.4	37.1
BV/Sh. (INR)	190.5	208.9	231.6

Ratios

RoE (%)	14.9	11.3	14.0
RoCE (%)	9.6	8.8	10.6
Payout (%)	41.4	28.8	26.7

Valuations

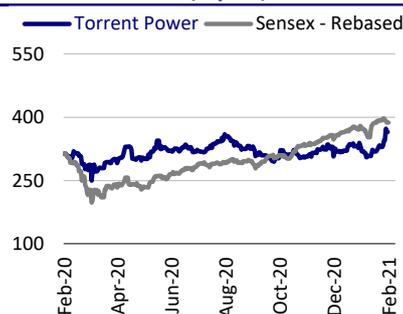
P/E (x)	9.7	16.8	12.2
P/BV (x)	1.4	1.8	1.6
EV/EBITDA(x)	5.9	7.7	6.4
Div. Yield (%)	4.3	1.7	2.2
FCF Yield (%)	12.6	11.2	9.4

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	53.6	53.6	53.6
DII	19.5	19.4	19.9
FII	9.1	9.1	8.1
Others	17.9	17.9	18.4

FII Includes depository receipts

Stock Performance (1-year)



Expanding its distribution presence

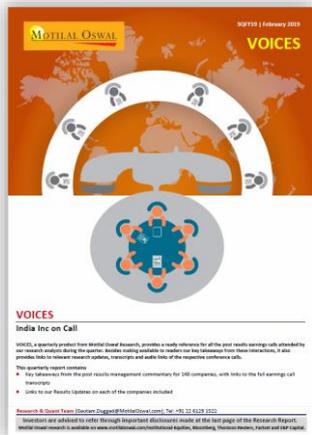
- Torrent Power (TPW) has emerged as the highest bidder for the acquisition of 51% stake in Distribution companies (DISCOMs) of the Union Territories of Daman & Diu and Dadra & Nagar Haveli. The takeover would be subject to completion of certain formalities, as per the management.
- The move does not catch us by surprise and is in line with the management's strategy of increasing its presence within the Distribution space. With a healthy Balance Sheet (net debt-to-equity less than 1x) and strong expertise, the company is well armed to capitalize on privatization opportunities within this space.
- Media reports suggest TPW's bid of INR5.55b for the acquisition. Based on the current regulated equity base of the two DISCOMs and regulated RoEs of 16%, the bid appears on the higher side. We await clarity on the same. The company has been an efficient operator in its existing circles in Gujarat, with a strong reduction in AT&C losses and ability to generate returns higher than regulated RoEs.

Steady circles with less than 10% T&D losses and 4-5% demand growth

- A look into the tariff filings indicate a steady circle – albeit with a high industrial mix (over 90%). Aggregate T&D losses have been consistently below 10% over the past five years. Demand in the two circles (including OA sales) has risen by 4-5% CAGR.
- Regulated RoEs stand at 16%, with gross fixed assets rising by 7% CAGR over the past five years.
- The pace of capitalization/regulated equity has seen some slowdown in recent years. However, this could be due to some lumpy projects as capex during the timeframe has been considerably higher.

Await details on the transaction

- Media articles (see [here](#)) indicate that the company has bagged 51% stake for INR5.55b. Given the: a) current regulated equity of INR2.2b in the two circles, b) assuming a growth of 5-6%, and c) regulated RoEs of 16%, the bid appears to be high, implying a value of 4.9x regulated equity.
- However, clarity on this and details of its plan for the circles (initial regulated equity base, capitalization growth and its funding, and AT&C norms) are awaited. TPW has been an efficient operator in its existing circles. Over the years, it has been able to reduce AT&C losses and earn RoEs of ~16% at its Distribution licenses (v/s base RoEs of 14%).
- We do not bake these into our estimates, with the actual takeover yet to take place. Over the past few months, TPW has been taking consistent steps towards leveraging its expertise (as well as Balance Sheet) within the Renewable and Distribution space. While we keep a keen eye on details and value accretion from these projects, the medium term story for existing businesses remains intact. Demand and collections at its Distribution franchise has recovered, and profitability is expected to bounce back in FY22. Its gas plants remain well placed, with gas tie ups and the recent offtake of Unosugen PPA. Continued capitalization within regulated Distribution would continue to aid earnings. Maintain Buy with a SoTP based TP of **INR437/share**.



Another stellar performance; managements highlight demand recovery

- **In this report, we present detailed takeaways from the 3QFY21 conference calls as we refine the essence of India Inc. – ‘Voices’.**
- The 3QFY21 corporate earnings season revved up from 2QFY21, with big beats and upgrades reported across the MOFSL Coverage Universe. Sharp demand recovery was seen during the festive season – with the opening up of the economy and the number of COVID-19 cases being contained, coupled with continued cost-saving initiatives. With an upgrade (>5%) to downgrade ratio (<-5%) of 7:2, 3QFY21 has been a blockbuster earnings season. 57% of the companies in our MOFSL Coverage Universe beat 3QFY21 estimates, while 24% reported below-est. results. This has resulted in the second consecutive quarter of material upgrades for Nifty EPS.
- Commentaries of banks suggest business trends have reached pre-COVID levels, particularly on the retail front, while the corporate book is also showing gradual recovery, led by a focus on capex revival. We saw an uptick in NII growth as the business momentum improved across segments – exceeding pre-COVID levels. More importantly, on the asset quality front, the COVID-19 impact appears to be limited as asset quality fared much better than earlier expected – led by an improvement in CE (97% for large banks), controlled slippages (proforma), and low restructuring (v/s earlier indicated). Commentaries of NBFCs suggest collection efficiency (CE) has reverted to normal run-rate (100%+ in Vehicle Finance and ~98% in Housing Finance) in Dec’20. The managements of some of the larger NBFCs believe margins are likely to witness sharp improvement in FY22 on lower cost of funds, reduced liquidity, and a favorable base (due to interest reversals).
- For the Consumer sector, this quarter marked revival in demand from the urban areas as mobility in the big cities began to normalize post the easing of lockdown restrictions, while rural demand remains robust. Consumer sentiment remains positive, and companies have expressed strong confidence in growth prospects going forward. While most commodity prices witnessed inflationary trends toward the end of 3Q, companies are evaluating price hikes to mitigate the impact.
- In Autos, recovery witnessed in 2Q sustained and gathered momentum in 3Q, supported by the festive season. Supply-side issues continue to be a big constraint on companies for inventory building in segments such as Tractors and PVs – as most OEMs indicated a cautious stance on the issue of semi-conductor availability. RM cost pressures are expected to impact OEMs and component players in 4QFY21.
- In IT, demand recovery was seen across the company portfolio, indicating an increase in corporate IT spending. Companies have seen the deal pipeline improve further (v/s 2QFY21), with the main focus on Data, Cloud, and Security. Managements indicated the pandemic has accelerated the digital transformation across enterprises, with the main focus on cloud buildup. Furthermore, the managements hinted at the risk of rising attrition from current levels as the situation normalizes.

- Most companies in the post-earnings management calls reported ~80% utilization for 3QFY21, driven by strong rural/semi-urban demand and an uptick in government projects. Companies further noted that demand in January was impacted by severe winters, although it has started to pick up in February. Managements informed that cement prices have softened across regions in Jan'21, on account of severe winters, and stabilized in Feb'21 (down 2–3% QoQ).
- In Healthcare, companies have indicated the slowdown in terms of ANDA filings over the past 3–4M is expected to reverse with the easing of the lockdown and an uptick in R&D activity. However, companies await clarity on inspections in the form of physical and/or desktop audits for sites under regulatory constraints. In the API space, the managements clarified that slower sales are attributable to higher inventory buildup in formulators in the previous quarters, while medium- to long-term growth remains intact.



Autos

- Recovery witnessed in 2Q sustained and gathered momentum in 3Q, supported by the festive season. Supply-side issues have curtailed inventory building for segments such as Tractors and PVs, and most of the OEMs indicated a cautious stance on the issue of semi-conductor availability – as this could impact production in 1HCY21. RM cost pressures are expected to reflect in the range of 3–4pp across OEMs and component players in 4QFY21. Also, some of the managements indicated that some of the other cost savings would gradually normalize as demand-supply normalizes.



Capital Goods

- Management commentaries indicated that most of the companies are now at almost 100% labor strength v/s pre-COVID levels, albeit at slightly lower efficiency due to COVID-led security measures. The L&T management indicated the normalization of the supply chain in India, with some challenges related to imports and exports persisting. Cummins' management was cautious on the export market, as a second lockdown across Europe poses a risk to ongoing recovery. In Consumer Electrical, Havells and Crompton's managements indicated continued market share gains across most categories – at the expense of unorganized players and smaller organized companies. This, coupled with price hikes, led to strong topline growth for these companies. For ACs, managements across companies indicated further price hikes may be needed if commodity prices stay inflated.



Cement

- Most companies in the post-earnings management calls reported ~80% utilization for 3QFY21, driven by strong rural/semi-urban demand and an uptick in government projects. The Real Estate sector, on the other hand, continues to suffer from muted demand. While demand in January was impacted by severe winters, it has started picking up in February. The government's renewed push for road, rail, and infra projects, coupled with strong IHB demand, would further drive demand in 4QFY21 and sustain the growth momentum witnessed over the last two quarters. Managements informed that cement prices had softened across regions in Jan'21 on account of severe winters and have stabilized in Feb'21 (down 2–3% QoQ). Due to sharp hikes in petcoke prices, companies have increased the use of imported coal. JKCE guided for a ~INR80/t QoQ inflation in power and fuel cost in 4QFY21. Moreover, the fixed cost reduction achieved in



1HFY21 has started normalizing with advertising expenditure going up, but the impact was marginal on account of better fixed cost absorption. With a robust demand outlook and the ramp-up of newly commissioned capacities, a portion of the fixed cost – such as admin expenses, repairs, and ad spends – is likely to increase in 4QFY21.

Consumer

- The quarter saw revival in demand from the urban areas as mobility in the big cities began to normalize post the easing of lockdown restrictions, while rural demand remains robust. At the same time, pent-up demand and an upbeat festive sentiment also played an important role in driving demand. These factors aided revival in the Out-of-Home and Discretionary categories. Consumer sentiment remains positive, and companies have expressed strong confidence in growth prospects going forward. While most commodity prices witnessed inflationary trends toward the end of the third quarter, companies are evaluating price hikes to mitigate the impact. Demand revival has led to companies resuming their investments in brands through ad spends at pre-COVID levels, and in some cases, even higher than these levels. This would lead to the normalization of elevated margins seen in the recent quarter, achieved through cost savings. General trade continues to do well, while modern trade is now normalizing from the after-effects of the COVID-led lockdown. The e-commerce channel progressed on its growth trajectory during the quarter, leading to higher salience in the channel mix across companies.



Financials

Banks

- Commentaries of banks suggest business trends have reached pre-COVID levels, particularly on the retail front, while the corporate book is also showing gradual recovery, led by a focus on capex revival. Thus, we expect loan growth to improve further from 4QFY21. Moreover, the gradual deployment of excess liquidity and lower cost of funds would continue to support margins. Furthermore, fee income trends have improved sequentially and are expected to pick up gradually as business growth revives further. On the asset quality front, the COVID-19 impact appears to be limited as asset quality has fared much better than earlier expected, led by an improvement in CE (97% for large banks), controlled slippages (proforma), and low restructuring (v/s earlier indicated). Banks have strengthened their PCR and carry additional provisions on proforma slippages, which should keep credit costs in check; thus, banks have guided for normalization from FY22. Although slippages would increase over 4QFY21, expect normalizing trends from FY22. This addresses the key concerns around the business outlook and asset quality of the banks.

NBFC

- Commentaries of NBFCs suggest collection efficiency (CE) has reverted to normal run-rate (100%+ in Vehicle Finance and ~98% in Housing Finance) in Dec'20. The only segment wherein CE recovery is pending is the MFI segment, especially in certain states such as West Bengal and Assam. Companies are positive about the minimal write-offs and believe restructuring would be limited to 1–2% of the book. The managements of some larger NBFCs believe margins are likely to witness sharp improvement in FY22 on lower cost of funds, reduced liquidity, and a favorable base (due to interest reversals). Vehicle financiers are



positive of achieving double-digit AUM growth and expect asset quality to normalize completely over the next two quarters.

Healthcare

- The slowdown in terms of ANDA filings over the past 3–4M is expected to reverse with the easing of the lockdown and an uptick in R&D activity. The USFDA’s pace of approval remains robust given its smooth functioning. Companies await clarity on inspections in the form of physical and/or desktop audits for sites under regulatory constraints. Domestic formulation growth is on the revival path, led by increased off-take in medicines from Acute therapies and the growing pace of new launches in the recent past. Operational cost is expected to rise with an increase in the on-ground activities of medical representatives (MRs). Digitization would drive some cost savings on a structural basis going forward. Managements clarified that lower API sales have been largely attributable to higher inventory buildup by formulators in previous quarters. However, medium- to long-term growth remains intact in the API segment.



Media

- Revival in the economy and festive season in 3QFY21 led to an increase in advertisement spends by corporates – resulting in recovery in ad revenues for broadcasters. Broadcasters have guided that while a volume uptick has been observed, ad rates are still below pre-COVID levels. Managements remain uncertain over the timeline of NTO 2.0 as regulations are yet to be finalized. The managements expect that this may lead to slower growth in subscription revenues. SUNTV plans to release a Marathi channel in FY22 and increase its investment in the Marathi and Bengali genres, which have a larger market opportunity. ZEEL has guided to significantly increase its investments in the Movie Production business (35–40 movies/year) – which could dilute its margin profile – along with increasing investments in the Digital business. As cinemas have opened up with the relaxation of seating norms and strong success of the ‘Master’ movie, PVR expects other producers to start releasing their movies; occupancy would increase sequentially, along with recovery in ticket prices from 4QFY21.



Metals

- Companies have highlighted that domestic steel demand remains strong. The higher thrust on infrastructure in the Union Budget 2021–22 bodes well for steel demand. Tata Steel’s management guided that steel realization should be higher by INR6,000–7,000/t in 4QFY21. The impact of higher coking coal prices would be reflected in 1QFY22. Cash flows in 4QFY21 should remain strong and would be utilized for further deleveraging. Hindalco expects aluminum prices to remain strong, supported by demand recovery in FY22. Hindustan Zinc has guided for higher production in FY22, with the FY21 exit guided at a rated capacity of 1.2mtpa.



Oil & Gas

- OMCs and CGDs highlighted the impact of the lockdown continues, with restrictions on public transport, offices, schools, etc., still in place. Although, demand should spike in the coming months on the back of increased demand seen in the summer seasons in India. OMCs reiterated that GRM trends and marketing margins over the long term would stand at normalized levels. RIL continues to further streamline its O2C Integration business and focus on expanding its Fuel Marketing business. IGL and MAHGL mentioned that CNG volumes in Jan’21 were down 6–9% YoY and are expected to reach pre-COVID levels by end-4QFY21. PLNG has guided for an increase in LNG imports as spot prices cool off from their abrupt peak over Dec’20–Jan’21. GAIL expects total trading volumes of ~11mmscmd to be sold in India within another year (i.e., entire volumes that were sold abroad up to 2QFY21) – with the commissioning and ramp-up of various other fertilizer plants.



Retail

- The Retail sector saw gradual recovery in sales as economic activity continued to pick up, with over 95% of retail stores operational in 3QFY21. Furthermore, the festive season, wedding season, and winter arrivals provided the sales push. Footfall is gradually improving MoM (decline in Dec’20 due to festive season demand in Nov’20), but still stands below last year’s levels. Retailers expect sales to reach pre-COVID levels in FY22E. Furthermore, retailers would continue to invest in their online capabilities and look to increase revenue contribution to the double digits. Lastly, players are looking to commence store expansions, with ABFRL guided to open an additional 100 stores in FY21. V-Mart maintains its long-term target of 25–30% new store openings annually. SHOP’s management has guided to open 10–12 departmental stores from FY22 and close 5–7 non-profitable stores.



Technology

- Demand recovery was seen across the company portfolio, indicating an increase in corporate IT spending. In terms of verticals, BFSI, Retail, Healthcare, Technology, and Telecom have seen good recovery. Energy and Utilities, Manufacturing (Aero and Defense), and Travel and Hospitality are expected to take longer to recover. Companies have seen the deal pipeline improve further (v/s 2QFY21), with the main focus on Data, Cloud, and Security. The pandemic has accelerated the digital transformation across enterprises, with the main focus on cloud buildup. This opportunity is not limited to just ‘cloud migration’, but would also be extended to the ‘use of cloud applications’ – making the IT industry a key beneficiary in the long run. Furthermore, the managements also hinted at the risk of attrition rising from current levels as the situation normalizes.



Telecom

- Telcos have maintained their stance that industry ARPU is very low and should reach INR200 in the near term and INR300 in the longer term (for generating healthy returns on capital). They are not expected to see a significant increase in capex with the introduction of 5G as this would be partly offset by the reduction of 4G capex. Furthermore, telcos would wait for the availability of an appropriate spectrum and ecosystem to prepare to roll out 5G services. Indus’ management has reiterated that it is continuing to engage with telecom



operators to bring customers back to the fixed energy model, which is more sustainable. Furthermore, it seeks to revalidate its growth strategy. TCOM is witnessing early signs of recovery; however, deal conversion remains slow. The order book is growing with participation in large deals.

Utilities

- PWGR noted that it had been able to improve its billing realization, which was 95.7% for 9MFY21, and receivables declined to 63 days at end-3QFY21 (v/s 69 days: 2QFY21 and 86 days: 1QFY21). PWGR plans to reduce its receivable days to 50–55. It noted that monetization proceeds from InvIT would be used for future growth purposes or/and higher dividends (excess amount) depending on the capex target. NTPC noted that over dues decreased to INR157b in Jan'21 v/s INR192b in Sep'20. It is hopeful of receiving INR80b from tranche 2 of the Atmanirbhar scheme. NTPC expects 5.1GW of capacities to commercialize in FY21 and another 6GW (1.8GW solar) in FY22. It expects overall FC u/r to be INR3.5–4b at end-FY21 and is in touch with CERC to recover INR0.8b due to high demand–low demand season regulations. COAL noted that it has booked 92mt of e-auction volumes this year v/s 60mt last year. It noted that e-auction premiums stood at 25% in the last month, and it expects improvement in e-auction realizations as booking is done at higher rates. In terms of receivables, it reported INR216b in Jan and would put pressure on customers from April to recover its dues.



Mahindra CIE

Estimate changes	↑
TP change	↑
Rating change	↔

CMP: INR180

TP: INR223 (+24%)

Buy

Above est., led by strong EU performance

Growth strategy for India, consolidation in EU to drive RoNA expansion

- Mahindra CIE (MACA)'s strong operating performance in 4QCY20 was driven by a robust performance from the EU business (despite the restructuring cost impact) and a good performance from the India business. While it is focusing on new orders / exports in India, it is also cutting costs to reduce breakeven points for the EU business.
- We upgrade our CY21/CY22E EPS by 5%/9%, factoring in stronger growth in India as well as cost-cutting in the EU. Maintain **Buy**.

India business now forms over 50% of consol. revenues

- 4QCY20 consol. revenues grew ~14% YoY to ~INR19.6b (v/s est. ~INR17.9b), driven by strong recovery in the EU (9% YoY growth) and good growth in India (+18%). CY20 consol. revenue/EBITDA/PAT declined 23.5%/61%/70%.
- Consol. EBITDA stood at ~INR2.47b (v/s est. INR2.2b), implying growth of 15% YoY. Adj. PAT grew 5x YoY (+84% QoQ) to INR1.12b (v/s est. INR0.97b).
- The India business performance was in line with revenue at +18% YoY to ~INR10.3b (v/s est. ~INR9.9b). The India EBITDA margin stood at 14% (v/s est. 13.9%), an expansion of 240bp YoY (+150bp QoQ).
- The EU business operating performance was above est. EU revenues grew ~9% YoY to ~INR9.3b (v/s est. ~INR7.8b). In EUR terms, revenues declined 3%. Reported EBITDA margins stood at 11% (v/s est. 10.1), an expansion of 590bp QoQ (-100bp YoY). This was despite the 100bp impact of restructuring cost in 4QCY20.
- Consol. net debt reduced to INR12.8b (v/s INR13.6b as of Sep'20).

Highlights from management commentary

- The India business is expected to be a key growth driver for MACA, driven by a) value-added products (machined castings, higher grade magnets, complex gears, etc.), b) exports, and c) new products/customers.
- MACA added more than 25 customers in India over CY19–20. This would help in achieving its target of 25% of revenues (v/s 15% currently) from new products/customers. Furthermore, it plans to increase contribution from exports to 20% over the next 3–4 years (from 11–12% currently).
- The removal of tax benefit on the amortization of goodwill in the budget would have no impact on the P&L. However, cash outflow on tax would increase as it was seeing good benefit from this.
- EU PV volumes would decline 5–10% in CY21 on CY19 levels (normal year).
- To mitigate the increasing risk of EVs in the EU, MACA plans to dilute the impact through a) increased market share in crankshafts, b) a focus on non-engine parts such as knuckles and motor housing, and c) aluminum forging. It is at the exploratory stage for AI forging and is yet to commit capex for the same.

Bloomberg	MACA IN
Equity Shares (m)	379
M.Cap.(INRb)/(USD\$)	68.1 / 1
52-Week Range (INR)	235 / 59
1, 6, 12 Rel. Per (%)	7/-8/-5
12M Avg Val (INR M)	30

Financials & Valuations (INR b)

INR b	CY20	CY21E	CY22E
Sales	60.5	75.1	84.1
EBITDA (%)	8.3	12.5	13.2
Adj. PAT	1.1	4.3	5.4
EPS (INR)	2.8	11.4	14.4
EPS Growth (%)	-70.1	302.9	26.7
BV/Share (Rs)	130	141	156
Ratio			
RoE (%)	2.2	8.4	9.7
RoCE (%)	2.1	6.7	7.9
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	67.4	15.8	12.5
P/BV (x)	1.5	1.3	1.2
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	2.9	-0.9	6.0

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	71.6	71.6	67.7
DII	3.7	3.4	6.6
FII	14.6	14.5	14.0
Others	10.1	10.6	11.7

FII Includes depository receipts

Valuation and view

- MACA’s growth story is on track, driven by its organic initiatives (new products/customers) and M&A focus. This, coupled with cost-cutting initiatives in both India and the EU, would drive margin expansion.
- The stock trades at attractive valuations of 15.8x/12.5x CY21E/CY22E consol. EPS. Maintain **Buy**, with TP of ~INR223 (15x Mar’23 consol. EPS).

Quarterly performance (Consol.)

									(INR m)		
(INR m)	CY19				CY20				CY19	CY20	CY20E
Y/E December	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Net Sales	21,744	21,420	18,685	17,229	16,627	7,355	16,943	19,576	79,078	60,501	17,828
YoY Change (%)	8.9	3.0	-5.7	-12.8	-23.5	-65.7	-9.3	13.6	-1.5	-23.5	3.5
EBITDA	2,825	2,616	2,092	2,143	1,822	-963	1,508	2,475	8,319	5,016	2,216
Margins (%)	13.0	12.2	11.2	12.4	11.0	-13.1	8.9	12.6	10.5	8.3	12.4
Depreciation	740	844	789	788	815	518	849	882	3,161	3,064	827
Interest	103	115	198	106	182	167	142	57	523	548	146
Other Income	148	78	42	63	49	179	420	74	331	549	84
PBT before EO expense	2,130	1,734	1,147	1,312	873	-1,468	937	1,611	4,966	1,953	1,327
EO Exp/(Inc)	13	0	-51	84	-1	2	0	0	46	0	0
PBT after EO exp	2,117	1,734	1,198	1,228	874	-1,470	937	1,611	4,920	1,952	1,327
Tax Rate (%)	28.0	27.2	48.9	88.7	28.3	12.5	35.2	30.6	55.7	45.4	27.8
Adj. PAT	1,532	1,262	583	186	626	-1,286	607	1,119	3,564	1,067	959
YoY Change (%)	16.2	-9.1	-56.1	-86.8	-59.1	-201.9	4.2	500.2	-33.2	-70.1	414.3
Margins (%)	7.0	5.9	3.1	1.1	3.8	-17.5	3.6	5.7	4.5	1.8	5.4
Revenues											
India	8,524	9,684	9,134	8,704	7,819	2,650	8,560	10,272	35,934	29,301	9,967
Growth (%)	3.0	11.5	5	6	-8.3	-72.6	-6	18	7.2	-18.5	14.5
EU	13,324	11,735	9,561	8,512	8,807	4,704	8,381	9,304	43,132	31,200	7,855
Growth (%)	13.2	-2.4	-18	-27	-33.9	-59.9	-12	9	-7.8	-27.7	-7.7
EBITDA Margins											
India	13.5	11.9	11.9	11.7	12.4	-17.9	12.6	14.1	12.3	10.2	13.9
EU	12.6	12.5	11.1	12.1	10.1	-10.4	5.2	11.1	12.1	6.5	10.1

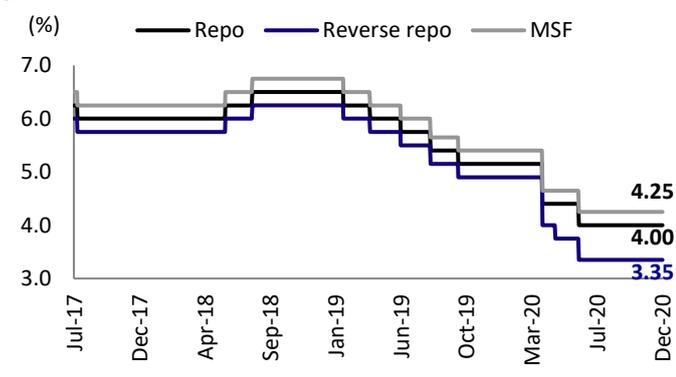
MPC minutes – Core CPI inflation needs scrutiny

- As per our expectations, the Monetary Policy Committee (MPC) had kept the repo rate unchanged at 4% on 5 Feb’21. The reverse repo/Marginal Standing Facility (MSF) rates were also kept unchanged at 3.35%/4.25%. Besides rates, all members of the MPC voted unanimously to continue with its accommodative stance as long as necessary – at least during FY21 and into FY22.
- However, inflation and growth projections were revised significantly, as [anticipated](#). The RBI now expects CPI inflation at 6.8% YoY in 3QFY21 (in line) and 5.8% YoY in 4Q (v/s our forecast of 6.1%). While it projected inflation between 4.6% and 5.2% in 1HFY22, our calculations suggest it will remain ~6%. The elevated inflation projection constraints MPC from ‘using the space available’ to act in support of (declining) growth.
- On the growth front, the MPC expects real GDP to contract much slower by 7.5% YoY in FY21 from its earlier expectation of 9.5% YoY, which is largely in line with our [expectation](#). Moving into FY22, the forecasts turn highly volatile, with RBI projecting a growth between 6.5% and 21.9% in 1HFY22.
- Besides these, the RBI also [announced](#) a host of other regulatory measures. As far as fresh regulatory announcements were concerned, the policy had turned out to be a non-event as only liquidity measures initiated in earlier meetings would continue. While the upward revision in growth projection for FY21 reveals RBI’s confidence in a recovery in economic activity, higher inflation implies that rate cuts are unlikely in the near future.

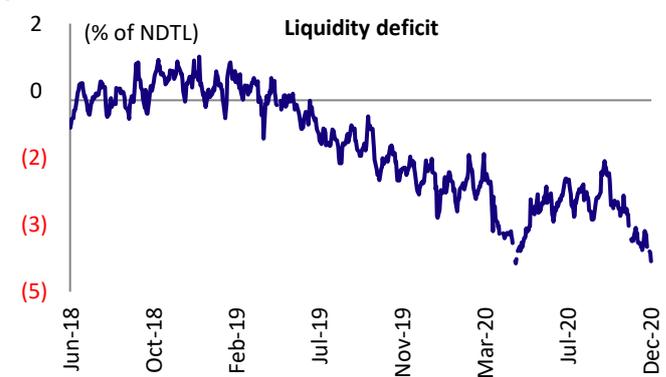
MPC members vigilant about sticky core CPI inflation, while growth gathers momentum

- The minutes of the MPC meeting held between 3 Feb’21 and 5 Feb’21 reveals that members were reassured about the recent fall in [inflation](#) to 4.1% in Jan’21 v/s 4.6% in Dec’20 (data available at the time of the meeting). However, two risks – sticky core inflation and high global commodity and crude oil prices – were consistently discussed by all members.
- According to the Dr. Michael Patra, “Core inflation remains stubborn and will warrant close monitoring as it has the potential to render the recent fortuitous improvements in the macroeconomic outlook stillborn.”
- Members continue to believe that concrete support for consumer demand will be needed for a meaningful recovery in employment and income growth. They also saw the need for government spending to support investment and consumption at this juncture.

MPC keeps the repo rate unchanged at 4%



Liquidity surplus rises sharply off late



Source: RBI, CEIC, MOFSL

Individual arguments of the MPC members

Members	Individual arguments
Mr. Shaktikanta Das	<ul style="list-style-type: none"> ❖ Indications are that growth impulses are now being driven by pick-up in activity across manufacturing and services. ❖ A further softening in food inflation – both substantial and durable – would, however, be dependent upon the abatement of price pressures that are currently seen in pulses, edible oils, spices, and non-alcoholic beverages. ❖ Proactive supply-side measures, particularly in enabling a calibrated unwinding of high indirect taxes on petrol and diesel – in a coordinated manner by the Centre and states – are critical to contain further build-up of cost-pressures in the economy. ❖ The RBI’s liquidity operations, together with credible communication and explicit forward guidance, have been important elements of our strategy during recent times. ❖ Market participants need to factor in forward guidance with respect to the two-phase normalization of CRR, which opens up space for a variety of market operations to inject additional liquidity through instruments like OMOs, among others. ❖ The RBI remains committed to ensure the availability of ample liquidity in the system to foster congenial financial conditions for the recovery to gain traction. ❖ The growth momentum needs to strengthen further for a sustained revival of the economy and for a quick return of output to the pre-COVID trajectory.
Dr. Michael Debabrata Patra	<ul style="list-style-type: none"> ❖ The most heartening feature of the recent shift is the large fall in inflation, taking it closer to the target of 6%. ❖ The near-term outlook for inflation appears less risky than near-term growth challenges, which warrant continuing policy support, at least till the elusive engine of investment fires and consumption, the mainstay of aggregate demand in India, stabilizes. ❖ ...shocks to economic activity from the winding down of exceptional pandemic measures will have to be balanced against the persuasive incentive to continue with them, but with the risk of becoming immobilized in liquidity traps. ❖ Banks have stronger capital buffers than during the global financial crisis, but stress in the financial sector’s balance sheets could intensify as the camouflage of the moratorium, asset classification standstill, and restructuring fades. ❖ Capital infusion and innovative ways of dealing with potential loan delinquencies need to occupy the highest policy attention so that the embryonic recovery in credit growth can be nurtured into a more durable trajectory that also fuels the macroeconomic recovery.
Dr. Mridul K Sagar	<ul style="list-style-type: none"> ❖ There is a significant probability that global oil prices may turn out to be higher than current prevailing prices, given the possibility of a large USD depreciation this year and signals sent last month by the largest OPEC producer by announcing additional supply restraints. ❖ Though a weaker USD, ceteris paribus, also means a stronger INR, it will somewhat offset the effect of firmer global oil prices. ❖ While the pass-through from a 1% change in WPI non-food manufactured products inflation to CPI core goods inflation is likely to be about 0.2%, the pass-through is much less for overall CPI core inflation and even lesser to headline CPI inflation. However, this pass-through varies over time and depends on the output gap. ❖ <u>On growth</u> - Quantitative estimates using a range of methods show that even without further disruptions, the output gap is unlikely to close before 3Q and is more likely to close only by FY22 end. ❖ <u>On the government’s market borrowing program</u>: Monetary policy will need to lean against the wind to keep interest rates low to an extent possible. If the central bank’s open market operation purchases are moderate, it entails the risk of crowding out of private investment. If they are large, it carries the risk of reengineering inflation. ❖ With the capacity utilization rate currently at 63% in 2Q and likely to be about 70% by FY21-end, capex funding needs of the private sector are currently limited. The monetary-fiscal coordination to support a larger public investment that can crowd-in private investment can work so long as it is followed by an unflinching commitment to strong fiscal consolidation thereafter.
Prof. Jayant R Varma	<ul style="list-style-type: none"> ❖ With both inflation and growth outcomes being well within the range of expectations of the MPC, and short term interest rates being within the corridor defined by the repo and reverse repo rate, there is nothing to be done and there is nothing to be said as of now.
Dr. Ashima Goyal	<ul style="list-style-type: none"> ❖ The current macroeconomic configuration and its expected future evolution as outlined above implies there is space for the MPC to continue to support the revival of the economy with inflation remaining in the target band.
Dr. Shashanka Bhide	<ul style="list-style-type: none"> ❖ The rise in demand during the ‘festival season’ played its part in catalyzing consumer demand during Sep-Nov’20. Sustaining this demand requires restoration of household income and employment. ❖ One of the prerequisites of sustained economic recovery is control over the pandemic. ❖ Recovery in investment demand is a key factor in sustaining the economic recovery. ❖ As the supply-side restrictions are lifted, revival in demand in terms of consumption, investment, and exports is needed to sustain an economic recovery.

Source: RBI, MOFSL



SBI: Don't see any challenges in unsecured book; will remain within guidance on slippages; Dinesh Kumar Kharam, Chairman

- Should be in a position to get over current challenge of rising COVID cases
- Think economic activity will continue even as COVID cases are on the rise
- Majority of borrowers with unsecured loans are salaried and Government employees
- Do not see any challenges in the unsecured book
- Will remain well within guidance on slippages and credit cost
- Using data analytics to have more effective control over quality of book. All measures have led to an improvement in the asset quality
- Corporate loans to working capital book ratio stands at 70:30. Working capital utilisation will improve with improving capacity utilisation
- 'Believe in over-delivery and under-promise w.r.t margin'
- Not privy to which public sector banks would be privatised. Not looking at any divestment in our subsidiaries in the current FY
- Will evaluate various options for capital rising in the next Financial Year
- Will look at divestment in the Mutual Fund business first
- Subsidiaries are at a stage where they have a natural expectation of going public. Will go to the market only when we get the right value for our subsidiaries

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Asian Paints: Expect double-digit growth to continue into FY22; Amit Syngle, MD & CEO

- Demand conditions continues to be good; demand conditions remains unchanged even as COVID cases rise
- Demand in metros has been very strong
- New demand is overtaking pent-up demand
- Continue to see demand recovery from urban, Tier-I and Tier-II cities
- Target to log a double-digit volume growth for full FY21
- Expect double digit growth to continue into FY22 as well
- Seeing some buoyancy in construction and real estate
- Don't want to tinker with paint prices just yet
- Watching input prices closely
- Have always seen competition in this industry
- Not very worried about entry of newer players
- Think there's enough space for more players in the paint industry
- Have some fervour in home improvement as we had in paints when we started
- Don't mind getting into partnerships and alignments w.r.t home improvement

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Dr. Reddy: Don't expect much delay in Sputnik-V vaccine; GV Prasad, Co-Chairman & MD

- Over 3 m people around the world have taken the Sputnik-V
- Phase-III is in the final stages
- Globally efficacy of Sputnik-V about 91.6%
- Don't expect much delay w.r.t Sputnik-V, it is a matter of weeks
- Company responsible for taking vaccine to buyer from manufacturer
- Entire logistics and pharma Co-vigilance is in company's domain
- Premature to comment on India pricing but it is about \$10 in other markets
- Request Government to allow private sector to help in vaccinating people
- Believe about 60% of the healthcare workers have been covered
- Don't see any slowdown in the US, virtual inspections are happening

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- Rise in crude prices is a result of number of factors
- Winter in US and uncertainty in production by OPEC has led to higher crude prices
- Some refining capacity has gone away globally
- Could see some easing up of refining cracks once refining capacities come back
- Diesel and petrol cracks have improved in the last few months
- Crude should be in the range of \$60-65/bbl in the near term
- Singapore GRMs in Q4 will be better than Q3
- Petrol demand in January grew 6.5%
- Do not have any leeway to take hit on margin or absorb hike in fuel prices
- There is good pick-up in ATF, reaching 60-65% of pre-COVID levels

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- Semiconductor issue will remain a challenge for 4-5 months. Trying to manage the supply chain and avoiding loss of supply
- Directly buying semiconductors in Tier-II cities to protect ourselves. Have given advanced schedules to suppliers for 12 months instead of usual 6 months
- Have pre-planned production for Safari; hoping we can service demand as it comes
- There is still a lag between demand & supply; demand outpacing supply
- Channel inventory is at very low level. Have the highest number of days of bookings available in the industry
- Will also launch Hornbill this CY. Have a mix of products which will deliver both volumes and profitability
- FY21 has shaped EVs in very different direction. 90% of demand for EVs was from fleet segment until FY20

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**Thyrocare: Vaccines, antibodies will not stop COVID infection;
Thyrocare, CMD & CEO**

- COVID testing volumes have come down
- Vaccines and/ or antibodies will not stop COVID infections
- This is not a time to panic; opening up local trains has increased cases
- No need to panic, COVID-linked deaths are not rising
- Non-COVID volumes have come back
- Do not think Q4 will be better than Q3

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- GDP growth forecast for FY22 bodes well for company and logistics industry
- Positive on the outlook for company and the industry
- Have seen good traction in E-commerce business post pandemic
- Margin is broadly sustainable in the current range
- See E-commerce momentum to sustain going forward
- Have taken some sustainable cost efficiency measures
- Have taken a price increase of nearly 9.6% from start of January 2021
- Company has continued to see market share improvement

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Anoop Bector, MD**

- Saw growth across all verticals
- Domestic business has grown by 27% for the last three quarters
- Seeing lot of improvement; coming back to pre-COVID levels
- Margins have been benefited as expenses of advertising and travel declined during COVID-19
- Direct reach has increased to 2 lakh outlets from 1.4 lakh outlets
- Installing one more biscuit line in Rajpura, to be commissioned in Q4FY22

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