Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	52,773	0.4	10.5
Nifty-50	15,869	0.4	13.5
Nifty-M 100	27,364	0.6	31.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,247	-0.2	13.1
Nasdaq	14,073	-0.7	9.2
FTSE 100	7,172	0.4	11.0
DAX	15,730	0.4	14.7
Hang Seng	10,669	-0.8	-0.6
Nikkei 225	29,441	1.0	7.3
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	74	1.6	44.4
Gold ($/OZ)	1,859	-0.4	-2.1
Cu (US$/MT)	9,538	-4.0	23.1
Almn (US$/MT)	2,463	-1.9	24.8
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.3	0.1	0.3
USD/EUR	1.2	0.0	-0.7
USD/JPY	110.1	0.0	6.6
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.0	0.04	0.2
10 Yrs AAA Corp	6.8	0.04	0.2
Flows (USD b)	**15-Jun**	**MTD**	**CY21**
FIIs	-0.07	1.48	8.13
DIIs	0.07	-0.10	-1.58
Volumes (INRb)	**15-Jun**	**MTD***	**YTD***
Cash	751	814	795
F&O	30,417	43,734	42,751

Note: *Average

Today's top research idea

Tata Motors: JLR FY21 Annual report - 'Reimagine' to drive JLR transformation

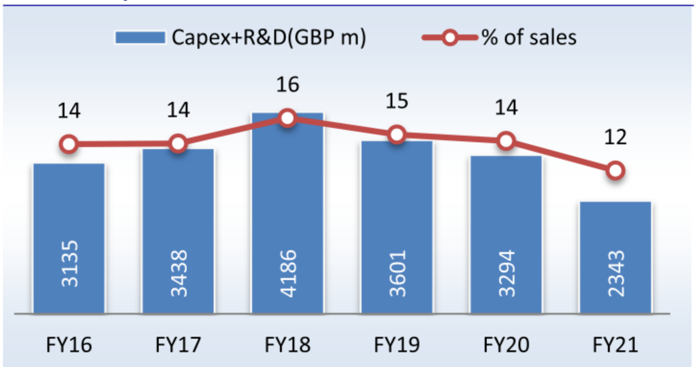
- The 'Reimagine' strategy would transform the business and its distinct brands. It would create a knowledge-sharing collaborative ecosystem with the very best partners in the global industry for a massive leap in clean energy, software, and digitalization. Its goal is to deliver double-digit EBIT margins and be among the world's most profitable luxury manufacturers.
- By the end of the decade, it would migrate from six different architectures to just three central to its new architecture strategy, in line with the accelerated shift to electrification.
- The 'Reimagine' and 'Refocus' projects would together deliver revenue of over GBP30b and double-digit EBIT margins by FY26. These would generate strong positive free cash flow from FY23 after an around GBP2.5b investment spend (annually) and a reduction in net debt, returning to a net cash position in FY25.
- JLR is seeing greater collaboration and synergies within the Tata Group in areas of clean energy, connected services, data, and software development. It aims to create next-generation-based electrical vehicle architecture – EVA continuum – developed along with Tata Consultancy Services.

Research covered

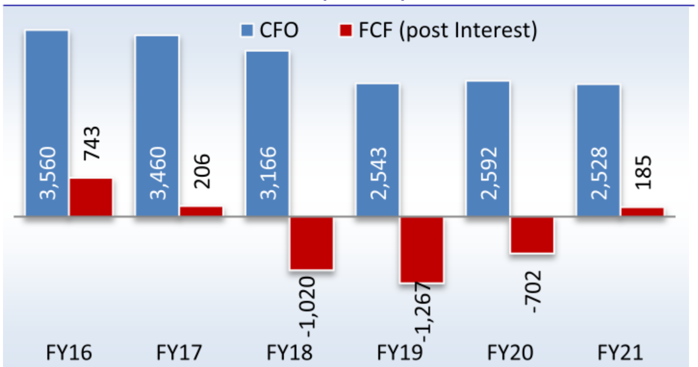
Cos/Sector	Key Highlights
Tata Motors	JLR FY21 Annual report - 'Reimagine' to drive JLR transformation
Amara Raja	New Energy and LAB exports to be the key growth drivers
Jubilant FoodWorks	Result below our expectations, 1QFY22 resilient despite the lockdown
Whirlpool of India	Strong operating performance; Balance sheet strengthens
LIC Housing Finance	Strong growth and spread performance; asset quality surprises negatively
Lemon Tree	EBITDA marginally below our estimate; occupancy at 59% in 4QFY21

Chart of the Day: Tata Motors (JLR FY21 Annual report - 'Reimagine' to drive JLR transformation)

Trend in capex and R&D



Trend in JLR's CFO/FCF trend (GBP m)



Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

May exports up 69% to $32 bn; trade deficit at 8-month low

Merchandise exports in May increased by 69.35% from a year ago to $32.27 billion, driven by growth in the engineering, petroleum, and gems and jewellery sectors, revised trade data released by the commerce and industry ministry on Tuesday showed. The trade deficit in goods stood at $6.28 billion, the …

2

E-way bills signal likely pickup in GST receipts from July

India's Goods and Services Tax (GST) revenue collections are likely to stage a recovery from July after falling in May and June, official data on e-way bills for the first fortnight of June indicated, highlighting the gradual resumption of economic activity in line with a decline in coronavirus cases and easing of lockdown curbs.…

3

Novavax's Covid vaccine to be made in India soon: Govt official

The Serum Institute of India is preparing to produce Novavax's COVID-19 vaccine in the country, government official Vinod Kumar Paul said at a press briefing on Tuesday. The vaccine maker on Monday had said its COVID-19 vaccine was more than 90 per cent effective in a large, late-stage US-based clinical trial. …

4

Developers eye big launches to push sales post covid 2.0

Top property developers have lined up a slew of housing projects for launch from July as they await a complete lifting of lockdown curbs imposed during the second wave of the pandemic. Sales of new residential properties that rose steadily since the coronavirus outbreak last year stalled when the second wave struck in March, prompting builders to defer …

5

NCLT questions haircut taken by Videocon Industries creditors

The Mumbai bench of the National Company Law Tribunal (NCLT) has questioned the haircut that creditors have to take in the Videocon Industries Ltd's (VIL) resolution plan. The resolution applicant was paying close to the liquidation value to acquire the company, the tribunal noted in the order approving the resolution plan submitted by Anil Agarwal's Twin Star Technologies. The NCLT order also said the …

6

Retail sales decline 79 pc in May over pre-COVID levels in 2019: Report

Retail sales in India slipped 79 per cent in May compared to pre-COVID sales in the same month of 2019, as businesses across states were closed due to the second wave of the pandemic, as per a survey by Retailers Association of India (RAI). The decline in sales was …

7

15 banks to start new trade finance system using blockchain tech

Fifteen banks have come together to form a new company which will use blockchain technology to process inland letters of credit (LCs) in a first such initiative. Bankers said that the new system will verify data using invoices on goods and services tax (GST) and e-way …

15 June 2021

Annual Report Update | Sector: Automobiles

Tata Motors

BSE SENSEX	S&P CNX
52,773	15,869

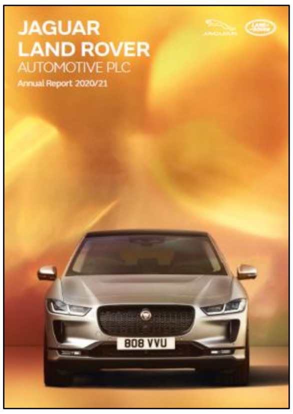
CMP: INR353 TP: INR405(+15%) Buy

'Reimagine' to drive JLR transformation

Project Charge+ delivers margins, drives debt reduction

Jaguar Land Rover (JLR)'s FY21 Annual Report focuses on the company's next phase of growth. The company has outlined its strategy for the transformation to electric mobility and to focus more on profitability over volumes. Here are the key points from the Annual Report:

- As per the message from CEO Thierry Bolloré, the 'Reimagine' strategy would transform the business and its distinct brands. It would create a knowledge-sharing collaborative ecosystem with the very best partners in the global industry for a massive leap in clean energy, software, and digitalization. Its goal is to deliver double-digit EBIT margins and be among the world's most profitable luxury manufacturers.
- Both the Jaguar and Land Rover brands would undergo transformation by electrification – six new all-electric Land Rover models would be introduced in the next five years and Jaguar would be completely reimagined as a purely electric brand from 2025. JLR aims to have full-BEV powertrains accounting for around 60% of the total JLR sales by 2030 and 100% of volumes by 2036.
- By the end of the decade, it would migrate from six different architectures to just three central to its new architecture strategy, in line with the accelerated shift to electrification.
- The 'Reimagine' and 'Refocus' projects would together deliver revenue of over GBP30b and double-digit EBIT margins by FY26. These would generate strong positive free cash flow from FY23 after an around GBP2.5b investment spend (annually) and a reduction in net debt, returning to a net cash position in FY25.
- The Reimagine strategy would drive the journey toward net zero carbon emissions by 2039. Currently, 12 models have electrified options, including eight plug-in hybrids, 11 mild-hybrids, and one BEV.
- JLR is seeing greater collaboration and synergies within the Tata Group in areas of clean energy, connected services, data, and software development. It aims to create next-generation-based electrical vehicle architecture – EVA continuum – developed along with Tata Consultancy Services.
- FY21 saw outflow of GBP24m toward working capital changes, largely due to outflow of GBP433m on the release of provisions for residual value risk and emissions, primarily in the US.
- Both the JLR and India businesses are on the path to cyclical recovery. This, coupled with restructuring initiatives, would drive further debt reduction. The stock trades at 10.5x FY23 consol. EPS and 3.5x EV/EBITDA. Maintain Buy, with TP of INR405 (Mar'23 SOTP).



Stock Info

Bloomberg	TTMT IN
Equity Shares (m)	3,598
M.Cap.(INRb)/(USDb)	1255 / 17.1
52-Week Range (INR)	361 / 92
1, 6, 12 Rel. Per (%)	5/83/192
12M Avg Val (INR M)	16851
Free float (%)	53.6

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Net Sales	2,498	3,161	3,614
EBITDA	357.8	435.8	522.5
Adj. PAT	2.2	89.5	128.0
Adj. EPS (INR)	0.6	23.4	33.4
EPS Gr. (%)	-102.2	4,048.1	43.0
BV/Sh. (INR)	144.3	167.6	200.1
Ratios			
Net D/E (x)	2.1	1.8	1.5
RoE (%)	0.4	15.0	18.2
RoCE (%)	11.3	10.6	11.3
Payout (%)	0.0	0.0	3.0
Valuations			
P/E (x)	625.7	15.1	10.5
P/BV (x)	2.4	2.1	1.8
EV/EBITDA (x)	5.0	4.5	3.5
Div. Yield (%)	0.0	0.0	0.3
FCF Yield (%)	7.3	-18.9	11.9

Amara Raja

BSE SENSEX	S&P CNX
52,773	15,869

Bloomberg	AMRJ IN
Equity Shares (m)	171
M.Cap.(INRb)/(USDb)	134 / 1.8
52-Week Range (INR)	1025 / 635
1, 6, 12 Rel. Per (%)	-7/-31/-37
12M Avg Val (INR M)	1015

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	71.5	83.0	92.2
EBITDA	11.2	12.4	14.5
Adj. PAT	6.5	7.0	8.2
EPS (INR)	37.9	41.2	47.9
EPS Gr. (%)	-2.1	8.7	16.4
BV/Sh. (INR)	247	275	308
Ratios			
RoE (%)	16.4	15.8	16.4
RoCE (%)	16.3	15.8	16.4
Payout (%)	29.0	30.4	31.3
Valuations			
P/E (x)	20.7	19.1	16.4
P/BV (x)	3.2	2.9	2.5
Div. Yield (%)	1.4	1.6	1.9
FCF yield (%)	1.6	4.9	4.2

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	28.1	28.1	28.1
DII	12.6	14.5	11.6
FII	21.3	20.9	20.9
Others	38.0	36.5	39.4

FII Includes depository receipts

CMP: INR785 TP: INR860 (+10%) Neutral

New Energy and LAB exports to be the key growth drivers

Targeting 8-10GW of li-ion capacity to remain cost competitive

- **Amara Raja's senior management team presented (click here for the presentation) their new strategic initiative, laying down future growth drivers in the form of New Energy and Mobility. Key highlights from the meeting:**
- **Under this strategy, it is focused on value maximization in its core Lead Acid Battery (LAB) business and is foraying into the New Energy business in the form of lithium-ion cell/battery pack, EV charging products, energy storage solutions, etc.**
- **While the LAB business will go global, the New Energy business will focus on opportunities in India.**
- **While growth in LAB will recover strongly, deliverance of 15-17% CAGR over five years is largely dependent on successful execution of its export strategy.**
- **While its entry in the New Energy business is a step in the right direction, its success will be dependent on a technology partner, cost competitiveness, targeted segments, etc.**
- **For lithium cell manufacturing, it is targeting 8-10GW capacity (needing an investment of USD0.8-1b) to attain global competitiveness.**
- **Considering that investment in the New Energy business will be over 5-10 years, it can fund this capex through free cash flows of the core business (average INR3-4b p.a) and debt (currently net cash on its Balance Sheet).**

New Energy a new growth engine

- In the New Energy business, it is looking to be more than a battery company and participate in the bigger storage ecosystem. It would focus on Li-ion cell and pack, EV charging products, energy storage systems, and home energy solutions.
- AMRJ is exploring partnerships with various organizations. In the last 2-3 years, it has undertaken pilot scale R&D and cell manufacturing on its own to understand the technology. It is open to various structures from technical collaborations to JVs. It is also aiming to leverage the startup ecosystem.
- While large global players may not be keen to partner with AMRJ, smaller players may be interested in partnering with AMRJ as it offers good brand, relationships with OEMs, reach, etc.
- It expects 2Ws and 3Ws to see faster electrification, with 10%/46% EV penetration in 2Ws/3Ws by FY25. It doesn't expect 2W/3W OEMs to backward integrate into cell manufacturing, which opens up the opportunity for players like AMRJ. As per AMRJ's estimates, India would need a Li-ion battery capacity of 30GW/150GW by CY25/CY30.
- All these new Energy businesses would be part of the listed entity.

Funding capex for the New Energy business not a big challenge

- For lithium cell manufacturing, it is targeting 8-10GW capacity to attain global competitiveness. This would entail investments of USD0.8-1b over 5-10 years.
- It can fund this capex through free cash flows of the core business (current average INR3-4b p.a) and debt (currently net cash on its Balance Sheet).
- The biggest concern is demand risk in India and hence it wants to be globally competitive to keep its export options open.

LAB – focus on value maximization

- In the matured LAB business, it is focusing on maximizing value by: a) improving efficiencies by leveraging process/product technology, b) global foray, and c) inorganic opportunities. Through this strategy, it is targeting 15-17% revenue CAGR over the next five years.
- Growth in the domestic business will be driven by: a) underlying industry recovery, b) ramp-up in inverters, e-rickshaws, motive power, etc., and c) launch of technologically superior products in both the Autos and Industrial segment.
- In the Industrial segment, it expects the Telecom/UPS segment to grow at 9.8%/6.3% CAGR over FY20-25.
- AMRJ is also looking to enter lead smelting operations, as its board has approved investing in the lead recycling business.

Exports a big focus area; open to M&As

- While export revenue has grown at 25% CAGR over the last four years, it is still very small at 12-13% of sales. It currently exports to 35 countries in the Asia Pacific Rim and Africa.
- Globally, the LAB industry is 490GWh (of which, AMRJ has 3% share) and is expected to remain stable till CY30. It expects the lithium technology to impact the Industrial segment (34% of the industry) first and Autos (66% of the industry) later.
- Globally, the LAB industry is consolidating, throwing up acquisition opportunities for AMRJ. In greater potential markets with high tariff barriers, it would either look at M&As or at a greenfield plant.
- In UPS, it is targeting global leadership, driven by MVRLA battery on patented punch-grid technology.

Succession planning – Next generation in the driver's seat

- Mr. Jayadev Galla will take over as Chairman of the board from Dr. Ramachandra N Galla.
- Given the strategic importance of the New Energy business, AMRJ has decided that Mr. S. Vijayanand (current CEO) will take charge as President – New Energy.
- The board has decided to induct Mr. Harshavardhana Gourineni (Harsha) and Mr. Vikramadithya Gourineni (Vikram) as Executive Directors to actively drive the transition to 'Energy and Mobility.'
- Harsha, currently MD and CEO of Mangal Industries (a promoter owned entity), would drive value maximization strategy for the LAB business. Vikram, MD of Amara Raja Power Systems and Amara Raja Electronics (both promoter owned entities), will drive the New Energy business.

Valuation and view

- We expect value migration from unorganized to organized players such as EXID and AMRJ in the Replacement segment, driven by tax reforms such as GST and lower corporate tax rates.
- Healthy replacement demand would lead to better capacity utilization and margin. However, current margin performance may not sustain in FY22 as volume recovery with OEMs would result in mean reversion of mix and margin.
- Falling cost of lithium batteries poses a threat not just to the Auto segment, but also to Industrial Batteries. Successful transition to the new chemistry poses a risk as well as an opportunity. While its entry into the new energy business is a step in the right direction, its success will be dependent on a technology partner, cost competitiveness, targeted segments, etc.
- The stock trades at 19.1x/16.4x FY22E/FY23E EPS. We maintain our Neutral rating with a TP of INR860/share (18x Mar'23E EPS, in line with its 10-year LPA) as expectations of better earnings growth balances out the increasing threat of lithium chemistry for both the Autos and Industrial Business.

16 June 2021

4QFY21 Results Update | Sector: Retail

Jubilant FoodWorks

Estimate changes	↓
TP change	↑
Rating change	↔

Bloomberg	JUBI IN
Equity Shares (m)	132
M.Cap.(INRb)/(USDb)	419.1 / 5.7
52-Week Range (INR)	3250 / 1596
1, 6, 12 Rel. Per (%)	5/9/28
12M Avg Val (INR M)	2305

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	33.1	44.4	57.6
Sales Gr. (%)	-15.7	34.0	29.7
EBITDA	7.7	11.2	14.7
EBITDA Margin (%)	23.3	25.2	25.5
Adj. PAT	2.3	4.4	6.6
Adj. EPS (INR)	17.5	33.4	50.2
EPS Gr. (%)	-22.5	91.4	50.2
BV/Sh.(INR)	108.1	120.2	152.5
Ratios			
RoE (%)	16.2	27.8	32.9
RoCE (%)	12.1	18.4	23.6
Payout (%)	34.3	35.9	35.8
Valuation			
P/E (x)	181.8	95.0	63.2
P/BV (x)	29.4	26.4	20.8
EV/EBITDA (x)	55.1	37.7	28.4

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	41.9	41.9	41.9
DII	11.7	13.1	21.1
FII	41.0	39.6	31.1
Others	5.3	5.4	5.9

FII Includes depository receipts

CMP: INR3,175 TP: INR2,970 (-6%) Neutral

Result below our expectations, 1QFY22 resilient despite the lockdown

- We cut our FY22E/FY23E EPS forecast by 12.5%/5.2% on account of: a) JUBI's lower than expected 4QFY21 result, and b) the effect of the lockdown so far in 1QFY22 due to the second COVID wave.
- The impact would have been more if not for the resilience shown in Apr-May'21, as per the management commentary. Continued strong growth in the Delivery channel has meant that the severe impact on Dine-in was mitigated to some extent at the broader level. This led to ~90% recovery compared to the pre-COVID run-rate in these two months. This will result in a lower impact compared to discretionary peers for 1QFY22 and lead to healthy growth in the subsequent part of the year as the lockdown restrictions are lifted.
- We like the structural story in QSRs and JUBI is the best of breed on most parameters. However, valuations of 63x FY23E EPS are expensive. We maintain our **Neutral** rating.

Recovery continues, but performance below our expectations

- **JUBI reported a sales growth of 14.3% YoY at INR10.3b (est. INR11b), with SSS growth of 11.8% (est. 19%).**
- Like-for-Like (LFL) growth (refers to YoY growth in sales for non-split restaurants opened before the previous FY) stood at 13.7%. LFL growth, excluding restaurants temporarily closed due to COVID-19, stood at 15.1%.
- **It opened 50 new Domino's Pizza stores and closed four, leading to 1,360 stores at the end of 4QFY21.** It closed net three stores of Dunkin' Donuts, taking the total store count to 24 in 4QFY21. It added two restaurants – Hong's Kitchen and Ekdum! (biryani) – taking the total count to 12.
- Gross margin rose 310bp YoY, but fell 80bp QoQ to 77.5%.
- **EBITDA grew 47% YoY to INR2.5b (est. INR3b).**
- **EBITDA margin expanded 540bp YoY to 24.3% (est. 27%).** Employee expenses fell 230bp, while other expenses (including rent) were flat YoY.
- **Adjusted PAT grew 131% YoY to INR1b (est. INR1.3b).**
- Sales/EBITDA/adjusted PAT declined 15.7%/11.9%/22.5% YoY in FY21.
- The board of directors recommended a dividend of INR6 per share for FY21.

Highlights from the management commentary

- JUBI witnessed ~90% recovery in both Apr'21 and May'21 v/s pre-COVID levels, despite Dine-in being minimal.
- Cheese and edible oil costs are rising, but the management does not expect any significant impact on profitability due to cost savings.
- It said store openings would at least be close to the gross level addition seen in FY21 (i.e. 135, with net store addition of 25). It also stated that network expansion wouldn't have any material impact on margin.

Valuation and view

- We cut our FY22E/FY23E EPS estimate by 12.5%/5.2% due to the lockdowns triggered by the second COVID wave impacting the Dine-in business. Nevertheless, the company continues to show strong momentum in the Delivery and Takeaway channel.
- JUBI has been the biggest success story in the Indian QSR industry in terms of growth, with its delivery-based business model. It offers the highest margin and best return-ratios among peers. Once the pandemic ends, its longer-term prospects appear even brighter with: a) faster shift toward organized players in the Indian Food Service industry, b) key channels – Delivery and Takeaway – gaining further traction, and c) increased usage of technology by customers, which facilitates growth for players like JUBI (that is at the vanguard of this move). The introduction of delivery charges (without any negative feedback on ratings) and closure of 105 least profitable stores in FY21 is driving a structural margin improvement.
- Expensive valuations (63.2x FY23E EPS) suggest that the upside seems to be fully captured in the price from a one-year perspective. We maintain our **Neutral** rating with a TP of INR2,970 per share (55x Jun'23E EPS).

Quarterly standalone performance **(INR m)**

Y/E March	FY20				FY21				Consol.	Consol.	FY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY20	FY21	4QE	(%)
No. of stores (Domino's Pizza)	**1,249**	**1,283**	**1,325**	**1,335**	**1,354**	**1,264**	**1,314**	**1,360**	**1,335**	**1,360**	**1,350**	
SSG (%)	**4.1**	**4.9**	**5.9**	**-3.4**	**-61.4**	**-20.0**	**-1.7**	**11.8**	**3.2**	**-17.7**	**19.0**	
Net Sales	**9,401**	**9,882**	**10,596**	**8,979**	**3,803**	**8,055**	**10,572**	**10,259**	**39,273**	**33,119**	**10,954**	-6.3%
YoY change (%)	9.9	12.1	14.1	3.8	-59.5	-18.5	-0.2	14.3	10.2	-15.7	22.0	
Gross Profit	**7,093**	**7,439**	**7,937**	**6,682**	**2,967**	**6,346**	**8,278**	**7,947**	**29,438**	**25,856**	**8,544**	
Gross margin (%)	75.5	75.3	74.9	74.4	78.0	78.8	78.3	77.5	75.0	78.1	78.0	
EBITDA	**2,191**	**2,350**	**2,536**	**1,695**	**241**	**2,147**	**2,786**	**2,492**	**8,756**	**7,712**	**2,954**	-15.6%
EBITDA growth (%)	54.2	59.3	48.6	14.8	-89.0	-8.7	9.9	47.0	44.1	-11.9	74.3	
Margin (%)	23.3	23.8	23.9	18.9	6.3	26.7	26.4	24.3	22.3	23.3	27.0	
Depreciation	808	838	880	916	908	1,030	876	858	3,523	3,754	1,000	
Interest	395	404	426	410	419	412	405	370	1,652	1,627	410	
Other Income	153	172	159	204	127	311	156	110	696	731	180	
PBT	**1,141**	**1,281**	**1,389**	**573**	**-959**	**1,016**	**1,661**	**1,373**	**4,277**	**3,062**	**1,724**	-20.3%
Tax	393	396	352	121	-233	247	410	330	1,303	757	433	
Rate (%)	34.4	30.9	25.4	21.1	24.3	24.3	24.7	24.0	30.5	24.7	25.1	
Adjusted PAT	**748**	**884**	**1,037**	**452**	**-726**	**769**	**1,251**	**1,043**	**2,974**	**2,305**	**1,291**	-19.2%
YoY change (%)	0.1	13.9	7.4	-42.9	P/L	-13.0	20.6	130.7	-9.3	-22.5	185.6	

E: MOFSL estimates

Interim numbers are on a standalone basis while annual numbers are on a consolidated basis

15 June 2021

4QFY21 Results Update | Sector: Capital Goods

Whirlpool of India

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	WHIRL IN
Equity Shares (m)	127
M.Cap.(INRb)/(USDb)	298.4 / 4.1
52-Week Range (INR)	2777 / 1983
1, 6, 12 Rel. Per (%)	4/-5/-42
12M Avg Val (INR M)	231

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	59.0	66.5	81.2
EBITDA	5.4	6.5	9.2
PAT	3.5	4.6	6.7
EBITDA (%)	9.2	9.8	11.4
EPS (INR)	27.8	36.3	52.8
EPS Gr. (%)	(25.9)	30.3	45.6
BV/Sh. (INR)	222.5	253.3	298.2
Ratios			
Net D/E	(0.7)	(0.8)	(0.8)
RoE (%)	12.5	14.3	17.7
RoCE (%)	13.1	14.9	18.2
Payout (%)	18.0	15.0	15.0
Valuations			
P/E (x)	84.5	64.8	44.5
P/BV (x)	10.6	9.3	7.9
EV/EBITDA (x)	51.0	42.0	29.0
Div Yield (%)	0.2	0.2	0.3
FCF Yield (%)	1.4	1.2	1.8

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	75.0	75.0	75.0
DII	11.0	11.3	11.3
FII	3.4	3.4	3.4
Others	10.6	10.4	10.4

FII Includes depository receipts

CMP: INR2,352 TP: INR2,900 (+23%) Buy

Strong operating performance; Balance sheet strengthens

Two-year revenue CAGR came in strong at 15%, best among peers

- Revenue was up 32% YoY in 4QFY21 and was 9% ahead of our estimate, with **two-year CAGR at 15%**. Operating leverage led to EBITDA margin expansion of 60bp YoY to 10.7%. Adjusted PAT grew 42% to INR1.2b and was 6% ahead of our estimate.
- Strong pent-up demand post the first lockdown enabled the company to end FY21 with broadly flat revenue. The management commentary suggests market share gains across all categories. Whirlpool has not resorted to aggressive cost cuts like peers, thus leading to a 200bp EBITDA margin contraction in FY21 – a key reason for its underperformance v/s peers in the past one-year.
- Whirlpool's revenue growth performance doesn't suggest any market share loss, providing us confidence as a strong White Goods franchise. As the economy recovers from COVID-related lockdowns, we expect margin to normalize as operating leverage kicks in, thereby driving strong earnings growth over the next 2-3 years and likely catch up with the stock performance. To account for the second COVID wave, we cut our FY22E/23E EPS by 20%/4% and TP to INR2,900 (from INR3,020 earlier) based on unchanged target FY23E P/E of 55x. Maintain Buy.

Strong operating performance led to earnings beat

- **4QFY21 snapshot:** Revenue grew 32% YoY to INR17.8b (**two-year CAGR: 14.6%, best among our coverage universe**) and was 9% ahead of our expectation. EBITDA grew 39% YoY to INR1.9b and was 14% ahead of our estimate. EBITDA margin expanded 60bp YoY to 10.7%. Adjusted PAT grew 42% YoY to INR1.24b and was 6% ahead of our expectation.
- **FY21 snapshot:** Revenue declined marginally to INR59b. EBITDA decline was severe at 19% YoY due to under-absorption of fixed costs. EBITDA margin contracted 200bp YoY to 9.2%. Adjusted PAT fell 26% YoY to INR3.5b.
- **Balance sheet strengthens further:** Cash flow from operations grew 38% YoY to INR5.2b, aided by an improvement in the working capital cycle. It generated an FCF of INR4.3b and improved its cash balance to INR20.6b (73% of the net worth). Utilization of cash balance is a key monitorable.

Valuation and view

- Whirlpool's 4QFY21 two-year revenue CAGR of 14.6% is best in our coverage universe and provides us confidence that the company continues to see market share gains rather than general apprehensions of a risk to market share. It hasn't resorted to aggressive cost cutting measures during COVID-19. As the economy recovers from the lockdowns, operating leverage should aid margin normalization by FY23E to 11.4%. While topline growth has been at par with our coverage universe companies, the low base of FY21 should help in faster earnings growth as peers witness margin erosion from a high base of FY21. This should help the stock catch-up with its peers. To account for the second COVID wave, we cut our FY22E/23E EPS by 20%/4% and TP to INR2,900 (from INR3,020 earlier) based on unchanged target FY23E P/E of 55x. Maintain **Buy**.

Quarterly performance **(INR M)**

	FY20				FY21				FY20	FY21	FY21E	Var.
Y/E March	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**			**4QE**	**Vs Est**
Sales	**19,742**	**13,935**	**12,712**	**13,536**	**10,271**	**15,995**	**14,940**	**17,794**	**59,925**	**58,999**	**16,383**	**9%**
Change (%)	18.9	17.9	4.9	-0.1	-48.0	14.8	17.5	31.5	11.0	-1.5	21.0	
EBITDA	**3,025**	**1,417**	**897**	**1,370**	**466**	**1,812**	**1,270**	**1,897**	**6,733**	**5,445**	**1,661**	**14%**
Change (%)	19.1	31.5	-8.1	-20.1	-84.6	27.8	41.6	38.5	4.9	-19.1	21.2	
As of % Sales	15.3	10.2	7.1	10.1	4.5	11.3	8.5	10.7	11.2	9.2	10.1	
Depreciation	305	337	294	357	284	424	351	362	1,293	1,421	369	**-2%**
Interest	45	43	31	80	74	10	68	2	199	153	49	**-95%**
Other Income	274	387	395	257	142	348	284	132	1,287	905	318	**-59%**
PBT	**2,949**	**1,424**	**967**	**1,189**	**251**	**1,726**	**1,135**	**1,663**	**6,529**	**4,776**	**1,560**	**7%**
Tax	1,041	176	235	315	87	440	293	425	1,766	1,245	395	
Effective Tax Rate (%)	35.3	12.3	24.3	26.5	34.4	25.5	25.9	25.6	27.0	26.1	25.3	
Extra-ordinary Items	0	0	0	0	0	0	-197	0	0	-197	0	
Reported PAT	**1,908**	**1,248**	**732**	**874**	**165**	**1,286**	**644**	**1,238**	**4,763**	**3,333**	**1,165**	**6%**
Change (%)	16.5	58.9	20.8	-16.0	-91.4	3.0	-12.1	41.7	17.0	-30.0	33.3	
Adj PAT	**1,908**	**1,248**	**732**	**874**	**165**	**1,286**	**841**	**1,238**	**4,763**	**3,530**	**1,165**	**6%**
Change (%)	16.5	58.9	20.8	-16.0	-91.4	3.0	14.9	41.7	17.0	-25.9	33.3	

LIC Housing Finance

BSE SENSEX	S&P CNX
52,773	15,869

Conference Call Details

Date: 16th June 2021
Time: 11:30pm IST
Dial-in details:
+91 44 4563 4951 /
+91 44 3547 0551
[Link for the call]

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
NII	50.1	56.8	60.8
PPP	45.1	51.2	54.7
PAT	30.6	34.1	36.7
EPS (INR)	60.7	67.6	72.7
EPS Gr. (%)	27.5	11.4	7.5
BV/Sh (INR)	402	458	518
Ratios			
NIM (%)	2.3	2.4	2.3
C/I ratio (%)	12.5	12.1	12.4
RoAA (%)	1.4	1.4	1.3
RoE (%)	16.1	15.7	14.9
Payout (%)	17.5	17.5	17.5
Valuations			
P/E (x)	6.5	5.9	5.4
P/BV (x)	1.0	0.9	0.8
Div. Yield (%)	2.3	2.6	2.8

CMP: INR522 **Buy**

Strong growth and spread performance; asset quality surprises negatively

- LICHF's PAT fell 5% YoY (49% miss) to INR4b in 4QFY21. While PPOP of INR13.4b was 11% above our estimate, elevated credit costs of INR9.8b (est. INR2.2b) led to the large PAT miss. PAT grew 14% YoY to INR27b in FY21, led by ~10% growth in operating profit.
- It delivered strong loan growth across Home loans, LAP, and Builder book. Collection efficiency remained stable sequentially at 98% in Mar'21.
- Asset quality surprised negatively with a sharp rise (+62% QoQ) in GS3 to INR96b. GS3 increased to 4.0% v/s 2.7% QoQ. The company had to provide INR2.05b for the shortfall in provisions between IRAC norms and Ind AS. The GS3 coverage ratio declined to 40% v/s 50% a quarter ago.

Disbursements clock all-round growth

- Home loan disbursements continue to recover sharply and increased 114% YoY to INR190b. While LAP disbursements grew 6% YoY to INR22b, Builder loan disbursements nearly tripled to INR12b.
- Total loan book grew 5% QoQ and 10% YoY to INR2.32t. The share of Home loans is up ~85bp to ~80% now. Home loans grew 7% QoQ and 11% YoY to INR2.1t.
- The share of disbursements from cities other than the top seven is down to 58% from 61% QoQ.

Big surprise on credit costs during 4QFY21, Stage 3 PCR fell sharply to 40%

- Provisions of INR9.8b (est. INR2.3b) in 4QFY21 were a big surprise to us. While the management did mention providing INR2.05b to bridge the gap between IRAC norms based provision and Ind AS provisions, the provision miss is elevated even after adjusting for this.
- The sharp spike in GS3 assets at INR96b (up 62% QoQ) has led to a higher provisioning charge. Stage 3 PCR fell to 40% v/s 50% QoQ.
- We await further clarification on the same from the management.

Decline in the cost of funds helps spreads

While yields (calculated) declined by 33bp QoQ and 70bp YoY to 8.7%, the cost of funds fell 72bp QoQ and 127bp YoY to 6.7%. As a result, spreads improved 39bp QoQ and 58bp YoY to 1.9%. The incremental cost of funds raised during 4QFY21 was 5.2%, down 10bp QoQ. The share of bank/CP borrowings/deposits rose ~47bp/ 27bp/120bp QoQ to 25%/9%/6%.

Capital infusion to address leverage risk

- The company disclosed that 45.4m shares are to be issued to LIC on a preferential basis. Post issue, the shareholding of LIC will increase to 48.5% from 40.3% currently. This is likely to reduce the leverage risk hovering over the company over the past few years.

Valuation and view

- LICHF surprised positively on growth, spreads, and addressing capitalization issues in 4QFY21. However, asset quality surprised negatively. We await clarification on the same. Given its parentage, it has been able to raise debt capital at low rates, which should keep margin healthy in a highly competitive environment. The sharp pick-up in disbursements is encouraging. Valuations at 1x P/BV is attractive. We look to revise our estimates post the earnings call.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	4QFY21E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	47,845	49,535	49,689	48,985	49,851	49,382	48,761	48,978	1,96,054	1,96,971	48,177	2
Interest Expenses	36,026	37,018	37,152	37,642	37,645	37,002	35,951	33,929	1,47,839	1,44,526	34,971	-3
Net Interest Income	**11,819**	**12,517**	**12,537**	**11,342**	**12,206**	**12,380**	**12,810**	**15,049**	**48,215**	**52,445**	**13,206**	**14**
YoY Growth (%)	17.2	19.3	15.6	-7.2	3.3	-1.1	2.2	32.7	12.9	8.8	16.4	
Fees and other income	228	256	276	-115	-76	437	479	666	644	1,506	610	9
Net Income	**12,046**	**12,773**	**12,812**	**11,227**	**12,130**	**12,817**	**13,289**	**15,715**	**48,859**	**53,951**	**13,816**	**14**
YoY Growth (%)	16.5	19.4	15.5	-10.9	0.7	0.3	3.7	40.0	9.2	10.4	23.1	
Operating Expenses	1,064	1,432	1,383	2,288	1,367	1,615	1,686	2,347	6,167	7,015	1,758	34
Operating Profit	**10,982**	**11,341**	**11,430**	**8,940**	**10,763**	**11,202**	**11,603**	**13,368**	**42,692**	**46,936**	**12,058**	**11**
YoY Growth (%)	15.7	17.6	15.2	-18.1	-2.0	-1.2	1.5	49.5	6.8	9.9	34.9	
Provisions and Cont.	2,573	2,780	3,977	672	587	1,109	1,907	9,848	10,002	13,450	2,247	338
Profit before Tax	**8,409**	**8,561**	**7,453**	**8,267**	**10,177**	**10,093**	**9,696**	**3,520**	**32,690**	**33,486**	**9,811**	**-64**
Tax Provisions	2,302	839	1,478	4,053	2,002	2,184	2,426	-469	8,672	6,142	2,027	-123
Net Profit	**6,107**	**7,722**	**5,975**	**4,214**	**8,175**	**7,909**	**7,270**	**3,989**	**24,018**	**27,343**	**7,784**	**-49**
YoY Growth (%)	7.5	34.7	0.2	-39.2	33.9	2.4	21.7	-5.3	-1.2	13.8	84.7	
Key Operating Parameters (%)												
Yield on loans (Cal.)	9.75	9.89	9.66	9.36	9.49	9.34	9.00	8.66	9.78	9.03		
Cost of funds (Cal.)	8.39	8.42	8.17	8.01	7.94	7.82	7.45	6.73	8.17	7.24		
Spreads (Cal.)	1.37	1.47	1.50	1.35	1.55	1.52	1.54	1.93	1.61	1.79		
Margin (Cal.)	2.41	2.50	2.44	2.17	2.32	2.34	2.36	2.66	2.32	2.33		
Credit Cost (Cal.)	0.52	0.55	0.77	0.13	0.11	0.21	0.35	1.74	0.50	0.62		
Cost-to-Income Ratio	8.8	11.2	10.8	20.4	11.3	12.6	12.7	14.9	12.6	13.0		
Tax Rate	27.4	9.8	19.8	49.0	19.7	21.6	25.0	-13.3	26.5	18.3		
Balance Sheet Parameters												
Loans (INR b)	1,978	2,030	2,083	2,106	2,098	2,133	2,202	2,320	2,080	2,281		
Change YoY (%)	17.3	15.4	13.7	8.2	6.1	5.1	5.7	10.2	7.8	9.7		
Indiv. Disb. (INR b)	94	117	122	109	34	116	160	212	443	522		
Change YoY (%)	8.4	3.6	6.1	-28.3	-63.9	-0.8	30.7	94.0	-5.3	17.8		
Borrowings (INR b)	1,730	1,788	1,850	1,912	1,883	1,903	1,955	2,076	1,913	2,079		
Change YoY (%)	17.1	15.8	15.4	12.1	8.8	6.4	5.7	8.6	12.1	8.6		
Loans/Borrowings (%)	114.3	113.5	112.6	110.1	111.5	112.1	112.6	111.8	108.7	109.7		
Asset Quality Parameters												
GS 3 (INR b)	39.2	48.3	56.9	59.6	59.4	59.5	59.0	95.6				
Gross Stage 3 (% on Assets)	1.98	2.38	2.73	2.80	2.83	2.79	2.68	4.01				
NS 3 (INR b)	21.6	27.5	31.3	33.5	32.7	31.8	29.5	57.4				
Net Stage 3 (% on Assets)	1.10	1.37	1.52	1.61	1.58	1.51	1.36	2.53				
PCR (%)	44.9	43.1	44.9	43.8	44.9	46.6	49.9	39.9				
ECL (%)	0.97	1.08	1.24	1.24	1.27	1.30	1.34	2.17				
Loan Mix (%)												
Home loans	76.2	76.5	76.8	76.9	76.8	76.5	77.0	77.9				
LAP	16.9	16.7	16.4	16.3	16.2	16.3	15.8	15.3				
Non Individual loans	6.9	6.8	6.9	6.8	7.0	7.2	7.2	6.8				
Borrowing Mix (%)												
Banks	13.7	15.5	19.0	22.0	20.0	22.8	24.5	25.0				
NCD	72.6	71.7	68.0	65.0	62.0	59.9	56.7	54.0				
Sub Debt	1.2	1.2	1.0	1.0	1.0	0.5	0.5	1.0				
Deposits	5.3	5.9	6.0	7.0	8.0	8.6	8.7	9.0				
NHB	1.3	1.2	1.0	1.0	5.0	5.0	4.7	5.0				
CP	6.0	4.6	5.0	4.0	4.0	3.1	4.8	6.0				

Lemon Tree

BSE SENSEX	S&P CNX
52,773	15,869

CMP: INR42 Buy

EBITDA marginally below our estimate; occupancy at 59% in 4QFY21

Conference Call Details

Date: 16th June 2021

Time: 4:00pm IST

Dial-in details:

+91-22 6280 1141

- Revenue fell 46% YoY to INR951m (est. INR889m) in 4QFY21.
- ARR declined by 45% YoY (to INR2,498) and occupancy fell 170bp (to 59.3%). RevPAR fell 46% YoY to INR1,481. On a QoQ basis, RevPAR grew 38% on the back of a 17pp improvement in occupancy rate, marginally offset by a 1% decline in ARR.
- EBITDA fell 55% YoY to INR285m (est. INR302m; v/s INR201m in 3QFY21).
- On a QoQ basis, revenue/EBITDA grew 39%/42%.
- Adjusted loss stood at INR168m v/s a loss of INR179m in FY20.

Reported consolidated quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	FY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Gross Sales	**1,409**	**1,528**	**1,996**	**1,761**	**407**	**476**	**684**	**951**	**6,694**	**2,517**	**889**	**7**
YoY Change (%)	11.0	18.7	39.2	17.0	-71.1	-68.8	-65.7	-46.0	21.8	-62.4	-49.5	
Total Expenditure	962	1,043	1,184	1,122	363	393	483	666	4,311	1,905	587	
EBITDA	**448**	**484**	**812**	**639**	**44**	**83**	**201**	**285**	**2,383**	**613**	**302**	**-6**
Margin (%)	31.8	31.7	40.7	36.3	10.7	17.5	29.4	30.0	35.6	24.3	34.0	
Depreciation	172	196	227	277	271	270	273	261	872	1,076	275	
Interest	309	325	452	487	469	463	454	431	1,573	1,817	460	
Other Income	21	9	32	4	31	60	22	19	67	133	25	
PBT before EO expense	**-12**	**-27**	**165**	**-121**	**-665**	**-590**	**-504**	**-388**	**5**	**-2,147**	**-408**	
Extra-Ord. expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**-12**	**-27**	**165**	**-121**	**-665**	**-590**	**-504**	**-388**	**5**	**-2,147**	**-408**	
Tax	7	1	46	56	-71	-62	-48	-142	109	-322	-41	
Rate (%)	-59.7	-2.2	27.6	-45.8	10.7	10.4	9.5	36.5	2220.8	15.0	10.0	
MI and P/L of Asso. Cos.	-2	-6	-3	2	-175	-157	-144	-78	-9	-555	-127	
Reported PAT	**-17**	**-22**	**122**	**-179**	**-419**	**-371**	**-312**	**-168**	**-95**	**-1,271**	**-240**	
Adj. PAT	**-17**	**-22**	**122**	**-179**	**-419**	**-371**	**-312**	**-168**	**-95**	**-1,271**	**-240**	
YoY Change (%)	NA	NA	-2.1	NA	NA	NA	NA	NA	NA	NA	NA	
Margin (%)	-1.2	-1.4	6.1	-10.2	-103.0	-78.0	-45.7	-17.7	-1.4	-50.5	-27.0	

Impact of FAME 2.0 (Hero Electric and Greaves Cotton)

Hero Electric, Naveen Munjal (MD)

- Pricing has come down substantially which will aid demand of electric 2-Ws
- 20% of the market could be electric in the next 5 years
- Have already installed 1600 charging stations

Greaves Cotton, Nagesh Basavanhalli (MD and Group CEO)

- FAME policy is a welcome move
- Industry awareness is improving towards electric 2-wheelers
- There is now price parity between ICE & electric 2-wheelers
- Will pass on all price incentives to customers

Read More

Parag Milk: Margin to rise on back of lower procurement price; Devendra Shah, Chairman

- Milk procurement price has reduced by Rs. 7-8/litre
- Selling price currently at the same levels
- Margin may improve on back of lower production price and operating efficiency
- 18-20% growth is expected for value added products which contributes 75% of total business

Read More

Satin Creditcare: Collection efficiency back at 80% since June; HP Singh, CMD

- Collection efficiency has taken a hit due to COVID 2.0
- April collection efficiency was at 93-95% and May at 75%
- Will see restructuring this time; restructuring numbers are not expected to be very bad
- Expect AUM growth of 6-8% for FY22. May not need capital for FY22
- RBI's measures augur well for small and medium institutions
- Retail business has better profitability

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NOTES

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