Motilal Oswal

3 June 2021

MORNING INDIA

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ASIAMONEY POLL 2021

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	51,849	-0.2	8.6
Nifty-50	15,576	0.0	11.4
Nifty-M 100	26,118	1.4	25.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,208	0.1	12.0
Nasdaq	13,756	0.1	6.7
FTSE 100	7,108	0.4	10.0
DAX	15,603	0.2	13.7
Hang Seng	10,952	-0.4	2.0
Nikkei 225	28,946	0.5	5.5
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	71	1.0	38.4
Gold ($/OZ)	1,908	0.4	0.5
Cu (US$/MT)	10,131	-1.0	30.7
Almn (US$/MT)	2,423	-1.1	22.8
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.1	0.3	0.0
USD/EUR	1.2	0.0	0.0
USD/JPY	109.6	0.1	6.1
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.0	-0.02	0.1
10 Yrs AAA Corp	6.7	-0.12	0.1
Flows (USD b)	**2-Jun**	**MTD**	**CY21**
FIIs	0.13	0.20	6.66
DIIs	0.03	0.06	-1.37
Volumes (INRb)	**2-Jun**	**MTD***	**YTD***
Cash	799	745	792
F&O	43,280	41,303	42,617

Note: *Average

Today's top research idea

Muthoot Finance: AUM growth surprises positively

- PAT grew 22% YoY to INR10b in 4QFY21, in line with our estimate.
- Strong loan growth, despite falling gold prices, was the key surprise in 4QFY21.
- Gold loan AUM grew 4% QoQ to INR526b (v/s our estimate of a 3% QoQ decline), driven by 3% growth in tonnage to 171MT.
- The management has guided at 15% AUM growth in FY22.
- The company's credit rating got upgraded to AA+.
- However, it will continue to maintain excess liquidity on its Balance Sheet. RoA/RoE is likely to remain robust at 6.5%/25% over the medium term.
- We increase our FY22E/23E EPS estimate by 3-4%.
- We maintain our Buy rating with a TP of INR1,725/share (3x FY23E BVPS).

Research covered

Cos/Sector	Key Highlights
Muthoot Finance	AUM growth surprises positively
Motherson Sumi	Strong performance in SMP / India; raising estimates
PVR	Cost reduction / liquidity cushions lockdown impact
EcoScope	Apr'21 brings unseen mathematical problem
	Exports up 5.2% MoM in May'21 after declining 11.1% in Apr'21

Piping hot news

India's trade deficit jumps 74.69% YoY to $6.32 billion in May: Govt data

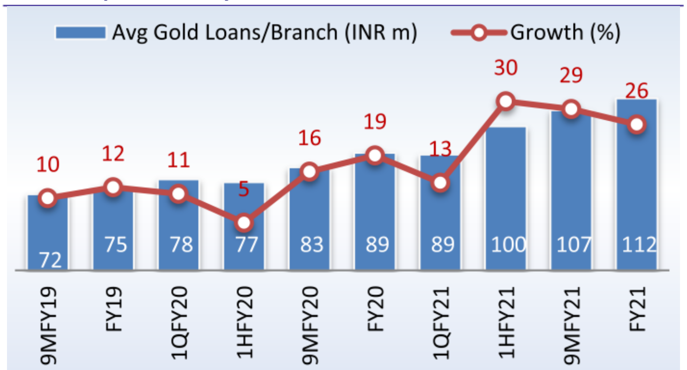
India's trade deficit in goods was $6.32 billion in April, preliminary data released by the government on Wednesday showed. Merchandise exports rose to $32.21 billion for the month from $19.24 billion a year earlier, while imports rose to $38.53 billion from $22.86 billion, the data showed.

Chart of the Day: Muthoot Finance (AUM growth surprises positively)

Strong AUM growth trajectory

Source: MOFSL, Company

Trend in productivity



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

India's trade deficit jumps 74.69% YoY to $6.32 billion in May: Govt data

India's trade deficit in goods was $6.32 billion in April, preliminary data released by the government on Wednesday showed. Merchandise exports rose to $32.21 billion for the month from $19.24 billion a year earlier, while imports rose to $38.53 billion from $22.86 …

2

India, UK eye interim pact to help clinch major trade deal in a decade

India and the U.K. are intensifying talks to remove non-tariff barriers and foster greater market access as they work to stitch together the South Asian nation's first major free trade pact in a decade. The two countries have zeroed in on a list of achievable items that would help the U.K. showcase the benefits of leaving the European Union while also allowing India to forge new bilateral ties after Prime Minister Narendra Modi's government pulled out of a multilateral Asia trade pact in 2019, according to people with the knowledge of the matter in the capital, New Delhi. …

3

Phoenix Mills, GIC set up $733 million retail and office venture

Mall developer Phoenix Mills Ltd (PML) and Singapore's sovereign wealth fund GIC Pte Ltd have entered into a partnership to establish a $733 million investment platform for retail-led mixed-use assets in India. GIC will acquire a significant minority stake in the portfolio of projects that will be located Mumbai and Pune …

4

Bharti Airtel sells its Tanzanian tower business for $175 million

Bharti Airtel has sold its Tanzanian tower operations for $175 million (Rs 1,313 crore) in a bid to focus on asset-light and core subscriber-facing operations, with some of the funds being used to pare debt at the consolidated level. …

5

Mercedes-Benz announces new vehicle retail strategy in India

Mercedes-Benz India Pvt. Ltd, the country's largest luxury vehicle manufacturer, on Wednesday announced major changes in its vehicle retail strategy. The company now will own the entire vehicle inventory instead of pushing most of it to its dealers. It will also bill customers directly instead of through dealers, and has termed the new strategy as "Retail of The Future".

6

Karnataka may cut power tariff for industries to make them more competitive

Karnataka is likely to cut power tariff for industries as it is cheaper for investors in some of the large states. It is cheaper by Rs 1-3 per unit in Tamil Nadu, Andhra Pradesh, Gujarat and Uttar Pradesh than in Karnataka. Industrial units going for open-access are paying cross-subsidy charges of Re 1.9 …

7

HUL sets up fully owned subsidiary Unilever India Ltd to save on corporate tax

Hindustan Unilever has set up a new fully owned subsidiary - Unilever India Ltd last year, that will help the maker of Rin and Dove significantly lower taxes under corporate tax rate reduction, according to its latest annual report. "Presently, the company is in the process of…

Muthoot Finance

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	MUTH IN
Equity Shares (m)	401
M.Cap.(INRb)/(USDb)	567.3 / 7.8
52-Week Range (INR)	1439 / 884
1, 6, 12 Rel. Per (%)	16/6/4
12M Avg Val (INR M)	2870

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
NII	66.4	78.9	91.5
PPP	51.0	60.8	70.7
PAT	37.2	44.1	51.3
EPS (INR)	92.8	110.0	127.9
EPS Gr. (%)	23.3	18.6	16.3
BV/Sh.(INR)	380	471	577
Ratios			
NIM (%)	13.7	13.6	13.7
C/I ratio (%)	25.9	25.4	25.1
RoA (%)	6.5	6.5	6.6
RoE (%)	27.8	25.9	24.4
Payout (%)	21.6	17.0	17.0
Valuations			
P/E (x)	15.2	12.9	11.1
P/BV (x)	3.7	3.0	2.4
Div. Yld. (%)	1.4	1.3	1.5

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	73.4	73.4	73.4
DII	6.6	7.0	7.1
FII	16.0	15.1	14.4
Others	4.0	4.5	5.1

FII Includes depository receipts

CMP: INR1,414 TP: INR1,725 (+22%) Buy

AUM growth surprises positively

- PAT grew 22% YoY to INR10b in 4QFY21, in line with our estimate. Strong loan growth, despite falling gold prices, was the key surprise in 4QFY21.
- The company delivered 26% gold loan growth in FY21. NII/PPOP/PAT growth was also healthy at 15%/23%/23%. On account of the strong performance, we upgrade our FY22E/FY23E EPS estimate by 3-4%.

Growth in AUM surprised; spread compression modest

- Gold loan AUM grew 4% QoQ to INR526b (v/s our estimate of a 3% QoQ decline), driven by 3% growth in tonnage to 171MT.
- Spreads declined 50bp QoQ to 13.7%, led by 80bp compression in yields to 21.9%. Cost of funds (CoF) improved 30bp to 8.2%.
- The overall borrowing book as well as borrowing mix was largely stable. The company pruned liquidity to INR71b from INR96b. It would continue to maintain excess liquidity in the near term.
- Opex missed our expectations – total opex jumped 17% QoQ to INR5.16b, 10% higher than our estimate.

Highlights from the management commentary

- The management has guided at 15% AUM growth in FY22. However, Apr-May'21 were washout months as many branches were shut.
- It would like to open 100-150 branches annually (though in FY22 it may be lower).

Other highlights

- The GNPL ratio declined to 0.9% from 1.3% QoQ. ECL provisioning remains largely stable QoQ at 1.2% of loans. The company has excess provisions of INR3b (0.6% of loans).
- Tier I ratio remained stable at 26%.

Subsidiary performance

- **Muthoot Homefin:** The book continues to run down – it declined 9% QoQ to INR17b. The GNPL ratio fell to 4% from 6.8% QoQ.
- **Belstar Investment and Finance:** There was a sharp pick-up in business, with the loan book increasing 14% QoQ to INR33b. GNPL ratio increased to 2.4% from 0.7%. Total ECL provisioning is 3%.

Valuation and view

MUTH delivered a strong 4QFY21, especially on the growth front. Despite the 10-12% decline in gold prices, it managed to grow the loan book by 4% QoQ, which is encouraging. Even in the second COVID wave, loan demand is likely to remain high as customers' cash flows will be stressed. We expect the company to deliver ~15% loan growth in the medium term. With an AA+ rating, the cost of funds is likely to decline. This should mitigate yield pressure, if any. RoA/RoE is likely to remain robust at 6.5%/25% over the medium term. We increase our FY22E/23E EPS estimate by 3-4%. We maintain our Buy rating with a TP of INR1,725/share (3x FY23E BVPS).

Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	4QFY21E	Act. v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Income from operations	18,274	21,057	22,806	23,506	23,160	25,066	27,168	27,891	85,644	1,03,285	27,654	
Other operating income	294	312	399	497	691	768	480	348	1,502	2,287	690	
Total Operating income	**18,568**	**21,369**	**23,206**	**24,004**	**23,851**	**25,834**	**27,649**	**28,239**	**87,146**	**1,05,572**	**28,344**	**0**
YoY Growth (%)	13.8	29.5	35.2	27.7	28.4	20.9	19.1	17.6	26.7	21.1	18.1	
Other income	19	37	4	23	3	11	116	42	81	171	21	
Total Income	**18,587**	**21,405**	**23,209**	**24,026**	**23,854**	**25,845**	**27,765**	**28,281**	**87,228**	**1,05,744**	**28,365**	**0**
YoY Growth (%)	13.8	29.7	35.2	27.8	28.3	20.7	19.6	17.7	26.8	21.2	18.1	
Interest Expenses	6,416	6,699	7,094	7,700	8,715	9,241	9,455	9,513	27,909	36,924	9,688	-2
Net Income	**12,171**	**14,707**	**16,115**	**16,326**	**15,139**	**16,603**	**18,309**	**18,768**	**59,319**	**68,819**	**18,678**	**0**
Operating Expenses	3,972	3,969	4,542	5,304	3,738	4,496	4,410	5,160	17,787	17,804	4,698	10
Operating Profit	**8,199**	**10,738**	**11,573**	**11,021**	**11,400**	**12,107**	**13,900**	**13,608**	**41,531**	**51,015**	**13,980**	**-3**
YoY Growth (%)	8.2	43.6	47.6	35.3	39.0	12.7	20.1	23.5	33.8	22.8	26.8	
Provisions	33	265	612	48	146	107	585	111	957	950	536	
Profit before Tax	**8,166**	**10,473**	**10,961**	**10,974**	**11,255**	**12,000**	**13,314**	**13,496**	**40,574**	**50,065**	**13,444**	**0**
Tax Provisions	2,866	1,894	2,809	2,822	2,847	3,056	3,401	3,540	10,391	12,843	3,450	3
Net Profit	**5,300**	**8,579**	**8,152**	**8,151**	**8,408**	**8,944**	**9,914**	**9,957**	**30,183**	**37,222**	**9,995**	**0**
YoY Growth (%)	7.8	77.3	68.0	59.4	58.6	4.2	21.6	22.1	53.0	23.3	22.6	
Key Operating Parameters (%)												
Yield on loans (Cal.)	21.2	23.9	25.0	24.0	23.0	23.4	22.7	21.9				
Cost of funds (Cal.)	9.3	9.5	9.3	8.8	9.2	9.1	8.5	8.2				
Spreads (Cal.)	11.9	14.4	15.7	15.1	13.9	14.3	14.2	13.7				
NIMs (Cal.)	13.9	16.4	17.4	16.3	14.6	15.0	15.0	14.6				
Credit Cost	0.0	0.3	0.7	0.0	0.1	0.1	0.5	0.1				
Cost-to-Income Ratio	32.6	27.0	28.2	32.5	24.7	27.1	24.1	27.5				
Tax Rate	35.1	18.1	25.6	25.7	25.3	25.5	25.5	26.2				
Balance Sheet Parameters												
AUM (INR b)	358	357	385	416	413	470	504	526				
Change YoY (%)	15.5	10.6	18.6	21.5	15.3	31.6	30.9	26.5				
Gold loans (INR b)	352	349	377	408	405	462	497	519				
Change YoY (%)	15.1	9.1	18.7	21.4	15.1	32.3	31.7	27.4				
Gold Stock Holding (In tonne)	176	171	173	176	165	163	166	171				
Avg. gold loans per branch (INR m)	78	77	83	89	89	100	107	112				
Borrowings (INR b)	281	285	326	372	389	422	466	460				
Change YoY (%)	21.1	17.0	29.2	38.3	38.2	48.4	42.8	23.6				
Borrowings Mix (%)												
Listed secured NCDs	28.1	30.4	31.9	26.0	23.2	25.6	28.5	29.5				
Term loans	49.0	47.0	39.6	39.2	40.3	42.0	41.9	43.1				
Commercial Paper	17.1	17.2	14.1	9.7	12.7	11.2	10.6	8.4				
Others	5.8	5.4	4.5	4.8	4.4	3.7	3.2	3.2				
Debt/Equity (x)	2.9	2.6	2.7	2.9	2.6	2.7	2.8	2.7				
Asset Quality Parameters (%)												
GS 3 (INR m)	11,474	12,267	9,769	8,992	10,553	5,920	6,568	4,641				
Gross Stage 3 (% of Assets)	3.2	3.4	2.5	2.2	2.6	1.3	1.3	0.9				
Total Provisions (INR m)	8,095	8,213	8,377	8,381	8,492	8,590	9,162	9,211				
Return Ratios (%)												
RoAUM (Rep.)	6.1	9.6	8.8	8.1	8.1	8.1	8.1	7.7				
RoE (Rep.)	21.7	33.7	29.6	28.4	28.2	28.1	29.0	27.1				

E: MOFSL estimates

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3 June 2021

4QFY21 Results Update | Sector: Automobile

Motherson Sumi

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	MSS IN
Equity Shares (m)	3,158
M.Cap.(INRb)/(USDb)	849.8 / 11.6
52-Week Range (INR)	273 / 87
1, 6, 12 Rel. Per (%)	19/59/111
12M Avg Val (INR M)	2749

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	601.9	776.2	865.3
EBITDA	49.7	88.6	107.3
Adj. PAT	10.7	27.5	37.0
EPS (Rs)	3.4	8.7	11.7
EPS Growth (%)	-8.2	155.9	34.6
BV/Share (Rs)	39.8	46.1	54.7
Ratios			
Net D:E	0.4	0.0	-0.3
RoE (%)	9.0	20.3	23.2
RoCE (%)	7.9	16.0	18.7
Payout (%)	45.1	27.0	27.0
Valuations			
P/E (x)	79.1	30.9	23.0
P/BV (x)	6.8	5.8	4.9
Div. Yield (%)	0.6	0.9	1.2
FCF Yield (%)	2.2	5.6	6.2

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	61.7	61.7	61.7
DII	13.4	14.3	13.6
FII	16.6	16.1	15.5
Others	8.2	7.9	9.2

FII Includes depository receipts

CMP: INR269 TP: INR300 (+11%) Buy

Strong performance in SMP / India; raising estimates

Strong order book in SMRPBV, recovery in India PV/US CV improves visibility

- MSS' 4QFY21 performance was a beat led by strong performance in India and SMP, as well as lower tax. MSS would continue to benefit from a cyclical recovery in its key businesses as well as from a strong order book and improving efficiencies in SMRPBV.
- We upgrade our FY22E/FY23E EPS by 16%/20%, factoring in a strong recovery in SMP, India, and PKC, as well as a lower tax rate. We maintain our Buy rating with a TP of ~INR300 per share (Mar'23E SoTP).

Strong recovery continues, driving debt reduction

- Our analysis includes Wiring Harness in India and consolidated financials to make it comparable and relevant to the current listed entity.
- Consolidated revenue/EBITDA/adjusted PAT grew 19%/44%/290% YoY to INR179.9b/INR20b/INR7.1b in 4QFY21. The same in FY21 declined 5%/4%/8% to INR602b/INR49.7b/INR10.7b.
- India standalone business grew 33.5% YoY (+11% QoQ) to INR23b (est. INR21.7b). EBITDA margin improved 70bp YoY (+10bp QoQ) to 18.5% (est. 17.2%). Higher tax restricted PAT to ~INR2.45b (est. INR2.3b), a decline of 36.5% YoY.
- Revenue from SMP grew 6% YoY to ~EUR991m (est. EUR935m). EBITDA margin expanded 450bp YoY (-80bp QoQ) to 8.7% (est. 7.3%). Revenue declined 13% YoY to EUR3.5b in FY21.
- Revenue from SMR was flat YoY at EUR371m (est. EUR349m) and EBITDA margin declined 170bp YoY (30bp QoQ) to 12.9% (est. 12.8%). Revenue declined 16.5% YoY to EUR1.3b in FY21.
- Revenue from PKC grew 21% YoY (10% QoQ) to EUR314m (est. EUR290m) and EBITDA margin was flat YoY (-140bp QoQ) at 8% (est. 9.8%). Revenue declined 13% YoY to EUR1.04b in FY21.
- SAMIL's business performance (pro-rata basis) continues to recover, with 4QFY21 revenue growing 16% QoQ to INR6.4b and EBITDA margin at 11.4% (-230bp QoQ). Net debt stood at INR12.9b.
- **Consolidated net debt** stood at INR60.9b v/s INR75.2b QoQ, driven by strong operating performance and reduction in working capital at SMRPBV.
- It declared a dividend of INR1.5/share for FY21 (same as FY20).

Highlights from the management commentary

- The **order book** for SMRPBV witnessed a sharp improvement in 2HFY21, with gross new order intake of EUR4.5b and net order book of EUR15.6b (v/s EUR13.1b as of Sep'20). BEVs constitutes 25% of the order book.
- **India DWH**: Copper price inflation has a lower impact on DWH margin due to a favorable mix as 2Ws/PVs have lower copper content than CVs and supported by cost pass through.

- **PKC**: Margin was impacted due to copper price inflation as pass through comes with a lag (3-6 months) and copper content is higher in CVs. Strong demand recovery led to supply-chain challenges, resulting in higher cost.
- Performance of **SMP's greenfield plants** continues to improve in both the US and Hungary. It expects to break even at the PBT level very soon.
- **SMRPBV capex**: FY22E capex should be EUR200-225m (including maintenance capex of EUR150-175m) for supporting a new program and productivity improvements. The management reiterated that the order book of EUR15.6b doesn't require any greenfield plant.

Valuation and view

- Our positive view on MSS remains intact (cyclical recovery + turnaround in the greenfield plant + execution of a strong order book of SMRPBV)
- The stock trades at 30.9x/23x FY22E/FY23E consolidated EPS. We have increased our target P/E multiple for SMRPBV and PKC to 23x (v/s 20x earlier) due to improved visibility of a sustained recovery. We maintain our Buy rating with a TP of ~INR300 per share (Mar'23E SoTP).

Quarterly performance (consolidated including DWH) **(INR b)**

Y/E March	FY20				FY21				FY20	FY21	FY21E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
Net Sales	**167.9**	**159.2**	**156.6**	**151.6**	**85.0**	**156.7**	**180.3**	**179.9**	**635.4**	**601.9**	**174.9**
YoY Change (%)	13.7	5.4	-4.9	-11.7	-49.4	-1.6	15.1	18.7	0.0	-5.3	15.4
EBITDA	**12.6**	**13.2**	**12.4**	**13.9**	**-6.3**	**15.5**	**20.4**	**20.1**	**52.0**	**49.7**	**17**
Margin (%)	7.5	8.3	7.9	9.2	-7.4	9.9	11.3	11.2	8.2	8.3	9.8
Depreciation	6.4	6.6	6.9	7.9	7.1	7.6	7.6	7.8	27.8	30.1	7.9
Interest	1.6	1.3	1.8	1.4	1.1	1.4	1.5	1.5	6.0	5.4	1.5
Other income	0.5	0.8	0.8	0.2	0.5	0.4	0.4	0.4	2.3	1.7	0.6
PBT before EO expense	5.2	6.2	4.4	4.8	-14.1	6.4	11.7	11.2	20.6	15.3	8.4
Tax rate (%)	34.3	30.1	27.8	69.7	15.2	27.1	-5.7	11.1	39.8	2.1	35.7
Min. int. and share of profit	**0.1**	**0.5**	**0.5**	**-0.4**	**-3.8**	**1.1**	**4.4**	**2.8**	**0.7**	**4.5**	**1.0**
Adj. PAT	**3.3**	**3.8**	**2.7**	**1.8**	**-8.1**	**3.7**	**8.0**	**7.1**	**11.7**	**10.7**	**4.4**
YoY Change (%)	-25.2	3.6	-30.5	-55.3	-344.4	-3.3	195.0	289.5	-27.5	-8.2	137.8

E: MOFSL estimates

PVR

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	PVRL IN
Equity Shares (m)	61
M.Cap.(INRb)/(USDb)	80.3 / 1.1
52-Week Range (INR)	1592 / 925
1, 6, 12 Rel. Per (%)	10/-17/-15
12M Avg Val (INR M)	2787

Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
Sales	3.0	5.8	38.4
EBITDA	-4.3	-4.4	7.0
Adj. PAT	-5.7	-6.2	2.1
EBITDA Margin (%)	-143.1	-75.3	18.1
Adj. EPS (INR)	-93.2	-102.8	35.0
EPS Gr. (%)	NM	NM	-134.0
BV/Sh. (INR)	301.7	198.9	233.9
Ratios			
Net D:E	2.2	4.3	3.4
RoE (%)	NM	NM	16.2
RoCE (%)	NM	NM	13.4
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	NM	NM	37.7
P/BV (x)	4.4	6.6	5.6
EV/EBITDA (x)	NM	NM	13.3
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	17.1	18.8	18.5
DII	24.5	26.6	34.7
FII	42.6	38.5	38.4
Others	15.8	16.1	8.4

FII Includes depository receipts

CMP: INR1,323 TP: INR1,210 (-9%) Neutral

Cost reduction / liquidity cushions lockdown impact

- PVR's net loss came in at INR1.7b (in line), with operating loss at INR1.2b (est. loss of INR695m), as a recovery in occupancy levels was gradual at 8%, with 50% capacity limits. However, South Indian movies reached 50-60% of pre covid levels and overall ATPs touched 10% below pandemic levels at INR184 due to the lockdown caused by the second COVID wave, reflecting pent up demand.
- The second COVID wave has pushed back the business recovery to FY23E. We are cutting our FY22E estimates closer to FY21 nos and FY23E estimates by 11%/8% to INR38b/INR7b (13%/21% above FY20 levels), respectively. Maintain Neutral.

Operating losses rise as cinemas operate at relaxed capacity

- PVR's 4QFY21 revenue fell 70% YoY to INR1.9b (up 3x QoQ, in line) as cinema operators were forced to shut due to the second COVID wave.
- Fixed opex is down 50% YoY, but jumped 80% QoQ to INR3b as cinemas were operational in 4QFY21.
- Rental expenses stood at INR709m (-49% YoY), post negotiations with developers, while CAM charges fell 23% to INR301m.
- Employee expenses reduced to INR596m (-22% YoY), led by temporary salary cuts and reduction in headcount. The same has increased 23% QoQ as cinemas resumed operations.
- On a pre-Ind-AS 116 basis, operating loss stood at INR1.2b v/s an EBITDA of INR428m YoY (v/s our operating loss estimate of INR695m) due to higher than anticipated operating cost.
- Net loss stood at INR1.7b (in line) v/s a net loss of INR346m in 4QFY20.
- Gross/net debt stood at INR11b/INR3.6b as the company has cash and CE worth INR7.3b (led by recent fund raise rounds of INR11b).
- PVR closed three screens in 4QFY21. Its total screen count stands at 842.

Highlights from the management commentary

- **Business recovery:** The management remains confident of a business recovery post COVID-19, given the strong demand witnessed in Jan-Mar'21, before the second wave, in line with global trends; strong movie content line up expected post relaxation of lockdown restrictions; and robust traction in South Indian movies (operating at 50-60% of pre-COVID levels) contributing 35-40% of PVR's revenues.
- **Cost measures:** It is negotiating rental waivers and will continue to operate at lower fixed costs until the business revives. The management expects fixed cost to reduce by 10-15% on a sustainable basis.
- **Capex and screen pipeline:** All capex is on hold at present, but PVR has 19 screens ready for handover and a very large pipeline of WIP projects, so screen addition will be strong once the pandemic ends.
- **Debt repayment** is evenly spread, with INR2-3b debt due over the next few years. It will decide on repayment/refinancing depending on the situation.

Valuation and view

- PVR's profitability and business scale are expected to remain muted over the next 1-2 years as Cinemas have again been closed until COVID-19 cases drop significantly.
- While movies released during Jan-Mar'21 witnessed decent footfalls at theatres, instability over the movie pipeline, and delayed releases remain a concern for the business in the near term.
- PVR's negotiation in rental charges and a sharp drop in employee and other expenses have been a great relief. The management expects fixed costs to reduce 10-15% over the long term.
- With ~INR7.3b in liquidity, PVR has sufficient cash to meet its fixed expenses over the next 3-4 quarters. Further reduction in rentals/CAM would aid cost savings.
- As highlighted in our recent report (**click here**), the rising trend of movie releases over OTT platforms since the onset of COVID-19 and the strong growth in subscriber base raises concerns of increased competition from OTT platforms in the medium to long term.
- We expect the business to normalize by FY23E, with revenue/EBITDA touching FY20 levels of INR38b/INR7b, but the rich valuations it commanded historically may contract. We value the company at 11x FY23E EBITDA to arrive at our TP of INR1,210/share. Maintain Neutral.

Quarterly performance (INR M)

Y/E March	FY20				FY21				FY20	FY21	FY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**8,804**	**9,732**	**9,157**	**6,451**	**43**	**436**	**634**	**1,909**	**34,144**	**3,021**	**1,845**	**-3**
YoY Change (%)	26.4	37.3	8.6	-23.0	-99.5	-95.5	-93.1	-70.4	10.7	-91.2	-71.4	1.4
Total Expenditure	7,217	7,788	7,355	6,023	1,286	1,246	1,722	3,091	28,382	7,345	2,540	137
EBITDA	**1,587**	**1,944**	**1,802**	**428**	**-1,243**	**-810**	**-1,088**	**-1,183**	**5,762**	**-4,324**	**-695**	**NM**
YoY Change (%)	15.6	56.8	9.7	-73.4	-178.4	-141.7	-160.4	-376.3	-1.7	-175.0	-262.3	
Depreciation	549	598	563	614	603	583	585	612	2,324	2,383	661	8
Interest	414	390	392	325	353	351	402	384	1,521	1,490	312	-19
Other Income	68	62	82	167	83	0	0	0	378	83	106	NM
PBT before EO expense	**691**	**1,018**	**929**	**-344**	**-2,116**	**-1,744**	**-2,075**	**-2,179**	**2,294**	**-8,114**	**-1,562**	**NM**
Extra-Ord. expense	1	2	2	1	2	4	0	0	5	0	0	
PBT	**690**	**1,016**	**928**	**-345**	**-2,118**	**-1,749**	**-2,075**	**-2,179**	**2,289**	**-8,114**	**-1,562**	**NM**
Tax	104	258	221	44	(707)	(587)	(707)	(444)	627.4	-2445.1	113	-125
Rate (%)	15.1	25.4	23.8	-12.8	33.4	33.6	34.1	20.4	27.4	30.1	-7.2	
MI and Profit/Loss of Asso. Cos.	0	2	1	1	1	1	1	0	5	3	0	
Reported PAT	**586**	**760**	**708**	**-388**	**-1,410**	**-1,161**	**-1,366**	**-1,735**	**1,666**	**-5,671**	**-1,675**	**NM**
Adj. PAT	**586**	**760**	**708**	**-346**	**-1,410**	**-1,161**	**-1,366**	**-1,735**	**1,708**	**-5,671**	**-1,675**	**NM**
YoY Change (%)	12.0	130.2	36.7	-174.0	-340.6	-252.7	-293.1	401.8	-7.1	-432.1	384.5	

E: MOFSL estimates

Apr'21 brings unseen mathematical problem

Expect 15–20% YoY growth in 1QFY22 real GDP

- **What happens when a non-zero integer is divided by zero? It returns "#DIV/0!" in Excel – meaning undefined. This is what defined Apr'21. With lockdowns in the nation at their peak, several indicators – such as passenger traffic, foreign tourist arrivals, and auto sales – witnessed no activity in Apr'20. As a result, it is mathematically impossible to estimate year-on-year (YoY) economic growth for Apr'21. Many other indicators – such as steel/coal/cement production, tractor sales, fuel sales, and IIP for capital goods – showed growth of several hundred percentage points in Apr'21. Consequently, we have failed to produce an estimate for our in-house Economic Activity Index (EAI) for India in Apr'21.**
- **To get some perspective on the severity of the second COVID wave on economic activity, we instead look at month-over-month (MoM) changes in the list of macroeconomic indicators. Based on our EAI-GVA indicators, the adverse economic impact of the second COVID wave in Apr'21 appears to be roughly one-third of that a year ago in the case of the Industrial and Services sectors, while it appears higher at near 50% levels for the Farm sector. The adverse impact on private consumption and investments was lower at 20–25% of that in Apr'20.**
- **A look at certain available indicators for May'21 confirms the economic situation worsened last month with stricter restrictions and more states implementing these. The MoM declines in many indicators were almost 2x that in Apr'21. With the start of Jun'21, however, Maharashtra (MH) has taken some steps to unlock the economy and other states are expected to follow suit, implying the worst is behind us.**
- **This statistical issue would continue in May'21 as well; therefore, we may be able to present our EAI estimates for only Jun'21/1QFY22 in early Aug'21. Although uncertainty continues to loom large, we revise down our 1QFY22 real GDP growth to 15-20% YoY with downside risks, vis-à-vis the previous estimate of ~30%.**

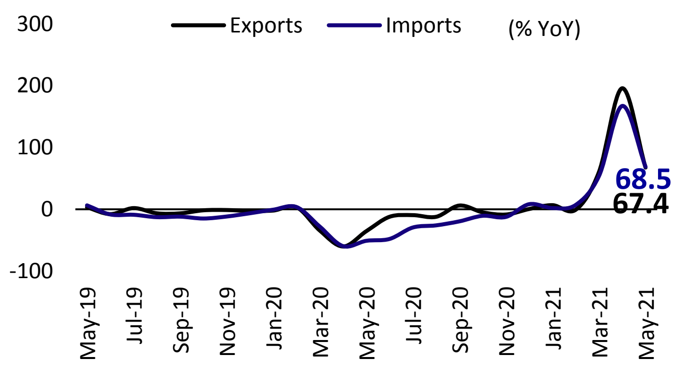
Unlike the national lockdown over Apr–Jun'20, the second wave is characterized by local restrictions in various parts of the country in the past three months.

- **First, the national lockdown during the initial COVID wave…:** Around the same time last year, India saw one of the strictest lockdowns in the world. This led to almost negligible activity in some of the large sectors in the country. Automobile sales were almost nil, passenger traffic was strictly controlled, and foreign tourists were banned. Several other infrastructure-related sectors (such as steel, cement, and coal), retail fuel sales (petrol/diesel), and capital goods production saw massive declines in production in Apr'20.
- **…and now local lockdowns amid the ferocious second wave…:** The country has been engulfed by the second COVID wave since mid-Feb'21. Nevertheless, unlike the first wave, the central government has allowed the states to take charge. Therefore, unlike the national lockdown over Apr–Jun'20, the second wave is characterized by local restrictions in several parts of the country over the past three months. As a result, while economic activity is affected, the impact is not as severe or widespread as seen during the first wave.
- **…have presented an unseen mathematical problem:** Statistically speaking, this creates an insurmountable problem. When we divide a non-zero integer with zero, it is undefined. This is exactly the case with some of the indicators, while several others show growth of many hundred percentage points (say, 400–500% for steel and cement production). Not only does this render the analysis difficult but also distorts the picture in a manner where we fail to produce an estimate of India's EAI for Apr'21.

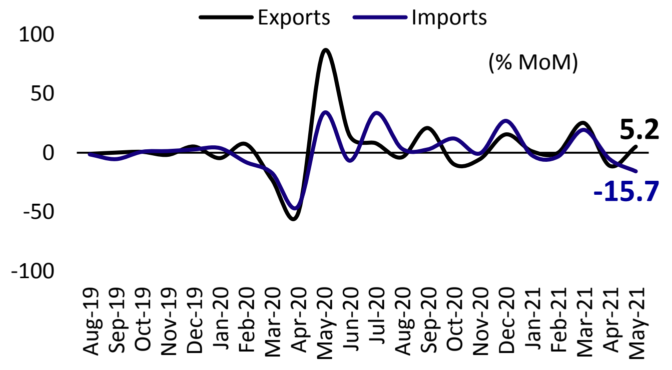
Exports up 5.2% MoM in May'21 after declining 11.1% in Apr'21

- **Preliminary data from the Ministry of Commerce reveals exports grew 67.4% YoY to USD32.2b in May'21 (on the back of a low base of -35.5% YoY in May'20). Interestingly, exports grew 5.2% sequentially in May'21, after declining 11.1% in Apr'21. On the other hand, imports grew 68.6% YoY to USD38.5b in May'21 v/s -51% YoY in May'20. On a MoM basis, however, imports shrank 15.7% in May'21, the fastest MoM decline in 13 months *(Exhibits 1, 2)*.**
- **Consequently, India's foreign trade came in at USD6.3b in May'21, ~60% higher than the USD3.6b deficit seen in May'20 *(Exhibit 3)*. On a sequential basis, the trade deficit narrowed to less than half from USD15.1b in Apr'21.**
- **Cumulatively (Apr–May'21), the trade deficit stood at USD21.4b, more than double the deficit over Apr–May'20.**
- **The major non-oil / non-gems and jewelry exports that posted growth comprise engineering goods (16.1% YoY); drugs and pharmaceuticals (10.9% YoY); organic and inorganic chemicals (6.3% YoY); electronic goods (5.1% YoY); cotton yarn/fabrics/made-ups and handloom products, etc. (24.9% YoY); and jute mfg. including floor covering (21% YoY).**
- **Additionally, items that saw decline in exports in May'21 (over May'19) were leather and leather manufactures (-36.5% YoY); tea (-29.4% YoY); RMG of all textiles (-27.6% YoY); gems and jewelry (-13.4%); and tobacco (-0.78%).**
- **The items that posted growth in imports in May'21 (over May'19) comprise chemical materials (45.9% YoY); pearls, precious, and semi-precious stones (33.8% YoY); medicinal/pharma products (29.4% YoY); and organic & inorganic chemicals (6.88%), etc.**

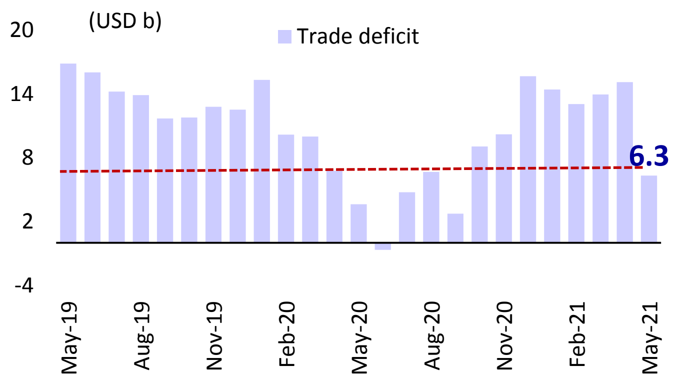
Exports and imports grow on low base…



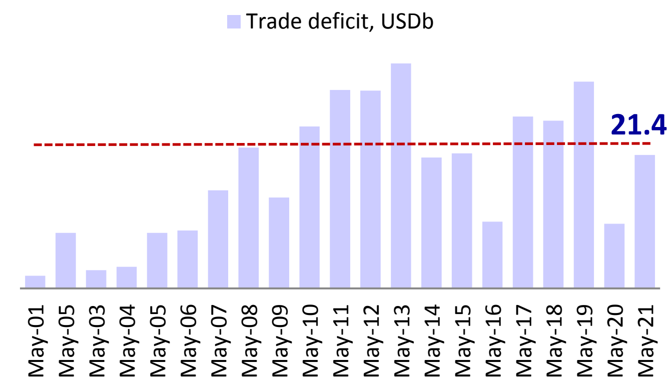
…but sequentially, imports fall / exports rise



Trade deficit at USD6.3b in May'21…



…at USD21.4b over Apr–May'21



Apr-May for all financial years

Source: Commerce Ministry, MOFSL

M&M: Will strive for higher margin in tractor business; Hemant Sikka, President-Farm Equipment Sector

- All agri-related parameters looking healthy
- Terms of trade are now in favour of farmers
- COVID is a concern but we are seeing it tapering
- Green shoots seen in tractor demand in last 8-10 days
- People have money, waiting for cases to subside to buy tractors
- Will see normal-to-above normal monsoon for 3rd straight year
- Looking at low single-digit growth for the tractor industry in FY22
- 60% of our dealerships were not open in May
- Optimistic about the month of June
- Inventory position is very comfortable
- Would have liked to maintain slightly higher inventory going into season
- Will continue to strive for higher margin in tractor business
- Will not pass on all the commodity price hikes in one go, but in a phased manner
- Supply chain issues in Bengaluru from players like Bosch

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Linde India: Business growth will depend on lockdowns, vaccination progress; Moloy Bannerjee, South Asia Head-Gases

- Demand for oxygen has started going down now
- Saw peak demand of oxygen mid May
- Company used to supply 350 tonnes of medical oxygen per day, pre-COVID
- Supplied 1000 tonnes of medical oxygen per day during the first wave and 3000 tonnes per day during the second wave
- Oxygen demand in west and north India has come down a lot
- Lot of surplus medical oxygen capacity is in the east
- Company does not move our oxygen more than 400-500 km normally
- Logistics costs for the company went up in the last 2 months
- Company started moving oxygen beyond 1500 km in the second wave of COVID
- Demand of high value products like nitrogen started going down in April and May
- Volume remained steady in the last 2 months; hoping for recovery in the rest of the year
- Expecting a double-digit growth in CY21; growth depends on lockdown and vaccination progress in the country

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Narayana Health: Expects third wave to be less severe than second wave; Viren Shetty, ED & Group COO

- Almost entire ICUs in Bengaluru are occupied by COVID patients
- Margins for COVID-19 lesser vs non-COVID-19 business
- Few instances where one can see decent margin when it comes to COVID
- If COVID-19 rates are capped for everyone, then every rich patients pay less
- Keeping huge stockpile for medicines, medical equipment ready
- Buying ventilators that can be used for children as well

- Signs point to 3rd wave not being as bad as the 2nd wave
- Online consultation was never paid for earlier

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Croma and Vijay Sales: Seeing robust demand for laptops, expect it to continue

Nilesh Gupta, Managing Partner (Vijay Sales)

- Initial demand looks quite robust
- Was sceptical about sales a week back since uptake was not as high as expected
- Taking a price hike is not a big issue; price hikes have already been taken in the last few months
- Price hikes are inevitable since costs of commodities including fuel has gone up

Ritesh Ghosal, CMO (CROMA)

- Gujarat opened yup earlier last week; seeing demand coming back
- ACs, coolers and refrigerators are doing well; seeing pent-up demand in this categories
- Laptop demand is very robust; seeing repeat demand of laptops coming in
- Seeing 30-40% growth in laptop demand
- There are shortages that we have not been able to cater to
- Working for creating safe environment for customers for shopping

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EPL: Will continue to deliver double-digit growth in the foreseeable future; Sudhanshu Vats, MD & CEO

- Company has been making recyclable tubes under the brand platina
- Will be partnering with other global majors
- This product will have a competitive advantage but won't give company premium across the world
- There is not upfront payment involved in this agreement
- Will continue to deliver double-digit growth in the foreseeable future
- In active conversation with other major players like P&G, GSK, Colgate
- We have been able to take price increase in major portfolio

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Siemens: No real impact of COVID-19 pandemic on short-cycle projects; Sunil Mathur, MD & CEO

- Company has seen growth across segments
- Saw a huge uptick in demand in energy sector
- Dedicated freight corridor has increased electrification and signalling
- All our businesses have done equally well
- Seeing a clear uptick in demand starting January
- See no real-impact of the pandemic on our short-cycle projects
- Have a healthy order backlog with visibility of over a year
- Quality of the orders is very good
- Have strong visibility of possible tenders in the pipeline

- Increase in commodity prices is a real concern
- Transport costs have gone up by 20-30%
- Shortage of semiconductors is a real concern
- Margin may come under pressure for the industry over the next few months

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Balrampur Chini: Expect global sugar prices to stay firm; Pramod Patwari, CFO

- Brazil produced around 38.5 mt of sugar last year
- Current estimates suggest Brazil could produce around 31-32 mt of sugar
- Expect global sugar prices to remain firm
- Have supplied 16.5 crore litre of ethanol this year
- Inventory in the country is getting moderated
- Focus is to increase the pie of ethanol in overall revenue as well as profit
- We are at 98% of the ethanol obligation

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Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.
CIN No.: L67190MH2005PLC153397.Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.
Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579 ;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs,Insurance Products and IPOs.Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.