ASIAMONEY Brokers Poll 2020 (India)

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	49,903	-0.6	4.5
Nifty-50	15,030	-0.5	7.5
Nifty-M 100	25,233	-0.1	21.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,116	-0.3	9.6
Nasdaq	13,300	0.0	3.2
FTSE 100	6,950	-1.2	7.6
DAX	15,114	-1.8	10.2
Hang Seng	10,654	0.0	-0.8
Nikkei 225	28,044	-1.3	2.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	66	-2.8	29.8
Gold ($/OZ)	1,870	0.0	-1.5
Cu (US$/MT)	9,980	-3.8	28.8
Almn (US$/MT)	2,384	-2.6	20.8
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.2	0.2	0.1
USD/EUR	1.2	-0.4	-0.3
USD/JPY	109.2	0.3	5.8
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)	**19-May**	**MTD**	**CY21**
FIIs	-0.10	-1.58	5.03
DIIs	-0.12	1.37	-1.24
Volumes (INRb)	**19-May**	**MTD***	**YTD***
Cash	808	836	788
F&O	42,833	41,581	42,356

Note: *Average

Today's top research idea

PI Industries: Temporary blip, but story intact

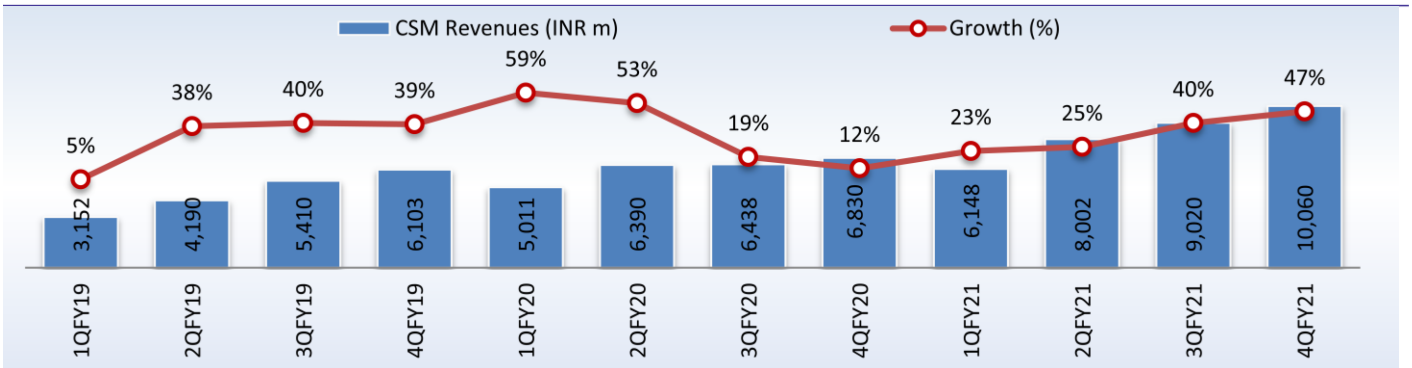
- PI reported below than expected numbers in 4QFY21 due to lower gross margin, impacted temporarily by: i) product mix changes, ii) consolidation of Isagro, which is relatively lower margin, iii) MEIS impact, and iv) ramping up of new plants, which impacted yields.
- The company has levers in place to sustain the near term growth momentum, led by: a) ramp-up in operations of two multi-purpose plants (MPPs) that commenced in FY21, and one new MPP is likely to commence operations by 2QFY22, b) revenue from the Isagro acquisition, c) sustained growth momentum in the CSM business on account of strong (USD1.5b) order book, increasing pace of commercialization of new molecules, and ramping up of sales of existing molecules, and d) product launches in the domestic market (five new launches in FY22), providing earnings visibility.
- We expect revenue/EBITDA/PAT CAGR of 20%/26%/31% over FY21-23E.
- We value the stock at 35x FY23E EPS to arrive at our TP of INR2,945. Maintain **Buy.**

Research covered

Cos/Sector	Key Highlights
PI Industries	Temporary blip, but story intact
IOC	Beat on our estimates; additional dividend of INR1.5/sh announced; debt declines 14% YoY
Endurance Technologies	Above estimate; all round beat; records highest ever revenues
MAS Financial Services	Miss on operating profit, lower credit costs drive in line PAT
Consumer Durables	Commodity price inflation weighs on gross margins
Fertilizer	Additional DAP subsidy to support volumes

Chart of the Day: PI Industries (Temporary blip, but story intact)

CSM revenue trend



Source: Company, MOFSL

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In the news today

Kindly click on textbox for the detailed news link

1

Govt steps up fertilizer subsidy to aid farmers

The government on Wednesday sharply raised subsidy on a key fertilizer to protect farmers from the impact of the commodity's price rise in global markets. The subsidy to farmers on diammonium phosphate (DAP) has accordingly been stepped up from ₹500 a bag to ₹1200 a bag.

2

Fed minutes show taper talk may arise at 'upcoming meetings'

Federal Reserve officials were cautiously optimistic about the U.S. economic recovery at the central bank's April meeting, with some officials signaling they'd be open to discussing scaling back the central bank's massive bond purchases "at some point." "A number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases," according to minutes from the April 27-28 Federal Open Market Committee meeting published on Wednesday.

3

Relief for Indian IT sector as Biden administration removes H-1B visa curbs

The US Government has taken back a regulation proposed by former President Donald Trump's administration that sought to narrow the definition of "specialty occupation" under the H-1B visa regime. The change will be a relief for Indian information technology firms, the largest users of H-1B visas. "The Department of Homeland …

4

PSU banks ask for second restructuring window, lower provisions

Public sector bankers have asked Reserve Bank of India (RBI) to extend a second round of restructuring for all companies with a reduced provision rate of 5% versus 10% done last year. In a video conference with RBI governor Shaktikanta Das CEOs of all 12 public sector banks were unanimous in their …

5

Baring PE Asia sells 5.12% stake in Coforge for Rs1,008 crore

Baring Private Equity Asia (BPEA) on Wednesday sold a 5.12% equity stake in IT services firm Coforge Ltd, aggregating to ₹1008 crore via an open market transaction. Hulst BV, an entity controlled by Baring, sold 31 lakh shares at an average price of ₹3,250.58 per share aggregating to ₹1007.68 crore, bulk deals data available on the exchanges showed. …

6

India's utility-scale solar installations declined 39% Y-O-Y in FY2021: Report

In FY2021 (April 2020-Mar 2021), about 3.5 GW of new utility-scale solar capacity was added in India. Compared to previous year (FY2020), installations were about 39% lesser, JMK Research has said in a recent report. Gujarat, Rajasthan, Tamil Nadu, Uttar Pradesh and Andhra Pradesh …

7

RHI Magnesita's two Indian businesses merge with Orient Refractories Limited

The National Company Law Tribunal (NCLT) has approved the scheme of amalgamation of Indian subsidiaries of RHI Magnesita, a global refractory manufacturing company that will make the two subsidiary companies RHI Clasil and RHI India to be merged into the …

19 May 2021
4QFY21 Results Update | Sector: Agri

PI Industries

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	PI IN
Equity Shares (m)	152
M.Cap.(INRb)/(USDb)	389.9 / 5.3
52-Week Range (INR)	2795 / 1446
1, 6, 12 Rel. Per (%)	0/-5/9
12M Avg Val (INR M)	845

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	45.8	54.7	65.7
EBITDA	10.1	12.7	16.0
PAT	7.4	10.1	12.6
EBITDA (%)	22.1	23.2	24.4
EPS (INR)	48.6	66.3	83.2
EPS Gr. (%)	61.7	36.5	25.5
BV/Sh. (INR)	351	411	488
Ratios			
Net D/E	(0.4)	(0.4)	(0.4)
RoE (%)	18.5	17.4	18.5
RoCE (%)	17.3	16.9	18.2
Payout (%)	10.3	9.8	7.8
Valuations			
P/E (x)	52.9	38.8	30.9
EV/EBITDA (x)	37.2	29.2	22.7
Div Yield (%)	0.2	0.3	0.3
FCF Yield (%)	0.4	2.0	2.2

Shareholding pattern (%)

	Mar-21	Dec-20	Mar-20
Promoter	46.7	46.8	51.4
DII	21.3	21.3	21.6
FII	19.4	19.6	12.2
Others	12.6	12.4	14.8

Note: FII includes depository receipts

CMP: INR2,570 TP: INR2,945 (+15%) Buy

Temporary blip, but story intact

In line revenue; EBITDA and PAT below our estimate due to lower GM

- PI reported lower than expected numbers in 4QFY21 due to lower gross margin, impacted temporarily by: i) product mix changes, ii) consolidation of Isagro, which is relatively lower margin business, iii) MEIS impact, and iv) ramping up of new plants which impacted yields.
- We maintain our FY22E/FY23E estimate. We value the stock at 35x FY23E EPS to arrive at a TP of INR2,945. Maintain **Buy.**

CSM drives revenue growth

- Reported revenue was up 40% YoY to INR12b (est. INR11.9b) in 4QFY21. EBITDA margin contracted 280bp YoY to 19% (est. 23.9%) on gross margin contraction of 470bp. EBITDA was up 22% YoY to INR2.3b (est. INR2.8b).
- Gross margin contracted in 4QFY21 due to: 1) a 125-130bp impact on account of product mix changes, 2) consolidation of Isagro, which is relatively lower margin business, 3) MEIS impact of 150-160bp, which will be passed on to customers, and 4) initial hiccups due to lower yields from new plants. The management expects EBITDA margin to be in line with FY21.
- Adjusted PAT grew 62% YoY to INR1,798m (est. INR2,172m), aided by higher other income (+550% YoY to INR442m) and a lower tax rate (19.1% v/s 22.2% last year).
- Revenue/EBITDA/PAT grew 36%/41%/62% in FY21. PI generated a CFO of INR7.2b, up 4% YoY.
- Exports/CSM revenue increased 47% YoY (to INR10b) in 4QFY21, led by strong volume growth in key products.
- Revenue for domestic Agrochemicals grew 11% YoY (to INR1.9b), aided by the newly acquired Isagro, which registered a growth of 51% YoY.
- The order book stood ~USD1.5b (flat QoQ), which provides higher visibility for sustainable growth over the next 3-4 years.

Highlights from the management interaction

- Deployment of QIP funds for the acquisition has been delayed due to second COVID wave, which impacted travel. By 1HFY22-end, PI would announce the acquisition. By FY22-end, it would complete the same via the QIP proceeds.
- Four CSM molecules have been commercialized in FY21. Seven new customer relationships were initiated in FY21. Over 40 active inquiries are at different stages. There are 5-6 molecules in various stages of development to be commercialized in FY22.
- **Capex** in FY22 will be lower as compared to the previous capex run-rate as the company has undertaken heavy capex in the last 2-3 years. The biggest capex will be towards inorganic expansion. Currently, PI aims to increase the asset-turnover ratio of existing plants.

Valuation and view

- The company has levers in place to sustain the near term growth momentum, led by: a) ramp-up in operations of two multi-purpose plants (MPPs) that commenced in FY21, and one new MPP is likely to commence operations by 2QFY22, b) revenue from the Isagro acquisition, c) sustained growth momentum in the CSM business on account of strong (USD1.5b) order book, increasing pace of commercialization of new molecules, and ramping up of sales of existing molecules, and d) product launches in the domestic market (five new launches in FY22), providing earnings visibility.
- The stock traded at an average of 31x over the last three years on a one-year forward basis. We have ascribed 35x P/E after considering the strong growth outlook for existing businesses and its venture into the Pharma segment, which presents a huge opportunity for the company to play on.
- We expect revenue/EBITDA/PAT CAGR of 20%/26%/31% over FY21-23E.
- We value the stock at 35x FY23E EPS to arrive at our TP of INR2,945. Maintain **Buy.**

Quarterly earnings model **(INR m)**

Y/E March	FY20				FY21				FY20	FY21	4Q	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY21E	(%)
Net Sales	**7,541**	**9,074**	**8,498**	**8,552**	**10,601**	**11,577**	**11,621**	**11,971**	**33,665**	**45,770**	**11,869**	**1**
YoY Change (%)	24.5	25.5	20.1	6.3	40.6	27.6	36.7	40.0	18.5	36.0	38.8	
Total Expenditure	6,016	7,149	6,633	6,689	8,309	8,776	8,866	9,697	26,487	35,648	9,031	
EBITDA	**1,525**	**1,925**	**1,865**	**1,863**	**2,292**	**2,801**	**2,755**	**2,274**	**7,178**	**10,122**	**2,839**	**-20**
Margin (%)	20.2	21.2	21.9	21.8	21.6	24.2	23.7	19.0	21.3	22.1	23.9	
Depreciation	295	317	319	436	427	433	440	448	1,367	1,748	450	
Interest	23	25	38	84	96	76	66	44	170	282	65	
Other Income	121	109	191	68	82	336	389	442	489	1,249	450	
PBT before EO expense	**1,328**	**1,692**	**1,699**	**1,411**	**1,851**	**2,628**	**2,638**	**2,224**	**6,130**	**9,341**	**2,774**	**-20**
Extra-Ord. expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**1,328**	**1,692**	**1,699**	**1,411**	**1,851**	**2,628**	**2,638**	**2,224**	**6,130**	**9,341**	**2,774**	
Tax	312	461	487	312	444	451	682	425	1,572	2,002	610	
Rate (%)	23.5	27.2	28.7	22.1	24.0	17.2	25.9	19.1	25.6	21.4	22.0	
MI and Profit/Loss of Asso. Cos.	0	-1	1	-8	-48	1	2	1	-8	-44	-8	
Reported PAT	**1,016**	**1,232**	**1,211**	**1,107**	**1,455**	**2,176**	**1,954**	**1,798**	**4,566**	**7,383**	**2,172**	
Adjusted PAT	**1,016**	**1,232**	**1,211**	**1,107**	**1,455**	**2,176**	**1,954**	**1,798**	**4,566**	**7,383**	**2,172**	**-17**
YoY Change (%)	24.4	30.2	12.4	-11.9	43.2	76.6	61.4	62.4	11.3	61.7	96.2	
Margin (%)	13.5	13.6	14.3	12.9	13.7	18.8	16.8	15.0	13.6	16.1	18.3	

IOC

BSE SENSEX	S&P CNX
49,903	15,030

CMP: INR107 Buy

Beat on our estimates; additional dividend of INR1.5/sh announced; debt declines 14% YoY

- Refining throughput was in line with our est. at 17.6mmt (+3% YoY).
- Marketing sales volumes were in-line at 18.6mmt (-3% YoY).
- Reported GRM came in at USD12.5/bbl (v/s our est. of USD7.5/bbl).
- The marketing margin stood at INR5.3/lit (v/s our est. of INR4.1/lit).
- Thus, EBITDA stood at INR135b (v/s our est. of INR83.8b and INR27.5b in 4QFY20). EBITDA included impairment loss in financial assets of INR12b and a reduction in PMUY loans by INR8.5b in 4Q.
- PAT stood at INR87.8b (v/s our est. of INR49.6 and loss of INR51.9 in 4QFY20).
- For FY21, EBITDA stood at INR381b (v/s INR226b in FY20). Adj. PAT was INR218b (v/s INR126b in FY20).
- Refining throughput was down 10% YoY to 62.4mmt in FY21.
- Reported GRM stood at USD5.6/bbl in FY21 v/s USD0.1/bbl in FY20.
- Marketing sales volumes were down 13% YoY to 68.5mmt in FY21.
- Marketing margins averaged higher at INR6.5/lit in FY21 v/s INR6.6/lit in FY20.
- The company declared final dividend of INR1.5/share (in addition to already declared interim dividend of INR10.5/share during the year). This translates to ~11% dividend yield on current market price for the year.
- **Debt profile:** Consol debt fell 14% YoY to INR1,085b (v/s INR1,260b in FY20). Standalone debt declined 14% YoY to INR966b (v/s INR1,127b in FY20).
- The amount outstanding under the PMUY (LPG) scheme decreased to INR30b in FY21 (from INR32b in FY20).

Conference Call Details

Date: 20st May 2021
Time: 02:30pm IST
Dial-in details:
1800-102-7129
1800-209-7129

Standalone - Quarterly Earning Model (INR Billion)

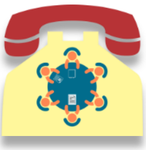
Y/E March	FY20				FY21				FY20	FY21	FY21	Var. vs
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	est.
Net Sales	1,315	1,117	1,246	1,184	624	856	1,063	1,237	4,863	3,781	1,370	-10%
YoY Change (%)	1.6	(15.4)	(11.0)	(6.2)	(52.6)	(23.3)	(14.7)	4.5	(7.9)	(22.3)	15.7	
EBITDA	83	47	68	27	55	94	96	135	226	381	84	61%
Margins (%)	6.3	4.2	5.5	2.3	8.8	11.0	9.0	10.9	4.7	10.1	6.1	
Depreciation	21	21	22	24	24	24	25	26	88	98	25	2%
Forex loss	(1)	11	2	25	-	(8)	(4)	(8)	38	(19)	(3)	
Interest	15	13	13	19	12	2	6	11	60	31	8	35%
Other Income	5	6	6	17	6	8	9	3	35	26	13	-75%
PBT before EO expense	54	8	37	(23)	26	83	78	110	76	297	66	65%
PBT	54	8	37	(136)	26	83	78	110	(37)	297	66	65%
Rate (%)	33	31	37	62	27	25	37	20	136	27	25	
Reported PAT	36	6	23	(52)	19	62	49	88	13	218	50	77%
Adj PAT	36	6	23	61	19	62	49	88	126	218	50	77%
Margins (%)	2.7	0.5	1.9	5.2	3.1	7.3	4.6	7.1	2.6	5.8	3.6	
Key Assumptions												
Refining throughput (mmt)	17.3	17.5	17.5	17.1	12.9	14.0	17.9	17.6	69.4	62.4	17.5	1%
Domestic sale of refined products (mmt)	20.5	19.0	20.4	19.2	14.2	16.0	19.7	18.6	79.0	68.5	18.6	0%
Marketing GM incld inv per litre (INR/litre)	5.1	5.3	4.8	9.4	8.6	5.9	6.5	5.3	6.2	6.6	4.1	28%

E: MOFSL Estimates

Endurance Technologies

BSE SENSEX	S&P CNX
49,903	15,030

Conference Call Details



Date: 20th May 2021
Time: 11AM IST
Dial-in details:[Link]

Financials & Valuations (INR b)

INR Billion	FY21	FY22E	FY23E
Sales	65.2	78.2	87.3
EBITDA	10.1	13.4	15.7
Adj. PAT	5.1	7.2	8.7
EPS (Rs)	36.0	50.9	62.2
EPS Growth (%)	-5.4	41.3	22.3
BV/Share (INR)	238.9	274.4	317.9
Ratios			
Net Debt/Equity	-0.2	-0.3	-0.4
RoE (%)	15.9	19.8	21.0
RoCE (%)	14.0	18.1	19.6
Payout (%)	29.3	30.1	30.1
Valuations			
P/E (x)	37.7	26.7	21.8
P/BV (x)	5.7	4.9	4.3
Div. Yield (%)	0.7	0.9	1.1

CMP: INR1,357

Above estimate; all round beat; records highest ever revenues

- **Consolidated net revenue** grew 33% YoY to ~INR21.3b (est. ~INR19.7b). EBITDA margin grew 30bp YoY (-168bp QoQ) to ~15.6% (est. 15.4%). EBITDA grew 36% YoY to INR3.3b (est. INR3b). This translated to adjusted PAT growth of ~INR1.87b (est. ~INR1.32b). Revenue/EBITDA/adjusted PAT declined 5%/7%/5% in FY21.
- **India business:** Standalone revenue grew 41% YoY to ~INR16b (est. ~INR15b) as against a 25.9% growth for the 2W industry in 4QFY21. Aftermarket revenue grew 44.4% YoY. Operating leverage benefit boosted EBIDTA margin by 214bp YoY (-220bp QoQ) to 14.8% (est. 14.9%). EBITDA grew 65% YoY to INR2.4b and adjusted PAT grew 80% to INR1.39b (est. INR1.28b). Revenue/adjusted PAT fell 3%/5%, while EBITDA was flat in FY21.
- **EU business** revenue grew 13% YoY to INR5.3b (est. INR4.6b). In EUR terms, revenue from EU subscribers grew 3.4% as the number of new car registrations grew 0.7% in 4QFY21. EBITDA margin contracted 364bp YoY to 17.9% (est. 17.3%), led by higher raw material and staff expenses. Higher other income and lower tax boosted adjusted PAT, up 38% YoY to ~INR482m (est. ~INR51m). Revenue/EBITDA/adjusted PAT declined 10%/21%/8% in FY21.
- **Management commentary**: "4QFY21 saw a volume growth of 25.9%, backed by demand recovery and a low base in Mar'21. On a full-year basis, it fell 12.1%. We have posted better-than-industry numbers, with key 2W OEMs in India trusting us to deliver a wider range of products, including those in the high-end value-added category. In Europe (European Union and United Kingdom), the market for new cars recorded a decline of 9.4% in FY21. After four quarters of decline, 4QFY21 witnessed a growth of 0.7%. We continue to win orders for the supply of products to European 4Ws OEMs, including sizeable orders for EVs and Hybrid applications. While we focus on securing profitable growth by servicing new orders, gaining access to new technology, and commissioning of new facilities, we keep a keen eye on our cost structure. During the year, we have consolidated operations in Italy, offered voluntary separation to surplus manpower in India, and have taken a slew of other measures," it said in a statement.
- The company declared a final dividend of INR6/share (v/s INR9.5 in FY20).
- **Valuation and view:** The stock trades at 26.7x/21.8x FY22E/FY23E consolidated EPS.

Consolidated quarterly earnings

Y/E March	FY20				FY21				FY20	FY21	
INR m	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QFY21E
Net Sales	**18,619**	**17,713**	**16,405**	**16,038**	**6,031**	**17,422**	**20,409**	**21,329**	**68,775**	**65,191**	**19,670**
YoY Change (%)	0.1	-8.5	-9.5	-14.3	-67.6	-1.6	24.4	33.0	-8.4	-5.2	22.6
RM Cost (% of sales)	55.6	54.0	53.4	54.0	47.9	54.9	54.1	57.3	54.3	54.8	55.0
Staff Cost (% of sales)	9.6	9.4	10.3	10.1	21.9	9.6	8.9	9.1	9.8	10.4	9.2
Other Exp. (% of sales)	19.0	20.2	20.4	20.6	23.1	19.1	19.8	18.1	20.0	19.3	20.4
EBITDA	**2,941**	**2,911**	**2,605**	**2,449**	**427**	**2,852**	**3,521**	**3,322**	**10,906**	**10,123**	**3,037**
Margin (%)	15.8	16.4	15.9	15.3	7.1	16.4	17.3	15.6	15.9	15.5	15.4
Depreciation	927	986	1,000	1,230	856	973	1,045	1,118	4,143	3,991	1,236
Interest	58	49	43	26	42	35	42	19	175	138	31
Other Income	68	114	119	174	109	71	58	69	476	307	80
PBT before EO expense	**2,024**	**1,990**	**1,681**	**1,368**	**-361**	**1,916**	**2,493**	**2,254**	**7,064**	**6,301**	**1,851**
Exceptional Item	-472	0	0	70	0	-279	112	0	-402	-167	0
PBT after EO	**2,496**	**1,990**	**1,681**	**1,298**	**-361**	**2,195**	**2,380**	**2,254**	**7,465**	**6,468**	**1,851**
Eff. Tax Rate (%)	33.7	15.1	26.2	17.7	31.0	23.9	20.2	16.9	24.2	19.7	28.2
Rep. PAT	**1,656**	**1,691**	**1,240**	**1,068**	**-249**	**1,672**	**1,901**	**1,873**	**5,655**	**5,196**	**1,328**
Adj. PAT	**1,298**	**1,691**	**1,240**	**1,122**	**-249**	**1,447**	**1,991**	**1,873**	**5,351**	**5,061**	**1,328**
YoY Change (%)	4.2	35.0	11.9	-12.4	-119.2	-14.4	60.5	67.0	3.2	-5.4	18.4
India Business Revenue	**13,139**	**12,920**	**11,610**	**11,314**	**3,562**	**12,613**	**15,288**	**15,989**	**48,984**	**47,451**	**15,024**
EBITDA Margin (%)	15.1	15.2	14.1	12.7	0.7	16.2	17.0	14.8	14.3	14.8	14.9
EU Business Revenue	**5,480**	**4,792**	**4,795**	**4,724**	**2,469**	**4,810**	**5,120**	**5,340**	**19,791**	**17,740**	**4,646**
EBITDA margin (%)	17.5	19.7	20.2	21.5	16.3	16.8	18.0	17.9	19.6	17.4	17.3

MAS Financial Services

BSE SENSEX	S&P CNX
49,903	15,030

Conference Call Details

Date: 20st May 2021
Time: 04:30pm IST
Dial-in details:
+91 22 6280 1144;
+91 22 7115 8045
Link for the Call

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Total income	3.4	3.9	4.3
PPP	2.7	3.0	3.2
PAT	1.5	1.7	1.9
EPS (INR)	26.6	31.2	34.2
EPS Gr. (%)	-19.7	17.0	9.9
BVPS (INR)	208	231	257
Ratios (%)			
NIM	6.3	7.1	7.7
C/I ratio	20.1	24.3	25.6
RoA on AUM	2.6	3.2	3.1
RoE	13.7	14.2	14.0
Payout	26.0	24.4	24.0
Valuations			
P/E (x)	33.0	28.2	25.7
P/BV (x)	4.2	3.8	3.4
Div. yield (%)	0.8	0.9	0.9

CMP: INR878 — Buy

Miss on operating profit, lower credit costs drive in line PAT

- PAT rose 6% YoY to INR365m (est. INR374m) in 4QFY21. The miss on operating profit at INR575m (14% miss) was due to greater than estimated financing costs, coupled with higher operating expenses (est. 18%). Lower than estimated provisioning at INR75m (55% lower than our estimate) led to in line PAT.
- It delivered a 20%/16%/20% decline in total income/PPOP/PAT in FY21.

AUM picks up sequentially; on-book spreads contract

- Disbursements improved QoQ. As a result, consolidated AUM increased by 6% QoQ (down 10% YoY) to INR57b. In the loan mix, share of Micro Enterprises declined 500bp to 55%, offset by similar gains in SME loans to 35%.
- The share of off Balance Sheet loans fell sharply to 25% from 33% QoQ. However, the company has DA sanctions worth INR10b.
- Yield on loans (calculated) fell ~112bp QoQ to 12.3%. While this was offset by an 88bp decline in the CoF, overall spreads contracted by 24bp to 4.9%.
- The expense ratio is stable at 1.58% YoY.

Collection efficiency close to pre-COVID levels; GNPL ratio at 1.9%

- Collection efficiency was maintained sequentially at 95% in 4QFY21. GS3 ratio now stands at 1.9% v/s 1.7% in 3QFY21 (pro forma).
- MASFIN's total COVID provision now stands at INR562m (1.4% of loans).
- Over 0dpd loans increased 5bp QoQ to 6.28% in 4QFY21.

Other highlights

- Average ticket size of SME loans reduced to INR3.47m from INR5.6m QoQ.
- **HFC subsidiary** – AUM has been flat (~INR2.8b) for the past nine quarters; GS3 ratio (pro forma) stood at 36bp (stable QoQ).
- Tier I ratio stands at 24.81%. RoTA for 4QFY21 is stable QoQ at 3%.

Valuation and view

- MASFIN operates in a tough operating environment, with a large exposure to Micro loans/MSME sector. Asset quality and business growth are key monitorables. Historically, the company has managed its liquidity well, with higher sell-downs, which reflected in its 1QFY21 earnings as well. It has reduced its Tier I capitalization during 4QFY21. We look to revise our estimates post the analyst call on 20th May'21.

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	4QFY21E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue from Operations	**1,592**	**1,675**	**1,734**	**1,699**	**1,604**	**1,523**	**1,421**	**1,391**	**7,224**	**6,277**	**1,426**	**-2**
Interest Income	1,357	1,394	1,435	1,380	1,412	1,199	1,080	1,139	5,969	5,173	1,104	
Gain on assignments	200	242	253	273	157	245	229	174	1,093	813	243	
Other operating Income	35	38	45	46	34	79	111	78	162	292	79	
Interest expenses	640	718	672	688	694	701	639	611	2,961	2,849	583	5
Total income	**953**	**957**	**1,061**	**1,011**	**910**	**821**	**782**	**781**	**4,263**	**3,428**	**842**	**-7**
Growth YoY (%)	21.1	11.5	3.2	2.4	-4.4	-14.2	-26.4	-22.8	16.5	-19.6	-18.9	
Operating Expenses	196	231	239	234	122	125	163	206	988	690	175	18
Operating Profit	**756**	**725**	**823**	**777**	**788**	**696**	**619**	**575**	**3,275**	**2,738**	**667**	**-14**
Growth YoY (%)	25.5	10.4	-0.3	-2.9	4.2	-4.0	-24.8	-26.0	13.6	-16.4	-17.3	
Provisions	130	226	174	313	299	240	135	75	889	778	169	-55
Profit before tax	**627**	**500**	**649**	**464**	**489**	**456**	**484**	**500**	**2,386**	**1,960**	**499**	**0**
Growth YoY (%)	33.8	-6.8	-6.5	-27.6	-21.9	-8.7	-25.4	7.8	2.0	-17.9	4.0	
Tax Provisions	219	98	165	119	123	114	122	134	573	504	124	8
Net Profit	**407**	**402**	**483**	**345**	**366**	**342**	**362**	**365**	**1,813**	**1,455**	**374**	**-2**
Growth YoY (%)	33.7	16.2	6.4	-17.1	-10.2	-14.9	-25.2	5.9	19.2	-19.7	4.9	
Key operating parameters (%)												
Yield on loans (Cal.)	16.0	15.4	16.1	16.3	17.6	15.5	13.4	12.3	18.2			
Cost of funds (Cal.)	9.3	9.7	8.9	8.9	9.1	9.0	8.2	7.3	9.5			
Spreads (Cal.)	6.8	5.8	7.1	7.4	8.5	6.5	5.2	4.9	8.7			
NIM on AUM (Cal.)	7.0	6.7	7.2	6.8	6.3	6.0	6.0	6.0	7.2			
Credit Cost (%)	1.0	1.6	1.2	2.1	2.1	1.8	1.0	0.6	1.5			
Cost-to-Income ratio	20.6	24.2	22.5	23.1	13.5	15.2	20.8	26.4	23.2			
Tax Rate	35.0	19.6	25.5	25.6	25.2	25.0	25.2	26.9	24.0			
Balance Sheet parameters												
Standalone AUM (INR b)	**55.8**	**58.9**	**59.6**	**59.7**	**56.6**	**53.0**	**50.5**	**53.7**	**62.5**			
Change YoY (%)	29.2	26.4	20.3	11.8	1.4	-10.1	-15.2	-10.0	11.5			
Disbursements (INR b)	**12.0**	**13.6**	**13.2**	**12.9**	**1.1**	**8.2**	**10.3**	**12.9**	**51.7**			
Change YoY (%)	20.6	16.9	6.5	-6.0	-91.0	-39.7	-22.0	-75.0	8.4			
Borrowings (INR b)	**29.6**	**29.8**	**30.5**	**31.2**	**30.0**	**32.3**	**29.9**	**36.6**				
Change YoY (%)	56.0	34.7	22.4	21.6	1.4	8.3	-2.0	17.2				
Debt/Equity (x)	3.1	3.2	3.2	3.2	2.7	3.0	2.6	3.1				
Asset liability Mix												
AUM Mix (%)												
Micro Enterprises	64.5	61.3	61.6	61.0	60.5	59.4	60.0	55.3				
SME loans	24.7	28.5	28.2	29.7	29.6	31.0	30.5	34.9				
2W loans	8.2	7.9	7.6	6.7	7.1	6.8	6.4	6.1				
CV loans	2.7	2.4	2.7	2.6	2.8	2.8	3.1	3.8				
Borrowings Mix (%)												
Direct Assignment	47.0	48.0	50.0	50.0	50.0	44.0	39.0	29.0				
Cash Credit	34.0	31.0	26.0	24.0	24.0	26.0	31.0	32.0				
Term Loan	18.0	20.0	23.0	24.0	25.0	24.0	23.0	31.0				
Sub-Debt	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0				
Asset Quality Parameters (%)												
GS 3 (INR m)	668	623	652	629	597	632	490	644	629			
GS 3 (%)	1.39	1.27	1.29	1.42	1.41	1.56	1.32	1.94	1.01			
NS 3 (INR m)	528	503	513	464	441	417	327	418	464			
NS 3 (%)	1.14	1.06	1.06	1.14	1.14	1.16	1.00	1.52	0.74			
PCR (%)	20.8	19.3	21.4	26.2	26.1	34.0	33.3	35.0	26.2			
Return Ratios (%)												
RoA	4.1	3.8	4.5	3.2	3.2	2.9	3.1	3.0				
Tier I ratio	26.5	25.5	28.8	28.9	32.2	32.7	30.4	24.8				

Consumer Durables

Valuation summary – adjusted for the Projects businesses of BLSTR and VOLT

Current PE(x)	Rating	FY22E	FY23E
HAVL	Neutral	54.8	48.9
VOLT	Neutral	56.5	46.5
WHIRL	Buy	46.2	38.2
CROMPTON	Buy	36.0	31.7
BLSTR	Sell	76.8	47.5
OEL	Buy	44.0	35.0

Source: MOFSL, Company, Bloomberg

Commodity price inflation weighs on gross margins

While some companies in the Consumer Durables and Electrical sectors have reported results, the common theme observed is the impact on gross margins. Here is our assessment and certain key takeaways.

- **Gross margin decline across the board in 2HFY21:** Copper, plastics, steel, and aluminum form the key commodity inputs for the FMEG / White Goods sector. In 2HFY21, almost all commodities were at multi-year high levels – copper, steel, aluminum, and polyprop were up 44%, 38%, 22%, and 29%, respectively. This took a toll on companies' gross margins in 3QFY21 and 4QFY21. All companies reported margin decline of 2–5% in 2HFY21 (barring Crompton).
- **Demand elasticity difficult to ascertain, but White Goods may be susceptible:** Historical data does not provide enough evidence to ascertain demand elasticity across the various product categories at the consumer level. However, our interaction with various companies suggests the White Goods space (ACs / Refrigerators / Washing Machines) may see moderation in demand on account of continued price inflation. The primary reasons for this are (a) the large ticket sizes of the product categories vis-à-vis other product categories and (b) the availability of substitutes (such as fans and air coolers v/s ACs and domestic help that offers hand washing services v/s WMs). Price increases of 5–10% taken by companies across most categories have somewhat cushioned gross margins.
- **Cost cuts aid EBITDA margin expansion:** Although commodity costs weighed on gross margins, the EBITDA margins of most companies expanded (barring Polycab) – led by sustained cost rationalization in employee expenses and reduced discretionary spends in other expenses, particularly ad spends. Hence, the EBITDA margins of most companies expanded by 0.5–4.5% in 3QFY21 and 4QFY21, while margins moderately declined for Polycab. While part of the cost reduction is attributable to higher efficiency and cost engineering, some of the other expenses may be incurred once the COVID situation normalizes. For e.g., Blue Star indicated that employee wage hikes would happen in June. Nonetheless, until commodity prices moderate or demand picks up substantially, we expect cost cuts to continue.
- **Competitive landscape an important variable:** The White Goods space is highly competitive; various cash-rich MNC players are present in the market, which frequently opt for market share gains over margins for 2–3 year durations. Our channel checks suggest Samsung has turned aggressive in the AC market and gained market share from fringe players. This poses a risk to the Top 5 players – as Samsung has an established distribution network in the Durables segment. Such competition limits price hikes even by leading companies. A case in point is Voltas' management commentary that the second tranche of a 3% price increase was taken only in certain geographies owing to higher competitive pressure. Thus, in the event of input price pressure, the White Goods space could witness margin pressure.

- **Valuation and view:** We prefer companies in the Electrical space over Durables in the current commodity price inflationary environment. Orient and Crompton are our top picks in the sector. Havells could also be a beneficiary in current times – as it is a premiumization story and hence not as susceptible to commodity price inflation. Moreover, it has cost levers, such as ad spends, which could cushion margins.

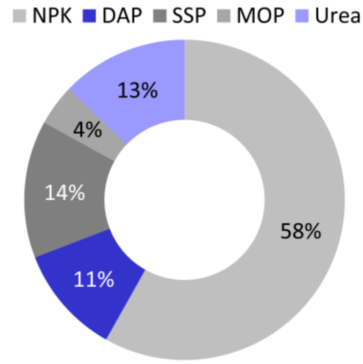
Impact on gross margins due to rising commodity cost

Gross margin (%)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Blue Star	24.8	25.2	24.7	25.4	23.5	24.6	24.2	21.9
Crompton	32.6	31.9	32.0	31.6	32.5	32.9	33.0	
Havells	37.5	39.3	39.6	36.2	34.7	40.2	38.1	
Orient Electric	30.5	34.2	34.1	30.5	28.7	33.3	31.0	28.0
Polycab	26.8	26.6	27.5	30.6	27.3	28.4	24.3	25.5
Voltas	25.4	28.4	28.6	28.6	30.0	26.0	24.6	25.6
Whirlpool	37.5	41.9	39.6	38.1	36.0	37.9	36.7	
Change in Gross margin	**1QFY20**	**2QFY20**	**3QFY20**	**4QFY20**	**1QFY21**	**2QFY21**	**3QFY21**	**4QFY21**
Blue Star	-62 bps	-7 bps	92 bps	53 bps	-134 bps	-69 bps	-53 bps	-358 bps
Crompton	27 bps	330 bps	21 bps	67 bps	-13 bps	101 bps	105 bps	
Havells	-8 bps	103 bps	195 bps	-71 bps	-281 bps	89 bps	-145 bps	
Orient Electric	-350 bps	222 bps	-121 bps	-234 bps	-181 bps	-95 bps	-310 bps	-257 bps
Polycab	187 bps	150 bps	-127 bps	783 bps	50 bps	180 bps	-319 bps	-519 bps
Voltas	-187 bps	87 bps	172 bps	518 bps	458 bps	-236 bps	-402 bps	-306 bps
Whirlpool	-47 bps	392 bps	274 bps	50 bps	-156 bps	-403 bps	-292 bps	
Change in commodity costs (%)	**1QFY20**	**2QFY20**	**3QFY20**	**4QFY20**	**1QFY21**	**2QFY21**	**3QFY21**	**4QFY21**
Steel	-9.8	-13.7	-3.1	-3.8	-3.1	13.8	31.3	45.0
Copper	-7.2	-7.2	-2.2	-12.9	-1.4	20.5	28.3	60.7
Aluminium	-16.3	-16.7	-7.2	-10.8	-6.5	4.5	13.8	30.1
Polyprop	-11.3	-17.1	-15.7	-14.8	-15.0	-5.7	17.7	40.1

Source: MOFSL, Company, *4QFY21 result pending for Havells, Crompton and Whirlpool

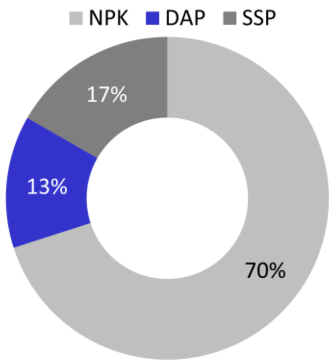
Fertilizer

FY21 Fertilizer volume mix of CRIN



Source: Company, MOFSL

NPK forms 70% of Phosphatic Fertilizer volumes for CRIN in FY21



Source: Company, MOFSL

Additional DAP subsidy to support volumes

Subsidy revision in NPK may follow

In light of the rise in RM prices globally, the Centre has raised the subsidy on DAP

- The price of Fertilizers has been increasing due to the raw materials prices (phosphoric acid and ammonia) rising internationally.
- To avoid the burden of higher prices falling on farmers, the government on 20th May'21 has increased the subsidy on DAP Fertilizer by 140% to INR1,200/bag. Farmers will continue to receive the same at INR1,200/bag. The move is unlikely to impact volumes, which was a concern for the Fertilizer industry. Last year, the actual price of DAP stood at INR1,700/bag. With the government subsidy at INR500/bag, the cost to farmers stood at INR1,200/bag.
- At the actual price of INR2,400/bag, the cost of DAP to farmers would have increased by 58%, assuming the old subsidy INR500/bag.
- The central government typically spends ~INR800b on chemical Fertilizer subsidies annually. With the increase in DAP subsidy, the Government of India will incur an additional INR147.8b as subsidy in the current Kharif season.

The focus now shifts to the revision of NPK subsidy

- A notification on NPK is still awaited. As per industry sources, Complex Fertilizer is coming under NBS (nutrient-based subsidy), and excluding NPK from the current hike is not possible as the Government of India needs to change the policy. Thus, an increase in the subsidy for NPK can also be expected soon.

Impact on Coromandel International

- CRIN's DAP sales volumes constitute 11%/~13% of overall Fertilizer volumes/Phosphatic Fertilizer sales of 4.8MMT/4MMT in FY21. NPK constitutes 58%/70% of total Fertilizer volumes/Phosphatic Fertilizers, where the subsidy hike notification is still awaited. The hike in DAP subsidy and keeping the price to farmers at the same level will drive demand for DAP. This will be a positive for the industry as well as CRIN.
- The subsidy hike in DAP will increase the government subsidy to CRIN by 20% to INR45b in FY22E.
- We believe the government will notify the hike in NPK subsidy soon. This will be incrementally positive for CRIN as NPK constitutes a large part of its Fertilizer business. If the subsidy on NPK is not revised, it will impact CRIN's volumes adversely.
- The concern for industry players would be timely payment of subsidy as the government needs to allocate the incremental subsidy of INR147.8b. We have modeled 40 days of government subsidy days for CRIN. Any further delay in subsidy payment will increase its working capital requirement.

Adani Green: SB energy acquisition won't alter Adani Green's debt profile; Jugeshinder Singh, Group CFO

- Adani Green is on track to attain 25 GW renewables portfolio by 2025
- Nearly 3.4 GW capacity is under development; SB energy has another 3 GW under development
- This is part of our normal capital management planning
- Acquisition will not materially alter Adani Green's debt profile. SPV level debt will rise by Rs. 20000 crore on account of the SB acquisition
- Expect a material rise in Adani Green's EBITDA over the year
- Target is 500 mt in volume from our ports business

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Canara Bank: Expect double-digit growth in retail segment; focus on infra sector; LV Prabhakar, MD & CEO

- FY21 slippages has declined YoY
- Made floating provision of Rs. 500 crore in Q4; made additional provision for restructured loans
- Expecting 2% of total book to slip in FY22
- Provision Coverage Ratio is at 79.68% indicating a strong Balancesheet
- Focus is now on growth in retail book; will see double-digit growth in FY22 in the retail segment
- Focussing on infrastructure sector w.r.t corporate loan growth
- Have restructured Rs. 4800 crore worth of MSME and Rs. 1200 crore worth retail loans
- Will finalise business and capital raising plans in next week board meet

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IIFL Wealth: Saw good momentum in wealth and asset management business; Karab Bhagat, MD & CEO

- Saw good momentum in wealth and asset management business
- Moving away from old revenue recognition norms
- NBFC business of loan against shares have been fairly well collateralized
- Net interest margin is under pressure, lending business is fine otherwise
- Have not seen any impairment in our loan against share business
- Expect AUM growth of 10% in FY22; expect 15-20% growth organically and inorganically
- Expect increase of close to Rs. 20000 crore in AUM next year

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Kalyani Steels: Expect to make up for shortfall in sales volume in FY22; RK Goyal, MD

- Have been passing higher inputs costs to consumers
- Have been functioning at 100% for the past 3 quarters
- Seeing some impact of 2nd wave of COVID-19 on sales volume
- Expect to make up for shortfall in sales volume in remainder of FY22
- Target to maintain 27% margin delivered in Q4FY21
- Company is interested in NINL and is in the process of tying up funds

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JSL (Hisar): Sees healthy demand despite COVID second wave; Anurag Mantri, Group CFO

- We have faced logistical challenges due to second COVID wave
- Demand has been stable for the company despite second wave
- Product portfolio has improved due to merger
- Have been able to balance domestic and export market volumes

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Gateway Distriparks: Expect double-digit volume growth in rail, CFS business in FY22; Prem Kishan Gupta, CMD

- Volumes in rail and CFS business are good so far in Q1
- Have market share of 10% in CFS business
- Throughput in April was good
- Some cyclone impact seen in May but overall Q1 will be good
- More than 50% of freight corridor will be ready soon
- Debt currently stands at Rs. 445 crore; plan to reduce by Rs. 100 crore by end of FY22

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NOTES

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