ASIAMONEY Brokers Poll 2020 (India)

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	49,502	0.6	3.7
Nifty-50	14,942	0.8	6.9
Nifty-M 100	24,777	0.9	18.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,188	-1.0	11.5
Nasdaq	13,402	-2.5	4.0
FTSE 100	7,124	-0.1	10.3
DAX	15,400	0.0	12.3
Hang Seng	10,651	-0.4	-0.8
Nikkei 225	29,518	0.5	7.6
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	68	-0.1	33.3
Gold ($/OZ)	1,836	0.3	-3.3
Cu (US$/MT)	10,379	-0.4	33.9
Almn (US$/MT)	2,519	-0.4	27.6
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.3	-0.2	0.4
USD/EUR	1.2	-0.3	-0.7
USD/JPY	108.8	0.2	5.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.0	0.00	0.1
10 Yrs AAA Corp	6.8	0.00	0.2
Flows (USD b)	**10-May**	**MTD**	**CY21**
FIIs	0.08	-1.41	5.30
DIIs	-0.06	1.42	-1.40
Volumes (INRb)	**10-May**	**MTD***	**YTD***
Cash	860	806	782
F&O	25,764	39,730	42,281

Note: *Average

Today's top research theme

India Strategy: 4QFY21 interim earnings review

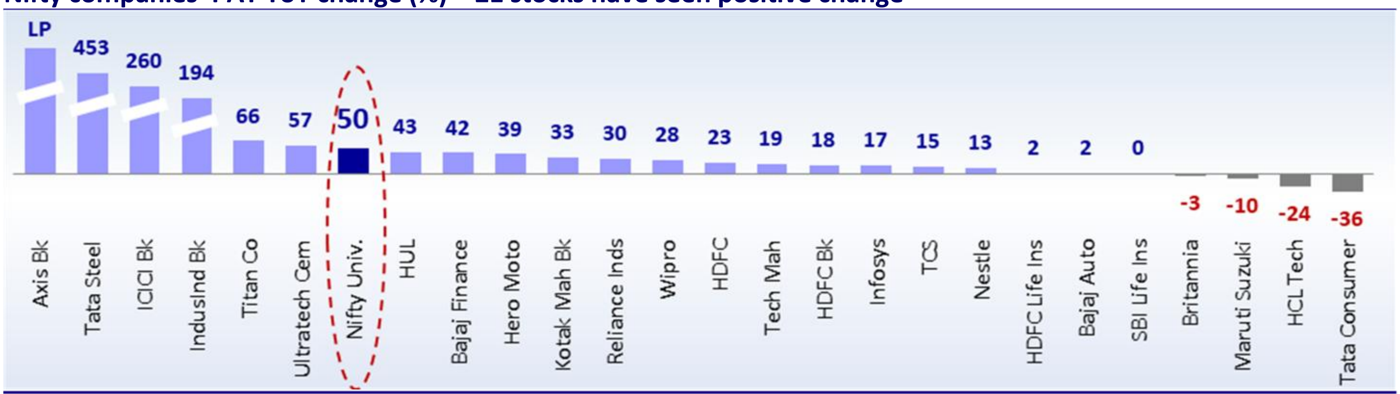
- 78 MOFSL Universe and 27 Nifty companies have announced their results as of 10th May'21. Companies that have reported earnings thus far comprise: (a) 50% of est. PAT for the MOFSL Universe, (b) 58% of est. PAT for the Nifty, (c) 53% of India's market capitalization, and (d) 75% of the Nifty 50 index weight.
- The 4QFY21 earnings season has maintained the momentum of the 3QFY21 results season. Nifty profits for the 27 companies that have posted their results have grown 50% YoY (v/s exp. of 49% growth). On the other hand, for the 78 companies in the MOFSL Universe, profit growth stood at 47% YoY (v/s exp. of 51% growth). 4QFY21 was another strong quarter, aided by the deflated base of 4QFY20 and healthy demand recovery for the large part of 4QFY21 – as attested by high-frequency indicators. 31 companies from our Coverage Universe have seen downgrades of more than 5%, while just 15 companies have seen upgrades of more than 5%, reversing the trend of 2QFY21 and 3QFY21 where upgrades were far higher than downgrades.
- **Key drivers of the 4QFY21 performance:** [1] Metals – Only Tata Steel / Hindustan Zinc has thus far reported results among the steel/non-ferrous companies. As expected, Tata Steel reported strong margins in India Steel operations. [2] Private Banks and NBFCs – The healthy performance was attributable to moderation in slippages and improved disbursements / collection efficiency. However managements sounded cautious about collection efficiencies/asset quality ahead. [3] IT – It has continued to post strong performance, with robust deal wins and orderbook.

Research covered

Cos/Sector	Key Highlights
India Strategy	4QFY21 interim earnings review
	Ownership analysis – DII stake in Nifty-500 at seven-quarter low
Solara Active Pharma Sciences	'Partner of Choice' in API/CRAMS space
UltraTech Cement	Earnings call takeaways
Cholamandalam Inv. & Finance	One-offs lead to PAT miss
Godrej Agrovet	Robust performance; sustenance will be key

Chart of the Day: India Strategy (4QFY21 interim earnings review)

Nifty companies' PAT YoY change (%) – 21 stocks have seen positive change



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In the news today

Kindly click on textbox for the detailed news link

1

Blackstone buys Embassy Industrial Parks for enterprise value of $700 million

Funds managed by Blackstone Real Estate, part of global asset management firm Blackstone Group Lp, has acquired Embassy Industrial Parks (EIP) from Warburg Pincus Inc. and Embassy Group for an enterprise value of $700 million in one of the largest deals in India's emerging ...

2

Cipla, Lupin, Sun Pharma ink pacts to make Lilly's covid drug

US drugmaker Eli Lilly and Co. on Monday said it has issued royalty-free, non-exclusive voluntary licences to Cipla, Lupin and Sun Pharmaceutical Industries Ltd to produce its baricitinib drug in India to help combat the deadly second wave of the pandemic in the country....

3

India's sugar exports on good course; contracts over 50 lakh tonnes so far

India's sugar exports are on a "good course" this year as traders have contracted over 50 lakh tonnes of the sweetener so far, Food Secretary Sudhanshu Pandey said on Monday. The government has fixed a mandatory export target of 60 lakh tonnes of surplus sugar for the ongoing 2020-21 season (October-September). This export policy was, however, ...

4

Petrol, diesel prices at record highs; Petrol crosses Rs 100-mark in Maharashtra

Petrol and diesel prices on Monday hit record highs across the country after rates were increased for the fifth time in a week, following which Maharashtra joined Rajasthan and Madhya Pradesh in the league of states where petrol rates breached the Rs 100-a-litre mark. Petrol price was hiked by 26 paise a litre and diesel by 33 paise...

5

Indian auto dealers predict slow sales recovery as virus spreads to rural areas

India's leading automobile dealers association on Monday said sales will take longer to recover than they did after the first wave of COVID-19 infections last year as the virus spreads to villages and smaller towns. Auto sales, especially cars and sport-utility vehicles (SUVs), bounced back strongly last year as buyers rushed to buy private vehicles to ensure safety and maintain social distance....

6

Shopping mall owners' income dips around 50 pc in FY21 on rental waiver

Shopping mall owners' revenue declined by around 50 per cent during the last fiscal as the retail sector was badly hit since the outbreak of the COVID-19 pandemic in March last year, according to real estate developers and consultants. Average monthly rentals in...

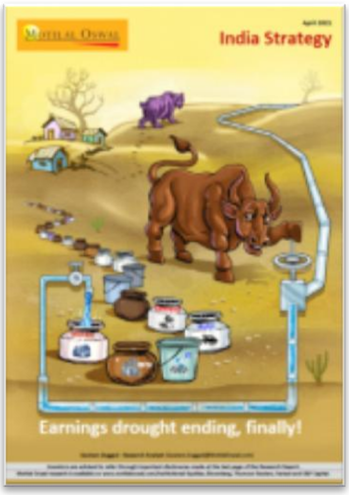
7

NCLT admits Cox & Kings Financial Services for insolvency resolution

The dedicated bankruptcy court has admitted the insolvency petition against Cox & Kings Financial Services Limited (CKFSL) and appointed Pardeep Kumar Sethi as interim resolution professional (IRP) for the company. YES Bank had approached the Mumbai ...

BSE Sensex: 49,502 | **S&P CNX: 14,942**

Refer to our Mar'21 Quarter Preview



4QFY21 interim earnings review

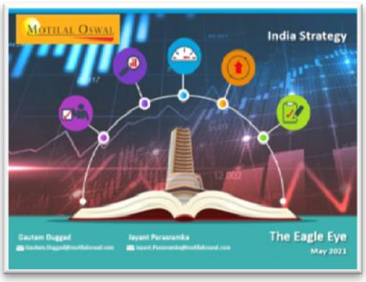
In-line; Downgrades > Upgrades; Corporate commentaries turning cautious

- 78 MOFSL Universe and 27 Nifty companies have announced their results as of 10th May'21. Companies that have reported earnings thus far comprise: (a) 50% of est. PAT for the MOFSL Universe, (b) 58% of est. PAT for the Nifty, (c) 53% of India's market capitalization, and (d) 75% of the Nifty 50 index weight.
- The 4QFY21 earnings season has maintained the momentum of the 3QFY21 results season. Nifty profits for the 27 companies that have posted their results have grown 50% YoY (v/s exp. of 49% growth). On the other hand, for the 78 companies in the MOFSL Universe, profit growth stood at 47% YoY (v/s exp. of 51% growth). 4QFY21 was another strong quarter, aided by the deflated base of 4QFY20 and healthy demand recovery for the large part of 4QFY21 – as attested by high-frequency indicators. 31 companies from our Coverage Universe have seen downgrades of more than 5%, while just 15 companies have seen upgrades of more than 5%, reversing the trend of 2QFY21 and 3QFY21 where upgrades were far higher than downgrades.
- Key drivers of the 4QFY21 performance: [1] Metals – Only Tata Steel / Hindustan Zinc has thus far reported results among the steel/non-ferrous companies. As expected, Tata Steel reported strong margins in India Steel operations. [2] Private Banks and NBFCs – The healthy performance was attributable to moderation in slippages and improved disbursements / collection efficiency. However managements sounded cautious about collection efficiencies/asset quality ahead. [3] IT – It has continued to post strong performance, with robust deal wins and orderbook.
- KEY SECTORAL INSIGHTS: [1] Technology: 4QFY21 marks the third quarter of robust QoQ revenue growth; 4 out of 12 companies have reported beats on a PAT basis, while 5 posted in-line performance. [2] Consumer: Most of the companies have delivered sales growth in line with or below our expectations. Marico has been the only company to post a beat. Margins have remained under pressure due to high commodity inflation during the quarter. [3] Metals: As expected, Tata Steel reported strong margins in India Steel operations. It further saw massive deleveraging of INR123b in 4QFY21 owing to strong FCF generation. The near-term outlook for the sector remains strong, driven by sharp price increases over Apr–May'21 (thus far). [4] Banks: Most banks have reported a strong sequential uptick in loan growth, led by healthy trends in Retail – many segments such as Gold Loans and Home Loans have surpassed pre-COVID levels. On the other hand, deposit growth has remained strong, led by a higher mix of CASA deposits. Margins also exhibited positive bias. On the asset quality front, most banks (barring AUBANK) reported an improvement in asset quality ratios (from the pro-forma ratios reported in Dec'20), with slippages declining sequentially.

Key 4QFY21 result highlights

- The 27 Nifty companies have reported sales/EBITDA/PBT/PAT at 17%/25%/52%/50% YoY (v/s est. 17%/23%/55%/49% YoY). 8 of these have beaten our PAT expectations, while 9 have missed. On the EBITDA front, 7 have exceeded, 7 have missed, and 13 have met our expectations.
- For the MOFSL Universe, sales/EBITDA/PBT/PAT growth stands at 17%/26%/50%/47% YoY (v/s est. 18%/26%/55%/51% YoY).

Refer to our May'21
The Eagle Eye



- **The earnings upgrade/downgrade ratio for 4QFY21 is skewed in favor of downgrades. 31 MOFSL Universe companies have reported downgrades of more than 5% (of which 17 companies have seen downgrades of more than 10%), while 15 have posted upgrades of more than 5%.**
- **Among the Nifty constituents, Axis Bank, SBI Life Insurance, HUL, Hero MotoCorp, and Reliance Industries have exceeded our profit estimates. On the flip side, Tata Consumer, Maruti Suzuki, Britannia Industries, HCL Technologies and Kotak Mahindra Bank have missed our expectations.**
- **A 0.3%/2.2% upgrade is seen in FY21/FY22E Nifty EPS estimates to INR535/INR743 (from INR533/INR726). Notably, the 2.2% upgrade is driven entirely by Tata Steel, excluding which FY22E would see a 1.5% downgrade in earnings.**
- **Within the MOFSL Universe, at the sector level, only Metals, NBFCs and Cement have seen earnings upgrades of 74%, 3% and 2%, respectively. On the contrary, Technology, Consumer and Automobiles have seen earnings downgrades.**
- **View: The advent of the second COVID wave has muddied sentiment and impaired the FY22E earnings visibility. With multiple states entering into extended lockdowns and restrictions, we see downside risks to our FY22 earnings estimates. 4QFY21 earnings are progressing largely in line with our expectations but management commentaries in BFSI/Consumer/Auto have turned cautious even as it remained upbeat in IT and Metals. The interplay of the resurgence in COVID cases and the pace of vaccination would decide the trajectory of economic recovery going forward. The Nifty now trades at 12M forward P/E of 19.4x, ~3% above its historical average of 18.8x. At 2.9x, Nifty P/B is well above its historical average of 2.6x. We are OW BFSI, IT, Metals and Cement, Neutral on Consumer, Healthcare, Auto, Telecom and UW on O&G, Infrastructure.**

Key sectoral trends from 4QFY21 earnings

- **Technology:** 4QFY21 marks the third quarter of robust QoQ revenue growth of +3.7% QoQ USD (largely in line with our estimates) for our large-cap IT Services Coverage Universe – despite a high base (4.9% QoQ USD growth in 3Q). Most companies have reported strong deal wins (while moderating slightly from the higher base of 3Q), with improved visibility on growth going forward. Management commentaries have also highlighted a strong tech spending environment, with a high focus on cloud migration. The cumulative EBIT margin for the Top 5 IT services companies has dipped 120bps QoQ – on account of wage hikes, employee additions, and some moderation in utilization. However, on a YoY basis, margins are up 180bps on account of lower travel expenses, increased offshoring, and relatively higher utilization. Total headcount additions for 4Q stood at 45k, one of the highest increases seen in recent history. This provides further assurance on sustained growth momentum in our IT Services Universe. While the management of Tier 1 companies guided for conservative double-digit revenue growth for FY22 (low teens in the case of Infosys), we believe this would increase over the course of the year, given the deal pipeline remains strong. We are confident that the sector would report growth in the mid-teens for FY22. We have downgraded our earnings for Tier 1 IT by 4% for FY22/FY23, as we build in some moderation in margins, led by increasing supply pressures in the industry.
- **Banks:** Most banks have reported a strong sequential pickup in loan growth, led by healthy trends in Retail, with many segments (such as Gold Loans and Home Loans) exceeding pre-COVID levels; deposit growth remains strong, led by a

higher mix of CASA deposits. Margins have also exhibited positive bias. On the asset quality front, most banks (barring AUBANK) reported an improvement in asset quality ratios from the proforma ratios reported in Dec'20, with slippages declining sequentially. However, the bulk of the slippages in FY21 have come from the Retail/MSME segment. Furthermore, restructuring in large banks stood at sub-1%, while mid-sized Private Banks/SFBs have seen higher loan restructuring. Large banks continue to maintain high COVID-related provision buffers v/s mid-sized peers. With the resurgence in COVID-19 cases and lockdowns announced in various key states, collection efficiency has moderated in Apr'21, with some of the banks suggesting a 4–5% drop in collections over Mar'21. Overall, banks remain watchful of both business growth and asset quality outlook in the near term. We mainly increase our earnings estimate for AXSB, while we cut our estimates in IIB, Bandhan, RBL, and AUBANK. We continue to prefer large private banks. ICICIBC, AXSB, HDFCB, and SBIN remain our top picks.

- **NBFCs:** Business volumes are near pre-COVID levels for most of the vehicle financiers. We observe a sequential uptick in the repayment rate, which provides comfort on the collection efficiencies of the vehicle financiers. MSME lending is yet to return to normal levels, and ECGLS lending across financiers has not been meaningful. Housing financiers have continued to witness a strong quarter on all fronts – not only are they seeing MoM improvement but have also exceeded YoY levels. The "retailization of the balance sheet", deeper roots in the Affordable segment, is the continued business strategy adopted by most players. NBFCs are reducing their dependence on traditional means and diversifying into newer borrowing sources, such as retail NCDs and ECBs. Decline in cost of funds and yields is likely to result in stable margins in the ensuing quarters. Much to our surprise, the liquidity on the books is not reducing across lenders. Asset quality has been resilient across companies, driven by robust collection efficiency and minuscule restructuring. We believe the provisioning cover across our Coverage Universe is more than adequate, and deterioration in credit costs is unlikely. For the coming year, we are uncertain about the impact of the second wave of the pandemic. However, we build in strong earnings revival in 2H, driven by better operating performances and controlled credit costs.
- **Consumer:** Among the results declared thus far, most of the companies have delivered sales growth in line with or below our expectations. HUVR, NEST, BRIT, and TTAN delivered in-line sales performances, while UBBL, PG, and DABUR were below expectations. MRCO was the only the company to post a beat. TTAN, HUVR, MRCO, DABUR, and PG reported strong double-digit sales growth, albeit on a soft base, which had declined due to COVID-led lockdowns. NEST, BRIT, and UBBL posted high single-digit sales growth in the quarter. While the performances of NEST and BRIT were decent, UBBL disappointed with sharp decline in the base quarter. The upbeat consumer sentiment post the festive season in 3QFY21 has continued in 4QFY21 as well. This has benefited the Discretionary portfolio of consumer companies more than the Essentials portfolio. With high commodity inflation seen during the quarter, most companies witnessed compression in gross margins. In addition, the revival of ad spends meant that there was considerable pressure on EBITDA margins. This was partially offset by cost savings initiated by companies in the previous quarters (due to COVID). Companies are much better prepared to handle the

disruption of the second COVID wave led lockdowns this year v/s the first COVID wave disruption last year. However, restricted hours of operations at retail outlets have once again created uncertainty in the demand environment, especially for 1QFY22. Furthermore, the recent commodity inflation would also weigh on earnings, leading us to cut our FY22 EPS estimates for most of the companies. We have maintained our estimates for FY23 for most companies assuming a normalized environment. Amid the rising COVID cases, managements are largely cautious on the near term due to the uncertainties involved, but have reiterated an optimistic view once the situation normalizes.

- **Auto:** 4QFY21 results have been impacted by RM cost inflation, reflected in the P&L. OEMs (MSIL, HMCL, TVSL, and BJAUT) have reported a commodity cost impact of 1.5–4pp QoQ, partially offset by price hikes and cost-cutting initiatives – leading to gross margin contraction of 80bp and EBITDA margin contraction of 110bp sequentially. The RM cost impact for CEAT was 6–7pp (gross margin contracted 360bp). Ongoing volume recovery has been impacted by the second COVID wave. Nevertheless, companies are optimistic about recovery in 2QFY22 – on the expectation that the situation would normalize with the ongoing vaccination drives. PVs are better placed owing to a strong order book. 2W demand is expected to remain subdued in the domestic market in the near term, but exports would sustain the momentum. Commodity cost pressure is likely to sustain over the next couple of quarters; the current situation has rendered it difficult for companies to pass the cost to the customer via price hikes.
- **Cement:** 4QFY21 results have been impressive thus far, with companies that have reported results (ACC, Ambuja, UltraTech, and Dalmia Bharat) showing robust EBITDA growth of 52% YoY (47–63%). This has been driven by a) 26% YoY (21–28%) volume growth, b) ~4% YoY realization growth, and c) decline in total cost per ton – due to lower fixed costs and higher operating leverage, offset by higher power and fuel costs and freight costs. On a sequential basis, companies have surprised on the cost front by mitigating the impact of higher petcoke and diesel costs through the use of thermal coal and reducing the lead distance or optimizing channels. Cashflow generation has also remained strong during the quarter. UltraTech reduced its net debt by INR27b to INR67.2b, whereas Dalmia reduced its gross debt by INR8.5b and is virtually a net-debt-free company (with net debt of just INR1.0b at FY21-end).
- **Metals:** Only Tata Steel / Hindustan Zinc has thus far reported results among the steel/non-ferrous companies. As expected, Tata Steel reported strong margins in India Steel operations, leading to 50%/99% QoQ growth in consolidated EBITDA to INR142b/INR76b. The company saw massive deleveraging of INR123b (13%) in 4QFY21 on strong FCF generation. The near-term outlook for the sector remains strong, driven by sharp price increases over Apr–May'21 (thus far). This should drive Tata Steel's FY22 EBITDA higher by 82% YoY. We expect other steel companies to also report strong margins and sharp debt reduction. Hindustan Zinc posted a strong quarter, with EBITDA/PAT growth of 19%/13% QoQ to INR38.8b/24.8b, led by higher LME prices and metal volumes.

In-line performance; rising COVID cases a headwind

- **Aggregate performance for MOFSL Universe:** Sales/EBITDA/PBT/PAT at 17%/26%/50%/47% YoY (v/s est. 18%/26%/55%/51% YoY)
- **Top companies that beat estimates:** Axis Bank, SBI Life Insurance, HUL, Hero MotoCorp, and Reliance Industries
- **Top companies that missed estimates**: Tata Consumer, Maruti Suzuki, Britannia Industries, HCL Technologies, ICICI Bank, Kotak Mahindra Bank, and HDFC Life
- **Top FY22E upgrades:** Tata Steel (146.9%), SBI Life Insurance (25.4%), and Axis Bank (12.1%)
- **Top FY22E downgrades**: IndusInd Bank (-16.5%), HDFC Life Insurance (-13.3%), Titan (-12.2%), Maruti (-11.4%), Reliance Industries (-8.8%), HCL Tech (-8.5%), Tata Consumer (-6.9%), and Wipro (-5.9%)

Exhibit 1: Sector-wise 4QFY21 performances of MOFSL Universe companies (INR b)

Sector	Sales				EBIDTA				PBT				PAT			
(no of companies)	Mar-21	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Mar-21	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Mar-21	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Mar-21	Chg. % QoQ	Chg. % YoY	Var. over Exp. %
Automobiles (7)	540	-0.9	35.0	3.2	62	-9.3	42.8	1.2	52	-24.9	17.9	-9.3	42	-21.4	16.0	-6.2
Capital Goods (1)	16	-4.2	7.0	-9.7	1	-32.4	812.1	1.9	1	-26	332.8	-6.3	1	-28.1	398.6	-8.1
Cement (4)	256	12.4	30.2	3.5	63	19.8	52.2	13.1	47	21.9	87.4	15.1	32	14.0	64.4	9.2
Consumer (9)	308	2.6	24.6	1.9	62	0.6	29.7	-1.7	57	2	30.0	-1.3	42	0.8	28.9	0.5
Cons. Durables (1)	16	43.4	24.0	1.8	1	24.8	172.7	-11.1	1	111.7	690.1	28.0	1	85.1	604.4	9.8
Financials (24)	1,040	10.6	15.4	-0.8	569	2.7	14.9	-2.2	339	1	83.4	-6.5	258	1.6	77.6	-7.8
Banks-Private (10)	469	2.6	10.9	-3.2	416	2.0	17.1	-1.3	243	-2.6	102.3	-4.8	185	-0.9	99.9	-5.3
Life Insurance (3)	403	25.1	22.9	1.3	15	50.9	-13.2	-34.6	10	26.4	6.9	-6.2	9	13.8	-10.5	-11.3
NBFC (11)	168	4.2	11.8	1.0	138	1.1	12.3	0.1	86	10.5	55.7	-11.0	65	7.9	50.6	-13.8
Healthcare (4)	53	1.6	23.4	-1.6	15	5.4	50.3	3.3	12	4	54.6	1.6	9	-4.3	49.6	3.3
Metals (2)	569	18.8	49.2	1.7	181	40.7	173.2	-0.3	135	57.4	268.2	-3.4	101	67.2	272.1	0.2
Oil & Gas (2)	1,507	26.9	9.9	-3.3	237	8.6	6.7	1.5	159	4	16.2	-3.6	127	-5.0	31.3	11.2
Retail (3)	157	-1.3	34.1	-2.9	16	-8.8	39.5	-1.6	14	-6.6	60.0	1.3	10	-1.3	69.1	1.1
Staffing (1)	24	3.7	10.7	1.0	1	-16.0	-10.9	-16.4	1	2	12.0	34.8	1	-5.8	-13.2	20.3
Technology (12)	1,268	2.8	7.8	0.5	327	-1.8	18.0	-0.9	302	-2.3	18.1	-1.9	224	-3.0	11.4	-4.3
Telecom (2)	106	-3.6	-1.3	-4.5	44	-3.7	19.0	-2.6	22	-2	54.4	-1.0	17	-1.1	52.5	1.7
Others (6)	104	-1.8	5.3	5.7	14	-14.9	-2.7	-7.9	8	-27.6	-10.9	-19.4	6	-30.8	-26.4	-28.7
MOFSL Univ. (78)	**5,965**	**10.6**	**17.2**	**-0.3**	**1,594**	**5.2**	**25.6**	**-0.5**	**1,151**	**3.7**	**49.8**	**-3.5**	**871**	**2.4**	**47.4**	**-2.3**
Nifty (27)	**4,981**	**11.4**	**17.1**	**0.1**	**1,452**	**5.0**	**25.1**	**2.0**	**995**	**3.7**	**52.0**	**-1.8**	**751**	**2.6**	**50.1**	**0.4**
Sensex (19)	**3,850**	**11.1**	**13.6**	**-0.3**	**1,216**	**2.4**	**15.5**	**2.6**	**812**	**-0.5**	**39.3**	**-1.7**	**610**	**-2.4**	**38.6**	**-0.1**

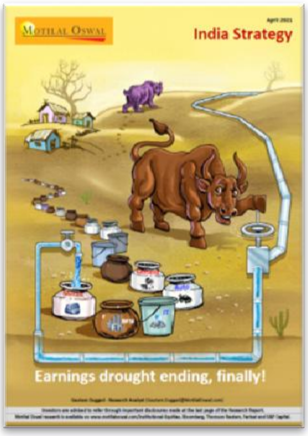
Note: LP: Loss to Profit; PL: Profit to Loss

Source: Company, MOFSL

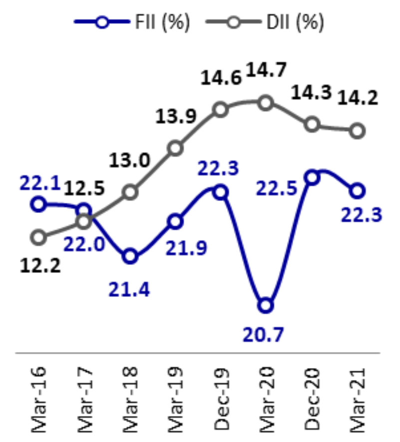
India Strategy

BSE Sensex: 49,502 **S&P CNX: 14,942**

Refer to our Mar'21 Quarter Preview



Nifty-500 institutional ownership, %



Ownership analysis – DII stake in Nifty-500 at seven-quarter low

FII/DII ownership ratio unchanged at 1.6x; FIIs/DIIs raise stakes in Healthcare

- **Benchmark indices Nifty-50 and Nifty Midcap-100 have recovered from their Mar'20 lows with gains of 95% and 123% (up 6% and 18% YTD CY21), respectively.**
- **Divergent sequential trends are seen between FII and DII purchases. FIIs increased weights in two-thirds of the sectors (Telecom, Metals, Consumer Durables, Real Estate, and Cement), while DIIs trimmed weights QoQ.**
- **Notably, in the Mar'21 quarter, FIIs posted inflows of USD7.3b, whereas DIIs recorded outflows of USD3.2b.**
- **In this report, we dive deep into the ownership of various sectors/companies in the Nifty-500 to see how this has changed in 4QFY21.**

FII ownership in Nifty-500 up 160bp YoY

- FII holdings in the Nifty-500 were back at pre-COVID levels in 4QFY21 – they declined a marginal 20bp QoQ, but increased 160bp YoY to 22.3%. DII holdings in the Nifty-500 were down 10bp QoQ / 50bp YoY to 14.2%.
- FIIs increased ownership in 57%/64% of Nifty-500/Nifty-50 companies QoQ, while DIIs decreased stake in 56%/62% of Nifty-500/Nifty-50 companies QoQ.
- A mixed trend was seen in promoter stake holdings – a marginal increase of 10bp QoQ (down 120bp YoY to 49.4%). Promoter stake in SAIL, Tata Communications, Bank of Baroda, WABCO India, Godrej Properties, Ircon International, Max Healthcare, and Rail Vikas Nigam reduced due to stake sales and capital raising exercises. Tata Motors, HPCL, IndusInd Bank, and Godrej Industries posted an increase in promoter stake QoQ.
- As a proportion of the free float of the Nifty-500, FII/DII ownership decreased a marginal 30bp/20bp QoQ to 44.1%/28.1%. Notably, FII ownership rose 220bp YoY, whereas DII ownership declined 180bp YoY.
- The FII-DII ownership ratio in the Nifty-500 remained at 1.6x in 4QFY21 (unchanged from the previous quarter).
- In the last year, the FII-DII ratio increased in the Insurance, Utilities, Retail, Oil & Gas, Consumer Durables, Metals, Private Banks, Healthcare, Automobiles, Capital Goods, and Cement sectors. Real Estate, Telecom, and NBFC posted declines.

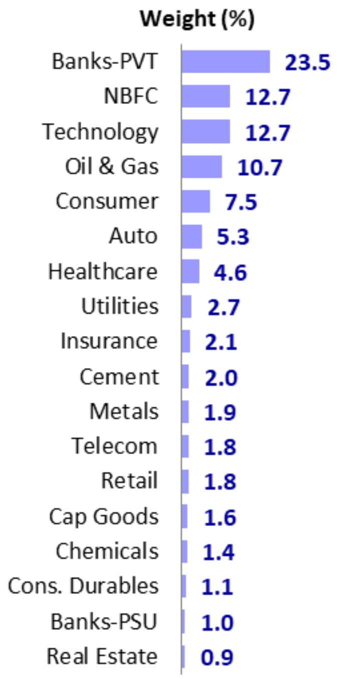
Sector holdings: FIIs post highest QoQ change in Telecom, Metals, Consumer Durables; DIIs recorded only in Consumer, Healthcare, PSU Banks

- In the Nifty-500, FIIs have the highest ownership in Private Banks (47.9%), followed by NBFCs (32.9%), O&G (23.1%), Insurance (22.2%), and Real Estate (21.5%). DIIs have the highest ownership in Capital Goods (21.9%), Private Banks (20.4%), Metals (18.3%), Consumer Durables (17.8%), and PSU Banks (17.6%).
- Sequentially, FIIs increased stake in Telecom (+130bp), Metals (+100bp), Consumer Durables (+100bp), Real Estate (+80bp), Cement (+60bp), Chemicals (+60bp), Insurance (+50bp), and Healthcare (+40bp). In contrast, FIIs reduced

stake in NBFCs (-40bp), Auto (-30bp), Consumer (-20bp), and Technology (-10bp).

- On a QoQ basis, DIIs increased stake in Consumer (+30bp), Healthcare (+20bp), and PSU Banks (+20bp). Utilities (-120bp), Consumer Durables (-90bp), Capital Goods (-50bp), and Telecom (-50bp) were the major sectors where DIIs reduced stake by more than 50bp.

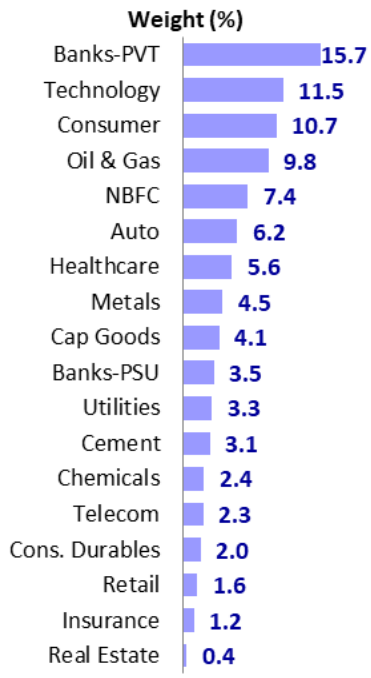
FII sectoral allocations within Nifty-500 (%)



BFSI, Technology account for more than half the FII allocation

- Financials has had a dominant run over the past few years. However, BFSI's (Private Banks, NBFCs, Insurance, and PSU Banks) underperformance has continued to reflect in the FII allocation – down to 39.3% as of Mar'21, from 45.1% in Dec'19 and 40% in Mar'20, in the Nifty-500. This has resulted in the trimming of weight by 140bp QoQ / 70bp YoY. However, FIIs remain significantly overweight by 770bp in BFSI v/s the Nifty-500 (BFSI's weight in the Nifty-500 currently stands at 31.6%).
- BFSI is followed by Technology, up 10bp QoQ / 60bp YoY, with 12.7% weight. Technology is followed by O&G (10.7%) and Consumer (7.5%). Overall, the Top 5 sectoral holdings of FIIs in the Nifty-500 account for 75.5% of total allocations – BFSI (39.3%), Technology (12.7%), O&G (10.7%), Consumer (7.5%), and Auto (5.3%).
- FIIs are significantly overweight (v/s Nifty-500) in Private Banks/NBFCs and underweight in Consumer, Capital Goods, Healthcare, and Consumer Durables.
- On a QoQ basis, FIIs have increased weight in Cement, Metals, Utilities, Capital Goods, PSU Banks, Consumer Durables, Real Estate, Chemicals, and Technology. Private Banks, NBFCs, Consumer, Healthcare, and Insurance have seen a reduction.
- In terms of absolute holdings, of the total FII holdings of USD593b, Private Banks is at the top with USD139b in investment value.

DII sectoral allocations within Nifty-500 (%)



DIIs overweight in Metals, PSU Banks, and Capital Goods

- Using the Nifty-500 as the benchmark, DIIs are significantly overweight in Metals, PSU Banks, Capital Goods, Consumer, and Utilities and underweight in NBFCs, Private Banks, and Technology.
- Overall, the top-5 sectoral holdings of DIIs in the Nifty-500 account for 66% of the total allocations – BFSI (27.8%), Technology (11.5%), Consumer (10.7%), O&G (9.8%), and Auto (6.2%).
- In 4QFY21, DIIs increased weight in the following sectors on a QoQ basis: Metals (+60bp), PSU Banks (+60bp), Cement (+50bp), Infrastructure (+20bp), Capital Goods (+20bp), Technology (+20bp), Automobiles (+10bp), and Chemicals (+10bp). They reduced weight in Private Banks, Healthcare, Consumer, O&G, Telecom, NBFCs, Insurance, and Retail.
- Out of total DII holdings of USD378b in the Nifty-500, Private Banks is at the top with USD59b, followed by Technology with USD43b and Consumer with USD40b.

Nifty-50: FIIs raise holdings in 64% of stocks; DIIs decrease in 62% of stocks

- FIIs raised stake in 64% of Nifty-50 companies on a QoQ basis, while DIIs reduced stake in 62% of Nifty-50 companies.

- SBI Life Insurance, UPL, Hindalco, Tata Steel, Power Grid, Grasim, Hero MotoCorp, and Cipla were the top stocks to see an increase of more than 1% in FII holdings on a QoQ basis.
- IndusInd Bank, Tata Motors, and Bajaj Auto were the top stocks to see decline in FII holdings by more than 1% on a QoQ basis.
- DII holdings in Nifty stocks increased the most in BPCL, Bajaj Auto, IndusInd Bank, and SBI Life Insurance – by more than 1% on a QoQ basis. Power Grid, Grasim, Bharti Airtel, Hero MotoCorp, Hindalco, ICICI Bank, and Tata Consumer posted declines in DII holdings by more than 1% on a QoQ basis.

Solara Active Pharma

BSE Sensex	S&P CNX
49,206	14,823

Bloomberg	SOLARA IN
Equity Shares (m)	27
M.Cap.(INRb)/(USDb)	56.2 / 0.8
52-Week Range (INR)	1685 / 439
1, 6, 12 Rel. Per (%)	17/26/156
12M Avg Val (INR M)	168

Financials & valuations (INR b)

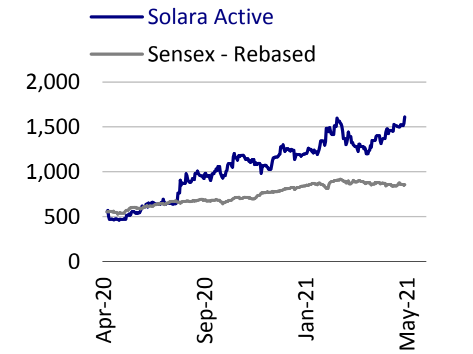
Y/E MARCH	2021	2022E	2023E
Sales	16.2	25.3	29.8
EBITDA	3.9	6.5	7.8
Adj. PAT	2.2	3.9	4.7
EBIT Margin (%)	17.1	20.0	21.3
Cons. Adj. EPS (INR)	45.0	78.4	96.3
EPS Gr. (%)	93.2	74.3	22.8
BV/Sh. (INR)	442.2	529.2	632.2
Ratios			
Net D:E	0.2	0.3	0.15
RoE (%)	16.6	22.1	22.7
RoCE (%)	15.7	20.3	20.4
Payout (%)	13.3	22.5	22.0
Valuations			
P/E (x)	34.6	19.9	16.2
EV/EBITDA (x)	15.3	12.9	10.3
Div. Yield (%)	0.4	1.0	1.2
FCF Yield (%)	(0.3)	(3.0)	8.5
EV/Sales (x)	3.7	3.3	2.69

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	44.1	44.1	44.1
DII	4.0	4.6	4.6
FII	13.7	12.9	12.9
Others	38.3	38.4	38.4

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,565 TP: INR2,000 (+28%) BUY

'Partner of Choice' in API/CRAMS space

- **Solara Active Pharma Sciences (SOLARA) has a differentiated business model, formed by demerging the API business of Strides Pharma and integrating it with the Human API business of Sequent Scientific. While young in terms of listing, it has almost three decades of experience, with sales of INR16.2b / an EBITDA margin of 23.9% over the past 12M.**
- **SOLARA has built a multi-pronged strategy through a) capacity expansion in core products, b) enhanced offerings, c) expansion into newer geographies, and d) acquiring new customers – to benefit from formulators' inclination to reduce their dependency on select regions to procure APIs.**
- **In addition to the API base business, the merger of the Aurore Life Science (ALS) business would accelerate SOLARA's CRAMS business –~INR800m over the past 12M v/s INR1.5b for ALS. ALS's established relationships with the innovator for the CRAMS business bodes well for SOLARA to cross-sell its other offerings as well. Additionally, this would enable SOLARA to gain entry into the ARV product segment and strengthen its position in Japan / South Korea, along with improving its footprint in China.**
- **SOLARA has a wide gamut of service offerings across the value chain of new chemical entities, making it suitable for increased CRAMS offerings outsourced by the innovator.**
- **Overall, we expect a 42%/46% CAGR in EBITDA/PAT over FY21–23, led by strong traction in both API/CRAMS, well supported by merger of ALS.**
- **We value SOLARA at 13x 12M forward EBITDA, factoring in a) favourable prospects in the API industry, b) cost efficiency driving market share leadership in base products, c) upside from ALS merger, d) wide portfolio offerings, e) diversified facilities, and f) encouraging CRAMS opportunity.**
- **Initiate with BUY, with Target Price of INR2,000.**

Favorable macro/capacity additions – key to achieve 30% API sales CAGR over FY21–23E

- The primary API demand drivers remain steady, supported by a rising aging population in developed countries, increased affordability in developing countries, and faster genericization. Supply-side disruption due to a) environmental concerns in China and b) de-risking efforts by customers to lower country-specific dependency has significantly improved the business prospects of Indian API companies.
- Given this backdrop, SOLARA's API segment (~89% of sales) is well-placed to benefit from the opportunity on account of a) an established presence (leading market share in base products, coupled with additional capacity to outperform industry growth), b) new launches (10% of API sales in FY21), and c) a growing presence in newer markets.
- The recent merger with ALS a) increases its quantum of product offerings (40+), including some niche products, b) enhances the product pipeline (20+ DMFs filed), and c) increases its knowledge base and production capacity. Accordingly, we expect a 30% sales CAGR for this segment over FY21–23.

Capability/Capacity in place for CRAMS; execution is key

- SOLARA has built capabilities across the value chain, from the pre-clinical to the commercial phases in the CRAMS segment (~11% of sales). It has also set up a dedicated facility for this segment to manufacture higher volumes. Considering the cost advantage, the availability of technical skill sets is the key driver for India's CRAMS industry. Based on the right mix of resources/capacity and addition of ALS CRAMS business, we expect SOLARA to quadruple CRAMS sales in FY23 to INR3.4b.

Valuation and view

- With a focus on new launches, geographical expansion, augmented capacity from the new Vizag plant, better traction in base products and addition of ALS business, we expect a 36%/42%/46% sales/EBITDA/PAT CAGR to INR29.8b/INR7.8b/INR4.7b over FY21–23. We value SOLARA at 13x 12M forward EBITDA, arriving at TP of INR2,000.
- In the Bull case scenario, we factor in faster execution in both API and CRAMS as well as higher market share gains, leading to a 47% EBITDA CAGR over FY21–23. Accordingly, we assign a higher multiple of 14x 12M forward EBITDA to arrive at TP of INR2,190, implying an upside of 47% from current levels.
- Slower execution and the escalation of regulatory issues may lead to a 39% EBITDA CAGR over FY21–23. We assign a lower multiple of 10x 12M forward earnings in our Bear case scenario to arrive at TP of INR1,420, implying a limited downside of 10% from current levels.
- We initiate SOLARA with a **Buy** rating, with a 28% upside from current levels.

Valuation comparison table

Company Name	Price (INR)	Market Cap (INRb)	EPS (INR)			ROE (%)			P/E(x)		EV/EBITDA(x)	
			FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Divi's Lab	4030	1070	76	98	127	25	26	27	41	32	29	22
Laurus Labs	488	262	18	24	29	45	41	36	20	17	12	10
Granules	348	89	22	25	29	27	25	24	14	12	9	7
Ipca	2057	260	94	94	101	29	23	21	22	20	16	13
Shilpa Medicare	442	36	15	18	22	8	9	11	25	20	17	14
Neuland*	2680	34	63	76	97	11	12	13	35	28	20	16
Aarti Drugs*	782	73	32	40	52	37	33	32	20	15	13	10
Caplin Point*	578	44	33	41	44	23	23	22	14	13	10	9
Syngene*	573	229	9	11	14	15	14	17	53	40	29	23
Solara	**1559**	**56**	**45**	**78**	**96**	**17**	**22**	**23**	**20**	**16**	**13**	**10**

Note: * - Bloomberg estimates; Source: MOFSL, Bloomberg

UltraTech Cement

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	UTCEM IN
Equity Shares (m)	288
M.Cap.(INRb)/(USDb)	1849 / 25.2
52-Week Range (INR)	7050 / 3278
1, 6, 12 Rel. Per (%)	-6/21/37
12M Avg Val (INR M)	3438

Financial Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	447	509	582
EBITDA	116	122	142
Adj. PAT	55	63	79
EBITDA Margin (%)	26	24	24
Adj. EPS (INR)	190	220	274
EPS Gr. (%)	31	15	25
BV/Sh. (INR)	1,609	1,806	1,943
Ratios			
Net D:E	0.1	0.1	(0.1)
RoE (%)	13.2	13.5	15.0
RoCE (%)	10.3	11.0	12.5
Payout (%)	8.3	6.7	6.7
Valuations			
P/E (x)	33.6	29.2	23.3
P/BV (x)	4.0	3.5	3.3
EV/EBITDA(x)	16.5	15.5	12.7
EV/ton (USD)	236	224	190
Div. Yield (%)	0.6	0.6	0.8
FCF Yield (%)	5.8	3.3	4.8

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	60.0	60.0	59.7
DII	13.8	14.2	14.2
FII	17.4	16.9	16.6
Others	8.9	9.0	9.5

FII Includes depository receipts

4QFY21 Result Update

CMP: INR6,406 TP: INR8,050 (+26%) Buy

Earnings call takeaways

Key highlights of management commentary

- The management expects cement demand to grow in FY22 despite a slowdown in 1QFY22. The govt. is focused on the timely execution of projects (which has ensured employment) and has been paying the contractors on time. Even IHB demand is expected to catch up as lockdowns are gradually eased.
- Guidance for the commissioning of 19.5mt capacity under execution has been maintained as Mar'23, despite construction slowdown at some locations. The capex guidance stands at INR40–50b for FY22 and INR30b for FY23.
- Supply chain efficiency and an increase in the green power mix have partially offset the impact of higher fuel and diesel prices. While the INR5.0b fixed cost savings achieved in FY21 should sustain, fixed cost for FY22 is guided at INR55b (flat over FY20) due to higher volumes and inflation.
- The management expects to maintain the dividend payout at 20% levels as the board has opted for a new dividend policy of 15–25% payout.
- It achieved RoE of 15% in FY21 and expects to reach 17–18% by FY25.

Debt prepayment to continue; open to growth opportunities

- Consol net debt stands at INR67.2b v/s INR169.8b in Mar'20. Net debt/EBITDA stands at 0.55x and net debt/equity stands at 0.15x. The company prepaid an INR50b debt in FY21 and plans to make further prepayments in FY22, which would drive finance cost reduction. It also aims to be net cash and maintain INR100b in liquidity on the balance sheet.
- Dalla Super (2.3mt clinker) is expected to commence production by end-FY22. This would ease demand for clinkers at Central and East capacities.
- It has no plans for international acquisitions or ventures as it sees sufficient opportunity for inorganic/organic growth in the domestic market and plans to continue to focus on it. It would, however, not consider inorganic growth opportunities in West as it has a high market share in this region and competition regulations (by CCI) would not approve of the same.

Demand growth to continue in FY22 despite slowdown in 1QFY22

- Cement consumption remains resilient on the back of strong rural demand and a pickup in infrastructure activity; although, rising risks from the second COVID wave have led to temporary slowdown.
- The management expects demand to bounce back strongly with the easing of the second wave – as evident from the early signs in Gujarat and Maharashtra, which are seeing decline in the number of cases.
- The company expects larger players to invest in new capacities over a long period. This would be driven by longer and sustainable periods of demand, backed by infra projects and urbanization.

- The management informed that superior branding led to the company's outperformance on the pricing front during the quarter; it expects this to sustain in the future given the serviceability and scale of production.
- The management expects a strong upcycle over the next 3–5 years, driven by robust demand from infra projects and urban/rural demand.
- In 4QFY21, IHB demand picked up in North and South and remained robust across other regions. Demand from infra projects also witnessed strong growth across regions.

Capacity utilization at 99% in Mar'21 and 93% in 4QFY21

- Monthly volumes for Mar'21 stood at 9.0mt (capacity utilization of 99%).
- In 4QFY21, capacities in East operated at >100% utilization levels. Utilization was >90% for other regions, barring South, which was marginally lower than 90%. CTIL/UNCL operated at 90%/85% capacity utilization, while the Bara Line 2 clocked in 70% utilization.
- Capacity utilization stood at 93% in 4QFY21 v/s 80% in 4QFY20. RMC volumes grew 31% QoQ; grey cement / white cement / export volumes stood at 25.95mt/0.42mt/0.22mt (+30%/+31%/-19% YoY) and overseas volumes at 1.41mt (-3% YoY).
- FY21 grey cement / white cement / export / overseas volumes were 80.18mt/1.32mt/1.07mt/4.90mt (+5%/+1%/+0%/-8% YoY).
- In FY21, premium products accounted for 10% of sales volumes v/s 8% in FY20. The company aims to achieve 15% levels, driven by the new product offerings currently in the R&D pipeline.

Fixed cost reduction to sustain

- In 4QFY21, the cost of imported coal consumption stood at USD76/t – as the company optimized the fuel mix to offset an increase in petcoke/coal prices and reduced power consumption by 2% YoY. Imported coal/petcoke accounted for >50%/<30% of the fuel mix in 4QFY21.
- The management expects fuel cost to stabilize by 3QFY22, led by higher refinery output across the globe, which would drive higher petcoke production. It has guided for an increase of INR50/t in energy costs for 1QFY22.
- The lead distance stood at 440km for 4QFY21. The trade mix for 4QFY21/FY21 stood at 67%/69%.
- From FY22, amendments in the MMDR Act would lead to cost savings of INR2.0b on limestone royalties.
- UNCL achieved EBITDA/t of ~INR1,500 in FY21. EBITDA/t for CTIL stood at ~INR800/t. This is expected to improve further to INR900/t (inclusive of INR60–65/t savings on limestone royalties), led by brand transition.
- Brand transition has been achieved for 77% of CTIL's volumes as Bihar and Chhattisgarh are the only states selling under the older brand. The company would continue with the older brand in Chhattisgarh, but plans to change it in Bihar (which accounts for 8% of CTIL's volumes).

WHRS to account for 25% of power requirements in FY24

- The company targets a reduction in carbon intensity by ~27% by 2032 v/s 2017 emission levels.
- The green energy mix stood at 13% v/s 11% in FY20; it aims to achieve a mix of 34% by FY24.
- WHRS' capacity stands at 125MW and is expected to reach 304MW by 1HFY24. This would involve incremental capex of INR18.0b (part of the announced capex plan) and would help fulfill 25% of the power requirement.

Other highlights

- It has a pan-India network of 2,518 UBS outlets, 60,000 dealers, and has 132 RMC plants.
- UAE operations clocked in EBITDA of INR2.5b, which the management believes is sustainable. It has 25% market share in the UAE and is the best performing cement company in the country.
- It has no immediate plans for a merger with UNCL; it is focusing on cleaning up UNCL's balance sheet before entering into a merger (most likely in FY23).
- The RMC business generates ROCE of >25% and EBITDA margins are ~7% higher v/s Grey Cement – even after the inter-division transfer on a market price basis.

Valuation and view

- UTCEM's strong pan-India distribution network and preferred supplier status for key infrastructure projects renders it well-suited to tap expected growth in both Retail and Institutional (non-trade) Cement demand in India.
- While it is ramping up its under-utilized acquired capacities, it also has a strong pipeline of expansion projects that offers strong growth visibility.
- We estimate an 11%/19% consolidated EBITDA/PAT CAGR over FY21–23E, driven by an 11% volume CAGR, lower operating costs, and lower interest costs.
- The valuation is reasonable at 12.9x FY23E EV/EBITDA – a 10% discount to its previous five-year average. We value UTCEM at 16x FY23E EV/EBITDA to arrive at TP of INR8,050. Reiterate **Buy.**

10 May 2021

4QFY21 Results Update | Sector: Financials

Cholamandalam Inv. & Finance

Estimate change	↓
TP change	⟷
Rating change	⟷

Bloomberg	CIFC IN
Equity Shares (m)	133
M.Cap.(INRb)/(USDb)	454.2 / 6.2
52-Week Range (INR)	601 / 120
1, 6, 12 Rel. Per (%)	0/63/228
12M Avg Val (INR M)	2465

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Total Income	49.4	55.8	62.1
PPP	33.6	38.0	42.0
PAT	15.1	19.2	25.0
EPS (INR)	18.5	23.4	30.4
EPS Gr. (%)	44.0	26.7	30.0
BV (INR)	117	138	166
Valuations			
NIM (%)	7.1	7.2	7.2
C/I ratio (%)	32.0	31.9	32.3
RoAA (%)	2.2	2.5	3.0
RoE (%)	17.1	18.4	20.0
Payout (%)	10.8	8.5	8.2
Valuations			
P/E (x)	30.0	23.7	18.2
P/BV (x)	4.8	4.0	3.3
Div. Yield (%)	0.4	0.4	0.5

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	51.6	51.6	51.7
DII	24.4	27.4	27.0
FII	16.5	13.2	12.2
Others	7.5	7.8	9.1

FII Includes depository receipts

CMP: INR554 TP: INR650 (+17%) Buy

One-offs lead to PAT miss

- CIFC reported a 4QFY21 PAT of INR2.4b, 55% miss on higher-than-expected employee expenses and credit costs. The PAT miss belies the healthy on-the-ground operating performance. **Disbursements/AUM grew 43%/16% YoY, while asset quality was stable.**
- In FY21, CIFC delivered NII/PPOP/PAT growth of 32-44% YoY. It also increased its total provision buffer by 90bp to 3.6% in FY21.

Growth momentum picks up across the board

- While disbursements were largely flattish QoQ at INR81b, it was due to negligible ECLGS disbursements in 4QFY21 v/s INR15b in the preceding quarter. Disbursements were driven by all segments. We note the sharp uptick in HCV and CE disbursements to higher than pre-COVID levels.
- As a result, AUM grew 2% QoQ/16% YoY to INR700b.

Spreads down 50bp QoQ from record highs, yet healthy

- Yield on loans fell 80bp QoQ to 15.1%, partly driven by the INR350m interest reversal in 4QFY21 and some one-offs in the preceding quarter. Cost of funds fell 120bp YoY to 7.1%. As a result, spreads rose 90bp YoY, but fell 50bp QoQ to 8% in 4QFY21.
- Employee expenses increased 68% YoY led by incentive payments and salary hikes for FY21 being paid in 4Q.

Pro forma GNPL ratio stable; building a provision buffer

- Pro forma GNPL ratio increased 100bp QoQ to 3.8%. Stage 2 loans declined 20bp QoQ to 6.2%, despite classification of ~2% of restructured loans under Stage 2.
- CIFC shored up its Stage 1, 2 provisions by 40bp to 1.9% and its Stage 3 provisions by ~100bp to 44%.

Key highlights from the management commentary

- ECLGS disbursements in LAP stood at INR8b, and INR20b till date.
- Collection efficiency declined to 93% from 116% MoM in Apr'21.

Valuation and view

Over the past year, CIFC has weathered the pandemic well. Its collection efforts resulted in largely stable GNPLs without any large write-offs. On the business front, it gained market share across products. While disbursements would be muted in 1HFY22 due to the second COVID wave, we expect them to pick up thereafter. We expect overall AUM growth to pick up from high single-digits in FY22E to ~15% in FY23E. We also increase our FY22E credit cost estimate to 1.7% from 1.1%, given the increasing lockdowns across states. We cut our EPS estimates by 7-19%. The company would deliver healthy (18-20%) RoE going forward. Its RoE is best-in-class in our coverage universe after Gold Financiers and BAF. Hence, we maintain our Buy rating on the stock with a TP of INR650/share (4x FY23E BVPS).

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	4QFY21E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				(%)
Interest Income	19,110	20,439	21,204	20,465	20,710	23,580	24,263	23,690	81,242	92,242	24,543	-3
Interest Expenses	10,870	11,769	11,924	11,359	11,307	11,852	11,404	11,197	45,922	45,759	11,626	-4
Net Interest Income	**8,240**	**8,670**	**9,280**	**9,107**	**9,403**	**11,728**	**12,859**	**12,493**	**35,319**	**46,483**	**12,917**	**-3**
YoY growth (%)	*19.3*	*17.2*	*21.6*	*15.9*	*14.1*	*35.3*	*38.6*	*37.2*	*3.8*	*31.6*	*41.8*	
Other Income	1,185	1,531	1,545	1,049	427	818	786	924	5,287	2,955	946	
Total Income	**9,425**	**10,201**	**10,825**	**10,156**	**9,830**	**12,546**	**13,644**	**13,417**	**40,607**	**49,437**	**13,863**	**-3**
YoY growth (%)	*16.2*	*24.6*	*23.7*	*13.0*	*4.3*	*23.0*	*26.0*	*32.1*	*19.3*	*21.7*	*36.5*	
Operating Expenses	3,500	4,016	4,244	4,016	3,458	3,551	3,688	5,138	15,776	15,834	4,124	25
Operating Profit	**5,925**	**6,185**	**6,581**	**6,140**	**6,372**	**8,996**	**9,956**	**8,279**	**24,831**	**33,603**	**9,739**	**-15**
YoY growth (%)	*11.9*	*17.0*	*17.6*	*18.8*	*7.5*	*45.5*	*51.3*	*34.8*	*16.3*	*35.3*	*58.6*	
Provisions and Loan Losses	1,095	952	1,360	5,567	562	3,176	4,446	5,035	8,973	13,218	2,507	101
Profit before tax	**4,830**	**5,233**	**5,221**	**573**	**5,810**	**5,820**	**5,511**	**3,244**	**15,857**	**20,384**	**7,232**	**-55**
Tax Provisions	1,688	2,163	1,336	147	1,501	1,501	1,422	812	5,334	5,235	1,865	-56
Net Profit	**3,142**	**3,070**	**3,885**	**427**	**4,309**	**4,319**	**4,089**	**2,432**	**10,524**	**15,149**	**5,367**	**-55**
YoY growth (%)	*10.2*	*0.8*	*27.6*	*-85.4*	*37.1*	*40.7*	*5.2*	*470.1*	*-11.3*	*44.0*	*1,158.1*	
Key Parameters (Calc., %)												
Yield on loans	14.2	14.7	15.0	14.6	14.6	15.7	15.4	14.6	14.5	14.6		
Cost of funds	8.2	8.5	8.6	8.3	8.0	8.0	7.4	7.1	8.7	7.7		
Spread	6.0	6.2	6.4	6.4	6.7	7.8	8.0	7.5	5.8	6.9		
NIM	6.1	6.2	6.6	6.5	6.6	7.8	8.2	0.0	6.0	7.1		
C/I ratio	37.1	39.4	39.2	39.5	35.2	28.3	27.0	38.3	38.9	32.0		
Credit cost	0.8	0.7	0.9	3.7	0.4	1.9	2.6	2.9	1.6	2.0		
Tax rate	34.9	41.3	25.6	25.6	25.8	25.8	25.8	25.0	33.6	25.7		
Balance Sheet parameters												
Disbursements (INR b)	**86**	**74**	**75**	**57**	**36**	**65**	**79**	**81**	**291**	**260**		
Growth (%)	22.2	7.0	-0.7	-36.3	-58.1	-12.5	6.0	42.5	-4.5	-10.5		
AUM (INR b)	**575**	**593**	**608**	**605**	**635**	**672**	**687**	**700**	**605**	**700**		
Growth (%)	26.8	24.2	20.6	11.6	10.4	13.3	13.1	15.6	11.6	15.6		
AUM mix (%)												
Vehicle Finance	74.8	74.0	73.4	73.0	73.7	73.3	72.6	72.0	73.0	72.0		
Home Equity	21.1	21.3	21.4	21.4	20.6	20.6	21.0	21.1	21.4	21.1		
Home loans and Others	4.2	4.7	5.2	5.6	5.6	6.0	6.3	6.9	5.6	6.9		
Borrowings (INR b)	**551**	**559**	**549**	**550**	**585**	**606**	**620**	**637**	**550**	**637**		
Growth (%)	33.5	18.8	16.3	8.8	6.2	8.4	12.9	15.9	8.8	15.9		
Asset quality parameters												
GS 3 (INR b)	16.7	18.0	20.2	21.6	20.0	19.0	24.9	27.1	21.6	27.1		
GS 3 (%)	3.0	3.2	3.5	3.8	3.3	2.8	3.8	4.0	3.9	4.1		
NS 3 (INR b)	10.7	11.8	13.6	12.7	11.7	10.9	14.0	15.1	12.7	15.1		
NS 3 (%)	1.9	2.1	2.4	2.3	2.0	1.7	2.2	2.3	2.2	2.3		
PCR (%)	36.1	34.4	33.0	41.5	41.6	43.0	43.5	44.3	45.2	44.3		
Total ECL (%)	1.7	1.8	1.9	2.7	2.4	2.6	3.1	3.6	2.7	3.6		
Vehicle Finance AUM mix (%)												
LCV	21.6	21.3	21.1	21.3	21.2	20.9	20.4	20.8				
Cars and MUV	16.3	16.5	17.0	17.2	17.1	17.0	17.0	17.0				
3W and SCV	5.8	6.1	6.3	6.4	6.2	6.2	5.9	5.7				
Used CV	25.0	25.5	26.0	26.0	25.7	25.9	26.9	26.7				
Tractor	7.4	7.4	7.6	7.7	8.7	9.2	9.6	9.8				
HCV	16.4	15.3	13.6	12.7	11.9	11.1	10.1	9.7				
CE	4.9	4.9	4.9	5.0	5.3	5.5	5.8	6.1				
Two-Wheeler	2.6	3.1	3.5	3.7	3.9	4.2	4.3	4.3				

10 May 2021

4QFY21 Results Update | Sector: Midcap

Godrej Agrovet

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	GOAGRO IN
Equity Shares (m)	316
M.Cap.(INRb)/(USDb)	99.1 / 1.4
52-Week Range (INR)	569 / 349
1, 6, 12 Rel. Per (%)	0/-9/-27
12M Avg Val (INR M)	100

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	62.7	73.9	82.8
EBITDA	5.6	6.4	7.1
PAT	3.1	3.7	4.3
EBITDA (%)	9.0	8.7	8.6
EPS (INR)	16.3	19.3	22.4
EPS Gr. (%)	25.0	18.0	15.9
BV/Sh. (INR)	107	118	131
Ratios			
Net D/E	0.4	0.4	0.3
RoE (%)	16.1	17.2	18.0
RoCE (%)	12.2	12.7	13.7
Payout (%)	49.0	44.1	40.3
Valuations			
P/E (x)	31.6	26.8	23.1
EV/EBITDA (x)	19.9	17.5	15.6
Div Yield (%)	1.6	1.6	1.7
FCF Yield (%)	(2.7)	2.0	2.5

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	70.7	70.3	70.1
DII	1.7	2.2	2.2
FII	2.8	3.1	3.5
Others	24.8	24.4	24.3

Note: FII includes depository receipts

CMP: INR515 TP: INR615 (+19%) Buy

Robust performance; sustenance will be key

In line performance

- GOAGRO's strong 4QFY21 performance was aided by all segments and low base of 4QFY20. EBITDA margin expanded 440bp YoY due to lower raw material costs (-340bp YoY), which led to an EBITDA growth of 133%. All segments reported a margin expansion, led by Animal Feed and standalone Crop Protection.
- We have maintained the same for FY22E/FY23E as its 4QFY21 performance was in line with our estimates. We value the stock on a SoTP basis to arrive at our TP of INR615. Maintain **Buy**.

All round performance across businesses

- Consolidated revenue declined 2% YoY to INR14.6b (v/s our estimate of INR15.2b). EBITDA margin expanded 440bp YoY to 7.7% (v/s our expectation of 7.2%). EBITDA stood at INR1,122m, up 2.3x YoY (v/s our estimate of INR1,086m). Adjusted PAT increased 191% YoY to INR566m (v/s our expectation of INR560m).
- In FY21, revenue declined 8% YoY, whereas EBITDA/adjusted PAT grew 37%/25%. In FY21, CFO was a negative INR18m v/s INR2,398m last year due to increase in inventory and decrease in payables.
- **Animal Feed business:** Revenue fell 9% YoY in 4QFY21 (to INR8b) owing to a 10% decline in realization, which was offset by a 1% improvement in volumes. Consumption of milk, chicken, and egg was subdued due to lower demand from the HoReCa segment and lower out-of-home consumption. This impacted demand for cattle, broiler, and layer feed. EBIT margin grew 330bp to 7.1% due to favorable input prices and realization of R&D benefits. EBIT grew 71% to INR568m. EBIT/kg grew 70% YoY (+47% QoQ) to INR1.9/kg.
- Revenue/EBIT for the **Palm Oil business** grew 8%/23% to INR717m/INR53m. Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) prices were high in 4QFY21, which aided performance.
- The **Crop Protection business** grew 6% YoY (to INR2.7b), with EBIT margin expanding 100bp (to 20.3%). **Sales/EBIT in the standalone business** grew 40%/251% YoY. **Astec Lifesciences:** Revenue/EBITDA declined 5%/19% YoY due to lower export prices and higher base in FY20. However, domestic sales have grown during 4QFY21, supported by higher prices.
- **Dairy business** revenue stood flat YoY at INR2.8b, with EBITDA margin expanding 60bp to 1.3%. While out-of-home consumption and institutional demand picked up sequentially in 4QFY21, it was still lower than pre-COVID levels, which has impacted volumes and revenue. EBITDA margin benefited from lower procurement prices.
- Revenue for **Godrej Tyson Foods** grew 22% YoY (to INR1.4b), with an EBITDA margin of 0.6% (v/s -29.4% last year).

Highlights from the management commentary

- **Standalone Crop Protection:** Six new products are in the pipeline, of which four are in-licensed and two are own products. The management plans to launch 1-2 products annually.
- The company is targeting 14-16% annual growth in the standalone Crop Protection business, half of which will be from organic growth and the balance from launching of new products, with an EBIT margin of 25-26%.
- **Capex and investment:** Capex in Astec Lifesciences is expected to be INR1.8b. Another INR800-900m will be utilized for setting-up a new Fish Feed plant in Barabanki, UP, the construction of which has already started. Total capex spend is expected to be INR3b in FY22.

Valuation and view

- The Crop Protection business is likely to do well going forward, due to: a) product launches in the standalone business (over the next 1-2 years), b) better performance in Astec Lifesciences owing to its expertise in triazole chemistry, and c) commencement of a new Herbicide plant.
- The Animal Feed segment is seeing lower demand from Restaurants/Hotels due to the second wave and is still operating at lower capacity utilization than pre-COVID levels. This has impacted demand for milk, chicken, and eggs. While the recovery in the segment is slightly postponed, it is expected to deliver a better performance v/s FY21 on a low base.
- Volume growth in the Palm Oil segment is likely to return in FY22E on higher arrival of FFBs (due to higher acreages) and better yields from the new plant with improved technology. Higher Palm Oil prices (nearly doubled in the last 13-14 months) to aid margin expansion.
- We have maintained the same for FY22E/FY23E as its 4QFY21 performance was in line with our estimates. We value the stock on a SoTP basis to arrive at our TP of INR615. Maintain **Buy**.

Consolidated – Quarterly Perf. **(INR M)**

Y/E March	FY20				FY21				FY20	FY21	FY21	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Gross Sales	**17,026**	**18,511**	**17,827**	**14,930**	**15,542**	**17,239**	**15,262**	**14,625**	**68,294**	**62,667**	**15,183**	**-4**
YoY Change (%)	14.7	16.5	22.6	7.3	-8.7	-6.9	-14.4	-2.0	15.4	-8.2	1.7	
Total Expenditure	15,607	17,314	16,821	14,448	13,882	15,508	14,137	13,502	64,189	57,029	14,098	
EBITDA	**1,419**	**1,197**	**1,006**	**482**	**1,659**	**1,732**	**1,124**	**1,122**	**4,104**	**5,638**	**1,086**	**3**
Margins (%)	8.3	6.5	5.6	3.2	10.7	10.0	7.4	7.7	6.0	9.0	7.2	
Depreciation	351	375	371	384	366	391	390	393	1,481	1,540	405	
Interest	102	125	108	82	128	96	63	178	416	465	60	
Other Income	102	113	93	159	83	83	131	99	468	396	128	
PBT before EO expense	**1,068**	**811**	**621**	**175**	**1,248**	**1,328**	**802**	**651**	**2,675**	**4,029**	**748**	
Extra-Ord expense	0	0	0	-682	0	0	0	0	-682	0	0	
PBT	**1,068**	**811**	**621**	**857**	**1,248**	**1,328**	**802**	**651**	**3,357**	**4,029**	**748**	
Tax	356	-213	168	169	338	345	220	152	480	1,055	188	
Rate (%)	33.3	-26.2	27.1	19.7	27.1	26.0	27.4	23.3	14.3	26.2	25.2	
MI & P/L of Asso. Cos.	-48	-16	-63	-58	25	-88	-34	-67	-185	-164	0	
Reported PAT	**760**	**1,040**	**516**	**746**	**885**	**1,070**	**616**	**566**	**3,062**	**3,137**	**560**	
Adj PAT	**760**	**1,040**	**516**	**194**	**885**	**1,070**	**616**	**566**	**2,510**	**3,137**	**560**	**1**
YoY Change (%)	-5.3	10.4	26.1	-23.5	16.5	2.9	19.4	191.4	4.3	25.0	145.5	
Margins (%)	4.5	5.6	2.9	1.3	5.7	6.2	4.0	3.9	3.7	5.0	3.7	

HDFC: Individual disbursals in March at record high; Keki Mistry, VC & CEO

- Individual disbursals in March 2021 were at record high
- Company has never grown at such phenomenal pace
- 60% growth disbursals in Q4 had some impact of COVID-19
- Has been on the lookout for distribution channels
- HDFC will have the final right for every loan disbursed via Indiabulls Housing
- Restrictions this year are not as severe as last year
- Average loan size this year has been Rs. 29.5 lakh vs Rs. 27 lakh YoY

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M&M: Demand should return in June if second COVID wave peaks by May-end; Hemant Sikka, Pres-Farm Equipment Sector

- Second wave being felt in rural India
- Farmers have good amount of cash in hands
- While agri parameters are strong-bumper rabi harvest and procurement, COVID is a matter of concern
- H1 of April was higher MoM. Saw demand taper from H2, 30-40% dealerships not operational
- Demand will come back in June if cases peak off by end of May
- Our operations are affected by shortage of industrial oxygen. Supply chain is disrupted, not getting all parts at the required capacity
- All payments to our suppliers on track, no one asked for advances
- Took a price increase in April, will take another in 1-2 months

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IDFC First Bank: NPAs in consumer durables, 2-wheelers has grown; V Vaidyanatjan, MD & CEO

- Nothing has changed fundamentally in terms of asset quality QoQ
- There is asset stress in lower segment of the economy
- Stressed book included some consumer durables, 2-wheeler companies
- Underwriting quality is improving incrementally on a sequential basis

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DCB Bank: Collection efficiency declined due to COVID-19 second wave; Murali M Natrajan, MD & CEO

- Some drop in collection efficiency in Q1FY22 due to COVID-19 impact
- Focused on self-employed segment which probably will be impacted by the second wave
- Customers start to repay as business come back to normalcy
- Approx 90% of the portfolio is secured
- Reported 19% growth in the retail deposit

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Bandhan Bank: Collection efficiency declined by 3% in April due to COVID second wave; Chandra Shekhar Ghosh, MD & CEO

- Collection efficiency in Assam has improved YoY
- Collection efficiency has declined by 2% in April vs March
- Q4 interest reversal has been at Rs. 500 crore
- Housing loans have been restructured of Rs. 617 crore
- Last year bank has provided Rs. 500 crore under TLTRO and a major portion was gone to the MFIs

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Kansai Nerolac: Demand has fallen from April last week; Anuj Jain, ED

- First 15 days of April were good, saw a dip in sales thereafter
- Will take more price hikes in the market; initiated price increase in March
- Price increases are not enough to keep up with steep RM inflation
- Challenging to take price hikes with B2B players, but discussions are on
- Demand from the auto sector has fallen
- Not expecting improvement in demand from auto sector in short term
- May see normalcy returning in Q2 but uncertainty remains

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Stove Kraft: Demand in South India is impacted; Rajendra Gandhi, CMD

- Have large exposure to Bengaluru market
- State lockdowns are impacting some demand in South India
- Have got a special permission to operate as an export-oriented unit
- General trade and modern retail is totally shut particularly from today
- April had been normal in terms of e-commerce and exports

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TTK Prestige: Demand in April was good, best in last 4 years; TT Jagannathan, Chairman

- Haven't see any reduction in demand. Saw some business impact in Pune in April
- Don't think factories will be shut for more than 2 weeks in Tamil Nadu
- 50% of company's total production is in Tamil Nadu
- FY21 was one of our best years ever
- Demand in April was good, was best in last 4 years
- Tamil Nadu accounts for almost 10% of sales

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