Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	51,942	-0.6	8.8
Nifty-50	15,635	-0.7	11.8
Nifty-M 100	26,848	-0.7	28.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,220	-0.2	12.3
Nasdaq	13,912	-0.1	7.9
FTSE 100	7,081	-0.2	9.6
DAX	15,581	-0.4	13.6
Hang Seng	10,705	-0.2	-0.3
Nikkei 225	28,861	-0.4	5.2
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	72	-0.2	39.8
Gold ($/OZ)	1,889	-0.2	-0.5
Cu (US$/MT)	9,953	0.2	28.4
Almn (US$/MT)	2,470	0.7	25.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.0	0.1	-0.1
USD/EUR	1.2	0.1	-0.3
USD/JPY	109.6	0.1	6.2
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.0	0.01	0.2
10 Yrs AAA Corp	6.8	0.01	0.2
Flows (USD b)	**9-Jun**	**MTD**	**CY21**
FIIs	0.20	1.14	7.73
DIIs	-0.22	-0.22	-1.63
Volumes (INRb)	**9-Jun**	**MTD***	**YTD***
Cash	981	831	795
F&O	59,402	44,241	42,747

Note: *Average

Today's top research idea

Tata Consumer Products: Growth levers in place

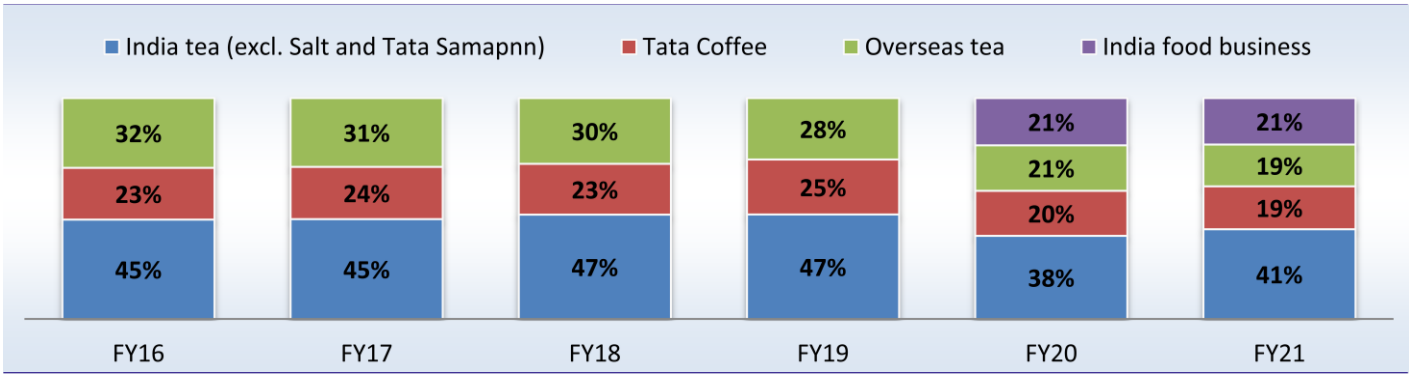
- Revenue from the India Food business grew 18% YoY (to INR24.4b), which can be attributed to the 17% increase in the Salt business in FY21, along with Tata Sampann whose portfolio grew 26%.
- India's Branded Tea market is currently valued at INR260b and is dominated by organized players, with 65-70% market share (in value terms).
- The Branded Tea market grew ~8% in FY21, after a decline in the initial months due to the impact of the lockdowns and tea price inflation.
- Revenue from the India Beverage segment rose 36% to INR46b, with 12% volume growth in the Branded Tea business. In FY21, the international business registered 8% (1% in constant currency terms) revenue growth to INR34.7b.
- Excluding Food Service and Out-of-Home sectors, which were impacted by the COVID-19 pandemic, the international business grew 12% (5% in constant currency terms) led by Retail and Online segments, with volume growth of 7%/1% in Branded Coffee/Tea.

Research covered

Cos/Sector	Key Highlights
Tata Consumer Products	Growth levers in place
GAIL India	Beat driven by Petchem and Liquid HC business; Trading business performance in line with our estimates
Petronet LNG	Operational fundamentals remain unchanged; capex high on aspirations
MAX Financial Services	Steady performance; Non-PAR growth remains robust
TeamLease	Near term impact to be manageable
Tata Communications	Ambitious targets, but needs to tread carefully
EcoScope	MSP hike kept unchanged for Kharif crop marketing season in FY22

Chart of the Day: Tata Consumer Products (Growth levers in place)

Consolidated revenue mix



Source: Company, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Govt hikes paddy MSP by Rs 72/qtl to Rs 1,940 for 2021-22 crop year

The government on Wednesday raised the minimum support price (MSP) of paddy marginally by Rs 72 per quintal to Rs 1,940 per quintal for the 2021-22 crop year, while the rates of other kharif crops were also hiked. Paddy is the main kharif crop, the sowing of which has begun …

2

Equity mutual funds see Rs 10,000 cr-inflow in May, a 14-month high

Equity mutual funds witnessed a net inflow of over Rs 10,000 crore in May, making it the third consecutive monthly infusion. This is a 14-month high i.e. highest since March 2020. This was way higher than Rs 3,437 crore net inflow seen in April and Rs 9,115 crore in March, data from the Association of Mutual Funds in India showed on Wednesday. Prior to this, equity schemes had consistently witnessed outflow for eight straight months from July 2020 to February 2021. …

3

Finance Ministry releases third instalment of revenue deficit grant of Rs 9,871 cr to 17 states

The Finance Ministry on Wednesday said it has released third monthly instalment of revenue deficit grant of Rs 9,871 crore to 17 states. With the release of this instalment, total Rs 29,613 crore has been released in the first three months of the current financial year as Post Devolution …

4

India's Petronet to invest $2.6 billion for local expansion over 5 years

India's top gas importer Petronet LNG will invest $2.6 billion over five years to expand local infrastructure as investing in overseas projects is 'not lucrative' in the current liquefied natural gas (LNG) surplus market, its head of finance said. The company was earlier planning to invest in projects …

5

Cabinet approves Rs25,000 cr for modernising railways' communication networks

The Union Cabinet, chaired by Prime Minister Narendra Modi on Wednesday, approved funds worth Rs25,000 crore for the Indian Railways over a five-year period to modernise the communication networks using 4G spectrum to enhance public safety and security services at stations and in trains.…

6

Hit by Covid-19 pandemic, textile NPAs rose to 16.9% in December

After witnessing a continuous improvement for eight quarters, the textile sector's asset quality slipped as gross non-performing assets (NPAs) rose to 16.92 per cent in December 2020 from 15.92 per cent in September 2020, triggered by the Covid-induced lockdown, according to the …

7

India's natural gas consumption starts to rebound in June

India's natural gas consumption is recovering in June after declining in the previous two months, as states ease restrictions in the wake of a drop in coronavirus infections, officials said on Wednesday. Gas consumption has returned to its normal level in the last week, Jain said. …

Tata Consumer Products

BSE SENSEX	S&P CNX
51,942	15,635

Stock Info

Bloomberg	TATACONS IN
Equity Shares (m)	922
M.Cap.(INRb)/(USDb)	647.5 / 8.9
52-Week Range (INR)	715 / 360
1, 6, 12 Rel. Per (%)	6/12/30
12M Avg Val (INR M)	2456
Free float (%)	65.3

Financials Snapshot (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	116	122	138
EBITDA	15	18	23
Adj. PAT	9	11	14
EBITDA Margin (%)	13.3	15.1	16.3
Cons. Adj. EPS (INR)	9	12	15
EPS Gr. (%)	21	28	25
BV/Sh. (INR)	158	165	176
Ratios			
Net D:E	(0.2)	(0.2)	(0.3)
RoE (%)	6.1	7.5	8.9
RoCE (%)	8.3	10.2	12.1
Payout (%)	43.6	37.0	30.5
Valuations			
P/E (x)	74	58	46
EV/EBITDA (x)	40	34	28
Div. Yield (%)	1.9	2.1	2.4
FCF Yield (%)	7.5	5.7	6.6

CMP: INR703 TP: INR775 (+10%) Buy

Growth levers in place

Tata Consumer Products' (TCPL) FY21 annual report focuses on initiatives taken by the management to leverage the 'Tata' brand in creating capabilities for building a multi-category FMCG company. Some of these strategies include strengthening and accelerating the core business, exploring new opportunities, unlocking synergies, digitizing the supply-chain, product portfolio expansion, and expanding its sales and distribution infrastructure. Key highlights below:

India Food business to spearhead growth

- Revenue from the India Food business grew 18% YoY (to INR24.4b), which can be attributed to the 17% increase in the Salt business in FY21, along with Tata Sampann whose portfolio grew 26%. EBIT margin expanded by 300bp to 15.9% (or INR3.9b).
- The India Food business – comprising Tata Salt and Tata Sampan, which includes pulses, spices and condiments, and ready-to-cook (RTC) – is expected to drive a major shift to the organized from the unorganized sector. The segment should drive the next phase of TCPL's growth.
- India's pulses/spices market is valued at INR1,500b/INR600b, with the share of organized branded players pegged at 1%/30%. Both segments are estimated to grow significantly on the back of higher health consciousness and growing importance of hygiene among the populace. A strong brand like Tata Sampann, is expected to gain substantially from this transition.
- The Indian Branded Salt market is estimated at INR60b. Tata Salt recorded 19% volume growth to ~1.3MT in FY21. Value contribution from the premium portfolio grew to 3.5% in FY21 (v/s 1.8% in FY20). Rock Salt scaled up by 3x in FY21, which also contributed to growth in the Salt business. Tata Salt further strengthened its market leadership position, with value share increasing by 180bp to 33% in the Packaged Salt category.

India Beverage business to maintain its growth trajectory

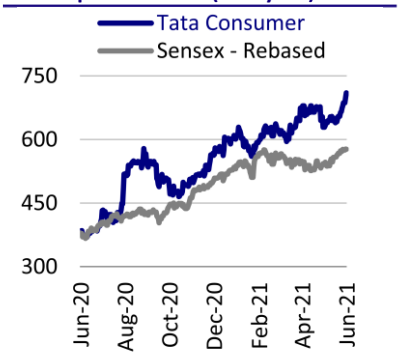
- India's Branded Tea market is currently valued at INR260b and is dominated by organized players with 65-70% market share (in value terms). The branded market grew ~8% in FY21, albeit a decline in the initial months due to the impact of the lockdowns and tea price inflation.
- Revenue rose 36% to INR46b, with 12% volume growth in the Branded Tea business, whereas EBIT margin contracted by 300bp to 10.8% (to INR5b) in FY21.
- The business saw an increase in market share (both in value and volume terms), supplemented by an increase in direct outlet reach (including rural) and quality of distribution. The company recorded 60bp/100bp volume/value market share improvement to 20.4%/21%, which was due to significant increase in both product range and depth of its outlet reach.
- TCPL launched two products: Sonnets by Tata Coffee (premium roast and ground coffee for connoisseurs) and 1868 by Tata Tea (exclusive range of luxury teas across India).

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	34.7	34.7	34.7
DII	12.6	13.6	21.8
FII	25.3	25.8	17.1
Others	27.5	26.0	26.4

FII Includes depository receipts

Stock performance (one-year)



International Beverage business

- In FY21, the international business registered 8% (1% in constant currency terms) revenue growth to INR34.7b. Excluding Food Service and Out-of-Home sectors, which were impacted by the COVID-19 pandemic, the international business grew 12% (5% in constant currency terms) led by Retail and Online segments, with volume growth of 7%/1% in Branded Coffee/Tea. EBIT margin expanded 200bp to 13.2%, with EBIT jumping by 27% YoY to INR4.6b.
- The US Coffee business recorded robust 8% growth of INR18b in FY21, whereas corresponding volume growth stood at 7%, with K-cup outpacing coffee bags.
- Revenue from the UK business grew 8% YoY to INR12b, with a substantial growth in EBIT, partly benefitting from higher tea consumption at home due to the pandemic.
- The Canada business posted a revenue growth of 15% (in constant currency terms) in FY21, capitalizing on increased tea consumption at home. Higher sales, lower sales promotion expenses, and strong control over overheads led to strong growth in profitability.

Strong cash generation to support its expansion plans

- Inventory increased by 31% in FY21. However, trade receivables dropped by 17%, whereas trade payables increased sharply by 72%. Inventory days rose by six days in FY21, whereas the corresponding drop in receivables days was 11 days. Payable days increased by 15 days, thereby sharply (20 days) reducing working capital days to 44 days in FY21 (v/s 64 days in FY20).
- TCPL's five-year average CFO/EBITDA stood at 53% over FY16-20. On the back of strong cash generation, CFO/EBITDA rose to 107% in FY21 (v/s 84% in FY20).
- It has maintained a capex run-rate of INR2b/INR2.3b over the last 10/five years. Net cash increased to INR26.8b in FY21 (v/s net cash of INR12.7b in FY20).
- On the back of strong cash generation and lower debt levels, gross debt/equity ratio stood at 0.05x in FY21 (v/s 0.09x in FY20). This gives TCPL enough headroom to carry out various expansions and branding activities for its newly diversified product portfolio, along with its existing basket of products.

Valuation and view

- TCPL's holistic strategy aims at transforming by: i) strengthening and accelerating its core business, ii) exploring new opportunities, iii) unlocking synergy, iv) digitization of the supply chain, v) product portfolio expansion and innovation, vi) enhancing its focus on premiumization and health and wellness products, vii) embed sustainability, and viii) expanding its sales and distribution infrastructure, supply chain, and capability building towards being a multi-category FMCG player.
- The merger of the India Food business with TCPL is in sync with the management's vision to create a single FMCG-focused company. The merger offers multiple synergies, including higher outlet coverage, focused new product development, strong cash flow generation, and scale efficiencies.
- TCPL has two strong legs – Tata Tea and Tata Salt – in its India business, where it is targeting lower double-digit growth, led by: a) cross-selling between the Food

business and TCPL's Tea distribution channel, and b) expansion into new geographies.

- TCPL's third leg – Tata Sampann (pulses, spices and RTC) – is expected to grow in double-digits. The market size of pulses/spices (branded) in India currently stands at INR1,500b/INR600b, with unorganized players constituting 99%/70% of the market. Growth is expected through market share gains from unorganized players via an increasing distribution reach and new product launches. Also, growing consciousness towards healthy eating habits and hygienic products is expected to benefit TCPL due to its strong brand name.
- We expect a revenue/EBITDA/PAT CAGR of 9%/21%/27% over FY21-23E and arrive at an FY23E SoTP-based TP of INR775/share. Maintain **Buy**.

Valuation table

EV/EBITDA	FY23E EBITDA	Multiple (x)	EV
India Tea (TCPL standalone)	7,684	37	2,85,848
Coffee India (excluding Starbucks) at 57%	495	10	5,174
Coffee overseas	2,893	12	34,721
Consumer (Salt and others)	7,706	37	2,87,443
Overseas tea (Tetley UK)	2,599	10	27,163
DCF			
Starbucks JV			30,312
Enterprise value			6,70,661
Less: Net debt			-43,959
Market value (INR m)			7,14,620
No. of shares (m)			922
Target price (INR)			775
CMP (INR)			703
Upside (%)			10%

Source: MOFSL

GAIL India

BSE SENSEX	S&P CNX
51,942	15,635

Conference Call Details

Date: 10th June, 2021

Time: 14:30 IST

Link: Webinar

CMP: INR162 — Buy

Beat driven by Petchem and Liquid HC business; Trading business performance in line with our estimates

- EBITDA stood 17% higher than our estimate at INR25.65b (+4% YoY), driven by better performance in the Petchem and Liquid HC businesses. PAT stood at INR19.5b (19% higher than our estimate, -49% YoY).

4QFY21 segmental EBIT analysis:

- Trading EBIT was in line with our estimate at INR2.8b (-53% YoY). The same turned profitable after reporting losses in 9MFY21.
- Petchem continues to outperform, with EBIT at INR6.1b (23% higher than our estimate, +40% QoQ). Petchem volumes were in line at 234ktpa. Thus, realization was higher in 4QFY21.
- LPG and Liquid HC EBIT stood at INR4.7b (59% higher than our estimate, -10% YoY).
- Transmission EBIT for natural gas/LPG stood at INR9.5b/INR0.9b (+6%/-6% YoY). Gas transmission volumes stood at 110mmscmd (in line).

- **EBITDA fell 23% YoY to INR64.5b in FY21 due to losses in the Trading segment during 9MFY21.** Adjusted PAT fell 34% YoY to INR49b (tax rate at 23.4% in FY21 v/s 16.7% in FY20 owing to DTL benefits).
- Trading EBIT losses stood at INR7b in FY21 (v/s a profit of INR21.6b in FY20).
- Stellar performance in the Petchem business led to EBIT at INR10.6b (v/s a loss of INR2.5b in FY20).
- EBIT in the LPG and Liquid HC business fell 18% YoY to INR13b due to a sharp fall in oil prices during FY21.
- Transmission EBIT for natural gas/LPG rose 4%/6% YoY to INR36.8b/INR3.5b.

Quarterly performance (INR m)

Y/E March	FY20				FY21							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	4QAct	Var.	YoY	QoQ
Net Sales	**1,83,115**	**1,80,411**	**1,77,688**	**1,77,550**	**1,20,875**	**1,36,445**	**1,54,568**	**1,80,892**	**1,55,491**	**-14%**	**-12%**	**1%**
Change (%)	5.9	-6.4	-10.2	-5.4	-34.0	-24.4	-13.0	1.9	-12.4			
EBITDA	**22,590**	**15,627**	**20,724**	**24,754**	**6,226**	**13,381**	**19,195**	**21,961**	**25,648**	**17%**	**4%**	**34%**
% of Net Sales	12.3	8.7	11.7	13.9	5.2	9.8	12.4	12.1	16.5			
Depreciation	4,057	4,398	4,890	5,016	4,583	4,843	4,895	4,548	4,758	5%	-5%	-3%
Interest	239	275	242	329	495	274	331	313	459	46%	39%	38%
Other Income	1,512	4,401	3,124	5,132	2,413	7,239	4,708	4,767	5,684	19%	11%	21%
Extraordinary item	0	0	0	1,016	0	0	0	0	0			
PBT	**19,805**	**15,355**	**18,716**	**25,557**	**3,562**	**15,503**	**18,677**	**21,867**	**26,116**	**19%**	**2%**	**40%**
Tax	6,930	4,713	6,210	-4,625	1,007	3,107	3,804	5,388	7,039	31%	-252%	85%
Rate (%)	35.0	30.7	33.2	-18.1	28.3	20.0	20.4	24.6	27.0			
PAT	**12,875**	**10,643**	**12,507**	**30,182**	**2,555**	**12,397**	**14,873**	**16,479**	**19,077**	**16%**	**-37%**	**28%**
Extra-ord.: Tax Prov. Write Back	0	0	173	-9,176	0	0	405	0	-467			
Adj. PAT	**12,875**	**10,643**	**12,334**	**38,341**	**2,555**	**12,397**	**14,469**	**16,479**	**19,544**	**19%**	**-49%**	**35%**
Change (%)	2.2	-45.8	-25.2	163.6	-80.2	16.5	17.3	-57.0	-49.0			
EPS (INR)	**2.9**	**2.4**	**2.7**	**8.5**	**0.6**	**2.7**	**3.2**	**3.7**	**4.3**	**19%**	**-49%**	**35%**
Operational details												
Gas Trans. volume (mmsmd)	105	109	110	109	90	106	110	112	110	-2%	1%	0%
Petchem sales ('000MT)	136	217	211	174	183	224	231	234	234	0%	34%	1%

Segmental performance

	FY20				FY21				4QFY21	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Exchange Rate (USD:INR)	**69.6**	**70.3**	**71.2**	**72.4**	**74.4**	**73.8**	**72.9**	**73.4**	**1%**	**1%**
Gas transmission business										
Volumes (mmscmd)	105	109	110	109	90	106	110	110	1%	0%
Gross Revenue	14,797	14,150	15,855	15,542	12,681	15,400	16,135	15,310	-1%	-5%
Opex	4,117	3,950	3,655	3,902	3,151	2,590	3,665	3,270	-16%	-11%
EBITDA	**10,680**	**10,200**	**12,200**	**11,640**	**9,530**	**12,810**	**12,470**	**12,040**	**3%**	**-3%**
Depreciation	2,085	2,173	2,345	2,720	2,364	2,598	2,564	2,546	-6%	-1%
EBIT	**8,595**	**8,028**	**9,855**	**8,920**	**7,167**	**10,212**	**9,907**	**9,495**	**6%**	**-4%**
Average tariff (INR/mscm)	1,543	1,601	1,562	1,567	1,545	1,590	1,590	1,516	-3%	-5%
Opex (INR/mscm)	429	395	360	393	384	267	361	324	-18%	-10%
EBITDA (INR/mscm)	**1,113**	**1,020**	**1,202**	**1,174**	**1,161**	**1,323**	**1,229**	**1,192**	**2%**	**-3%**
Depreciation (INR/mscm)	217	217	231	274	288	268	253	252	-8%	0%
EBIT (INR/mscm)	**896**	**803**	**971**	**899**	**873**	**1,054**	**976**	**940**	**5%**	**-4%**
LPG Transmission Business										
Volumes ('000MT)	827	999	1,043	1,040	963	1,058	1,088	1,054	1%	-3%
Gross Revenue	1,346	1,612	1,688	1,719	1,536	1,695	1,754	1,689	-2%	-4%
Opex	586	652	608	619	576	665	664	649	5%	-2%
EBITDA	**760**	**960**	**1,080**	**1,100**	**960**	**1,030**	**1,090**	**1,040**	**-5%**	**-5%**
Depreciation	144	146	145	155	145	148	159	155	0%	-2%
EBIT	**616**	**814**	**935**	**945**	**815**	**882**	**931**	**885**	**-6%**	**-5%**
Average tariff (INR/MT)	1,627	1,613	1,618	1,653	1,594	1,602	1,612	1,602	-3%	-1%
Opex	708	652	583	595	598	628	610	616	4%	1%
EBITDA	**919**	**961**	**1,035**	**1,058**	**997**	**974**	**1,002**	**987**	**-7%**	**-2%**
Depreciation	175	146	139	149	151	140	146	147	-1%	1%
EBIT	**744**	**815**	**896**	**909**	**846**	**834**	**856**	**840**	**-8%**	**-2%**
Gas Trading Business										
Volumes (mmscmd)	97	95	96.0	97.8	82	89	96	91	-7%	-4%
Revenue	1,54,613	1,50,858	1,46,627	1,47,449	94,437	1,05,067	1,19,034	1,19,918	-19%	1%
EBIT	**8,505**	**2,366**	**4,665**	**6,026**	**-5,455**	**-3,640**	**-737**	**2,809**	**-53%**	**-481%**
Revenue (INR/mscm)	17,598	17,315	16,602	16,574	12,718	13,031	13,534	14,266	-14%	5%
EBIT (INR/mscm)	**968**	**272**	**528**	**677**	**-735**	**-451**	**-84**	**334**	**-51%**	**-499%**
Petrochemicals Business										
Volumes ('000 MT)	136	217	211	174	183	224	231	234	34%	1%
Gross Revenue	11,128	16,192	14,828	12,174	12,217	16,847	19,366	22,179	82%	15%
Opex	12,298	15,872	13,778	10,324	12,647	13,957	13,876	14,939	45%	8%
EBITDA	**-1,170**	**320**	**1,050**	**1,850**	**-430**	**2,890**	**5,490**	**7,240**	**291%**	**32%**
Depreciation	1,100	1,143	1,135	1,126	1,114	1,127	1,149	1,151	2%	0%
EBIT	**-2,270**	**-823**	**-85**	**724**	**-1,544**	**1,763**	**4,341**	**6,089**	**741%**	**40%**
Realization (USD/MT)	1,176	1,061	987	966	897	1,019	1,150	1,291	34%	12%
Realization (INR/kg)	82	75	70	70	67	75	84	95	35%	13%
Opex (INR/kg)	90	73	65	59	69	62	60	64	8%	6%
EBITDA (INR/kg)	**-9**	**1**	**5**	**11**	**-2**	**13**	**24**	**31**	**191%**	**30%**
Depreciation (INR/kg)	8	5	5	6	6	5	5	5	-24%	-1%
EBIT (INR/kg)	**-17**	**-4**	**0**	**4**	**-8**	**8**	**19**	**26**	**526%**	**38%**
LPG and Liquid Hydrocarbons Business										
Volumes ('000 MT)	298	329	337	302	269	295	319	257	-15%	-19%
Gross Revenue	11,457	9,605	9,736	11,539	7,479	8,030	8,779	8,651	-25%	-1%
Opex	6,177	6,875	6,556	5,999	4,619	5,010	5,739	3,691	-38%	-36%
EBITDA	**5,280**	**2,730**	**3,180**	**5,540**	**2,860**	**3,020**	**3,040**	**4,960**	**-10%**	**63%**
Depreciation	172	277	216	259	198	219	213	216	-16%	2%
EBIT	5,108	2,454	2,964	5,281	2,662	2,802	2,827	4,744	-10%	68%
EBIT (Post-Subsidy)	**5,108**	**2,454**	**2,964**	**5,281**	**2,662**	**2,802**	**2,827**	**4,744**	**-10%**	**68%**
Realization (USD/MT)	553	415	406	528	374	369	377	459	-13%	21%
Realization (INR/MT)	38,445	29,195	28,891	38,209	27,803	27,222	27,519	33,660	-12%	22%
Opex (INR/MT)	20,727	20,898	19,455	19,865	17,171	16,984	17,989	14,360	-28%	-20%
EBITDA (INR/MT)	**17,718**	**8,298**	**9,436**	**18,344**	**10,632**	**10,237**	**9,530**	**19,300**	**5%**	**103%**
Depreciation (INR/MT)	578	840	642	856	736	741	666	842	-2%	26%
EBIT (INR/MT)	17,140	7,457	8,794	17,488	9,896	9,497	8,863	18,458	6%	108%
EBIT post Subsidy (INR/MT)	**17,140**	**7,457**	**8,794**	**17,488**	**9,896**	**9,497**	**8,863**	**18,458**	**6%**	**108%**

Petronet LNG

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	PLNG IN
Equity Shares (m)	1,500
M.Cap.(INRb)/(USDb)	342.8 / 4.7
52-Week Range (INR)	275 / 201
1, 6, 12 Rel. Per (%)	-11/-24/-64
12M Avg Val (INR M)	1123

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	260.2	363.9	444.7
EBITDA	47.0	46.9	53.8
Adj. PAT	29.5	29.8	35.0
Adj. EPS (INR)	19.7	19.9	23.4
EPS Gr. (%)	6.5	1.2	17.4
BV/Sh.(INR)	77.7	85.6	95.0
Ratios			
Net D:E	-0.1	-0.2	-0.3
RoE (%)	26.1	24.4	25.9
RoCE (%)	21.6	21.0	23.3
Payout (%)	58.5	60.0	60.0
Valuations			
P/E (x)	11.6	11.5	9.8
P/BV (x)	2.9	2.7	2.4
EV/EBITDA (x)	7.1	6.7	5.6
Div. Yield (%)	5.0	5.2	6.1
FCF Yield (%)	10.2	10.9	10.9

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	50.0	50.0	50.0
DII	6.3	7.0	7.8
FII	30.5	29.5	29.3
Others	13.2	13.5	12.9

FII Includes depository receipts

CMP: INR229 TP: INR310 (+36%) Buy

Operational fundamentals remain unchanged; capex high on aspirations

- PLNG numbers were largely in line with our estimate, with volumes (at 218Tbtu) and utilization rates (Dahej/Kochi at 92%/22%) flat YoY in 4QFY21.
- The second COVID wave and higher spot LNG prices have proved to be a double whammy for the company, with spot cargoes being deferred due to lower consumption. **Dahej/Kochi is operating at a utilization rate of ~88%/~22% in 1QFY22 till date.**
- The management expects Kochi utilization rate to ramp up by ~30% by the end of FY22 (earlier guidance of ~40%), while Dahej would continue to operate at over 95% owing to tied up contracts (16.5mmtpa of 17.5mmtpa).
- **Factoring in the aforementioned, we lower our FY22E EPS by 8%, while keeping our FY23E EPS unchanged.** PLNG has raised tariffs by 5% at both Dahej and Kochi terminals (now at INR54.3/INR83.1 per mmbtu). Kochi tariff negotiations are still ongoing and tariffs may be reduced if commitment for commensurate offtake is provided by consumers.
- **Capex guidance for FY22/FY23 stands at INR5.3b/INR10b, with committed capex of INR41b over the next 3-4 years.** This committed capex is for the already announced plans at Dahej to set up two additional tanks (capex of INR13b), an additional jetty (INR17b), and capacity expansion by 5mmtpa (INR11b) to 22.5mmtpa.
- Apart from this, the management also spoke about various prospective capex plans, which are currently under evaluation like setting up of 1,000 LCNG stations (INR80b), a biogas plant (INR40b), an additional tank in Kochi (INR7b), and an LNG terminal on the east coast (INR16b).
- **Of the aforementioned prospective capex, the latter would still be possible in the near term. Both biogas and LNG retailing appear aspirational towards India's larger vision of a greener economy.**

In line numbers for 4QFY21

- EBITDA came in line with our estimate at INR10.9b (+56% YoY – due to higher opex in 4QFY20). Other expense includes INR180m/INR560m on account of Ind AS losses/CSR provision, while trading loss stood at INR40m. PAT stood at INR6.2b (16% lower than our estimate due to lower other income).
- **Total volumes stood at 218Tbtu (flat YoY, -7% QoQ).**
  - Dahej volumes stood at 204Tbtu, with the utilization rate at 92% (flat YoY).
  - Kochi volumes stood at 14Tbtu, with the utilization rate at 22% (flat YoY).
- **Volumes were down a mere 3% at 897Tbtu in FY21, despite the impact from COVID-19.** Utilization in Dahej/Kochi stood at 96%/19% (v/s 104%/17% in FY20). EBITDA rose 18% YoY to INR47b due to one-offs (inventory and trading gains). PAT rose 9% YoY to INR29.5b.
- The company announced a final dividend of INR3.5/share (in addition to an interim dividend of INR8) – totaling INR11.5/share. **This translates to a dividend payout of ~60% and a dividend yield of 5% for FY21.** We expect the dividend payout to be in the current range (~60%) going forward.

Valuation and view

- Gas consumption in India is expected to rise by 8-10% CAGR over the next five years as gas availability increases. Upcoming pipelines like Jagdishpur-Haldia, North East grid, and Mehsana-Bhatinda pipeline will connect more consumers, thereby supporting consumption. **We are positive on the company as the market share of gas in the primary energy mix is a meager 6% and is expected to double by CY30 (primarily from development of new CGDs and increased consumption by Fertilizer and refining/petchem plants).**
- Upcoming LNG terminals like that of H-Energy and Swan, or even incremental domestic gas, is not expected to impact Dahej utilization as most of its capacity is tied up for the long term. **Dahej remains the cheapest import terminal in India, with a tariff of ~INR54/mmBtu. Its capacity is expanding to 22.5mmtpa over the next 3-4 years, assuaging long-term growth concerns.**
- Currently, ~0.8mmsmcd of additional gas (~0.4mmscmd each by MCFL/OMPL) is flowing from the Kochi terminal. MRPL's peak volume offtake could be ~2mmscmd. **The management expects the Kochi terminal to achieve utilization of ~30%/~50% in FY22/over the next two years,** with the completion of Kochi-Bengaluru pipeline (9-11 CGDs and as other industrial units get connected).
- The aforementioned calculation for volume growth would translate to 7-9% EBITDA/PAT CAGR over FY21-23E. The stock trades at 9.8x FY23E EPS of INR23.4 and 5.6x FY23E EV/EBITDA. **We value PLNG on a DCF basis to arrive at a fair value of INR310. Reiterate Buy.**

Standalone quarterly earnings model (INR m)

Y/E March	FY20				FY21				FY20	FY21	FY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Net Sales	**86,134**	**93,612**	**89,102**	**85,672**	**48,836**	**62,358**	**73,282**	**75,753**	**3,54,520**	**2,60,229**	**1,02,416**	**-26%**
YoY Change (%)	-6.1	-12.9	-11.8	2.2	-43.3	-33.4	-17.8	-11.6	-7.7	-26.6	19.5	
EBITDA	**10,239**	**11,605**	**11,076**	**6,975**	**9,099**	**13,632**	**13,353**	**10,911**	**39,895**	**46,995**	**11,495**	**-5%**
Margin (%)	11.9	12.4	12.4	8.1	18.6	21.9	18.2	14.4	11.3	18.1	11.2	
Depreciation	1,899	1,960	1,960	1,942	1,936	1,952	1,925	2,028	7,761	7,841	1,986	2%
Interest	1,005	1,051	940	1,035	881	850	815	813	4,032	3,360	823	-1%
Other Income	1,044	975	842	865	684	1,596	1,111	492	3,726	3,882	1,213	-59%
Extra-Ord. expense	0	721	0	0	0	0	0	0	721	0	0	
PBT	**8,379**	**8,848**	**9,017**	**4,863**	**6,966**	**12,426**	**11,724**	**8,561**	**31,107**	**39,677**	**9,899**	**-14%**
Rate (%)	33.1	-24.7	25.1	26.2	25.3	25.4	25.1	27.2	13.3	25.7	25.1	
Reported PAT	**5,603**	**11,031**	**6,752**	**3,590**	**5,202**	**9,273**	**8,785**	**6,234**	**26,976**	**29,494**	**7,418**	**-16%**
Adj. PAT	**5,603**	**11,752**	**6,752**	**3,590**	**5,202**	**9,273**	**8,785**	**6,234**	**27,697**	**29,494**	**7,418**	**-16%**
YoY Change (%)	-4.5	108.8	19.4	-18.4	-7.1	-21.1	30.1	73.6	28.5	6.5	106.6	
Margin (%)	6.5	12.6	7.6	4.2	10.7	14.9	12.0	8.2	7.8	11.3	7.2	
Key Assumptions												
Total Volumes (Tbtu)	226.0	250.0	233.0	219.0	190.0	254.0	235.0	218.0	928.0	897.0	231.5	-6%
Dahej utilization (%)	114%	109%	100%	93%	82%	110%	100%	92%			98%	
Kochi utilization (%)	14%	16%	17%	21%	14%	17%	21%	22%			24%	

MAX Financial Services

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	MAXF IN
Equity Shares (m)	345
M.Cap.(INRb)/(USDb)	343.8 / 4.7
52-Week Range (INR)	1050 / 463
1, 6, 12 Rel. Per (%)	3/44/61
12M Avg Val (INR M)	1053

Financials & Valuations (INR b)

Y/E MARCH	FY21	FY22E	FY23E
Net Premiums	190.2	224.9	272.0
Sh.PAT	5.2	7.1	8.0
NBP gr - unwtd (%)	22.3	21.0	24.0
NBP gr - APE (%)	19.5	20.7	24.3
Premium gr (%)	17.5	18.2	21.0
VNB margin (%)	25.2	26.4	26.8
Op. RoEV (%)	18.5	21.0	22.3
Total AUMs (INRb)	904	1,066	1,246
VNB(INRb)	12.5	15.8	19.9
EV per Share	274.5	325.5	390.8
Valuations		0.0	0.0
P/EV (x)	4.5	3.8	3.2
P/EVOP (x)	29.0	21.6	17.2

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	17.0	17.3	28.3
DII	51.4	50.9	29.0
FII	23.1	19.7	30.6
Others	8.5	12.2	12.1

FII Includes depository receipts

CMP: INR996 TP: INR1,200 (+20%) Buy

Steady performance; Non-PAR growth remains robust

Persistency improves; maintains healthy provisioning buffer towards pandemic linked claims

- MAXLIFE continues to demonstrate resilient performance amid a challenging macro environment, led by healthy (36%) APE growth, aided by robust growth in Non-PAR savings and recovery in the ULIP segment. After witnessing robust Protection growth over 1H, the same moderated during 2HFY21.
- Healthy product mix towards high margin segments and strong APE growth aided VNB growth of 44% YoY during 4QFY21. Strong push via the bancassurance channel has aided premium growth, while the proprietary channel is showing healthy traction.
- We expect 22% CAGR in APE growth over FY21-23E, with VNB margin improving to 26.8% by FY23E. This would enable 26% VNB CAGR over FY21-23E, while operating RoEV sustains ~22%. **Maintain Buy.**

VNB growth steady; persistency recovers further

- **Gross written premium grew ~21% YoY** led by a 36%/40% growth in the first year/single premium, while renewal premium grew ~14%. Shareholder PAT declined 54% YoY to ~INR1.1b in 4QFY21 on higher additional provisions towards COVID-19 death claims.
- Individual APE grew 35% YoY in 4QFY21. Total APE growth stood at 36% YoY, aided by strong trends in Non-PAR savings (143%), with the launch of a new product 'Smart Wealth plan', while ULIP showed recovery trends. Protection growth moderated at 5% YoY as Group Protection fell 17%, while Individual Protection grew 17%. The share of Non-PAR savings increased to 30% in FY21 v/s 18% in FY20. The share of Protection stood at 14% v/s 13% in FY20.
- **Absolute VNB growth was healthy at 44% YoY due to strong margin profile and healthy product mix.** Margin stood ~24% in 4QFY21 (v/s 22.8% in 4QFY20). Absolute VNB grew 39% YoY in FY21. VNB margin improved sharply to 25.2% in FY21 (v/s 21.6% in FY20).
- On the distribution side, banca APE reported robust trends and grew 41% YoY, while proprietary channel APE witnessed a strong (22%) recovery in 4QFY21. The share of banca improved to 71% in FY21 (v/s 68% in FY20), while the share of proprietary stood at 28% (v/s 31% in FY20).
- MAXLIFE witnessed total net claims of ~INR1.2b in FY21 on account of COVID-19 deaths. It made total provisions of INR3.4b due to a likely adverse COVID-19 experience in FY22, and now holds an excess provision buffer of INR5b on its Balance Sheet. Operating RoEV stands at 18.5% (v/s 20.3% in FY20), impacted by higher COVID-19 provisions.
- Persistency improved with 13th/61st month improving by 100bp/200bp to 84%/54%. In other cohorts, persistency trends remained stable (barring the 49th month). On the cost front, opex-to-GWP ratio declined to 20.7% (v/s 21.7%/20.8% over 9MFY21/FY20).

Highlights from the management commentary

- In the medium term, the management expects persistency to reflect an upward trajectory. The 13th month persistency can reach up to 86% (v/s 84% currently).
- It expects business growth between 15% and 20% over FY22.
- The Non-PAR segment will continue to remain between 25% and 30% in the total APE mix. It expects a 200-300bp VNB margin improvement over the next 2-3 years.

Valuation and view

MAXLIFE reported strong operating trends, with premium growth in the Non-PAR business remaining steady, while the ULIP business showed a recovery. VNB margin has improved sharply to ~25.2% in FY21 (360bp YoY improvement), while persistency trends have also improved. Strong push via the bancassurance channel has supported premium growth, while growth is improving gradually in the proprietary channel. We estimate APE growth at 22% CAGR over FY20-23E and VNB margin to improve to 26.8% in FY23E. This would enable 26% VNB CAGR over FY21-23E, while operating RoEV will sustain ~22%. We maintain our Buy rating with a TP of INR1,200/share (3.1x FY23E EV/3.8x FY23E EV after a 20% holding company discount).

Quarterly performance (INR m)

Policyholder's A/c (INR m)	FY20				FY21				FY20	FY21E	FY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Gross premium income	26,510	37,810	38,800	58,710	27,510	45,330	46,280	71,060	1,61,836	1,90,180	68,123	4%
Growth (%)	14.3%	14.6%	12.8%	6.4%	3.8%	19.9%	19.3%	21.0%	11.0%	17.5%	16.0%	
Renewal premium	17,400	24,010	24,770	39,820	18,520	29,370	28,800	45,230	1,06,000	1,21,920	45,226	0%
Growth (%)	12.0%	11.3%	10.3%	15.1%	6.4%	22.3%	16.3%	13.6%	12.6%	15.0%	13.6%	
PAT	**680**	**860**	**1,540**	**2,314**	**1,710**	**260**	**2,200**	**1,060**	**5,394**	**5,230**	**2,700**	**-61%**
Growth (%)	NA	NA	NA	NA	151.5%	-69.8%	42.9%	-54.2%	-3.1%	-3.0%	16.7%	
Key metrics (INR m)												
New Business APE	6,850	10,450	10,100	14,090	6,610	11,540	12,250	19,170	42,380	49,570	17,876	7%
VNB	1,340	2,300	2,120	3,210	1,130	3,250	3,500	4,610	8,970	12,490	4,667	-1%
AUM (INR b)	640	650	686	685	730	780	850	904	685	904	905	0%
Key Ratios (%)												
VNB Margin (%)	19.6	22.0	21.0	22.8	17.1	28.2	28.6	24.0	21.6	25.2	26.1	206bp
Solvency ratio (%)	225.0	224.0	220.0	207.0	212.0	207.0	208.0	196.0	207.0	196.0	208.7	1, 270bp

E: MOFSL estimates

TeamLease

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	TEAM IN
Equity Shares (m)	17
M.Cap.(INRb)/(USDb)	62.2 / 0.9
52-Week Range (INR)	4065 / 1630
1, 6, 12 Rel. Per (%)	5/27/50
12M Avg Val (INR M)	86

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	48.8	60.1	75.5
EBIT Margin (%)	1.3	1.6	1.8
PAT	0.9	1.2	1.7
EPS (INR)	48.9	53.8	82.9
EPS Gr. (%)	6.1	37.8	36.4
BV/Sh. (INR)	383.7	455.2	552.7
Ratios			
RoE (%)	14.4	17.0	19.4
RoCE (%)	11.5	16.0	18.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	70.4	51.1	37.4
P/BV (x)	9.5	8.0	6.6
EV/EBITDA (x)	61.8	46.5	33.2
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	34.0	34.0	40.0
DII	17.0	17.1	10.5
FII	37.9	38.4	41.0
Others	11.0	10.5	8.5

FII Includes depository receipts

CMP: INR 3637 TP: INR 4000 (+10%) Buy

Near term impact to be manageable

Long term outlook optimistic

- TEAM delivered an in line performance in 4QFY21, with total revenue increasing 5% QoQ. Revenue growth was led by the General Staffing business (+5.5% QoQ) – general staffing and NETAP trainee headcount increased by 16k (+8% QoQ). Margin in 4QFY21 were stable, despite an impressive improvement in FTE productivity (352 v/s 334 in 2Q), led by continued customer discounts. It reported an adjusted PAT of INR268m, implying a PAT margin (in line) of 2%.
- TEAM remains optimistic about a recovery in long term growth. We expect the revenue impact in 1QFY22E, on account of the second COVID wave induced lockdowns, to be much more manageable than FY21. We expect a quicker recovery in the General Staffing business and expect 24% revenue CAGR in this segment over FY21-23E.
- Increased manpower demand and higher margin replacements in the IT Staffing business should improve margin by 30bp in FY23E from FY21 levels. This, in turn, should result in an adjusted PAT CAGR of 43% over FY21-23E.
- Over the medium term, as both the central and state governments look forward to liberalizing and formalizing the labor market, TEAM should be among the biggest direct beneficiaries.
- We marginally reduce our FY22E estimate by 2% to factor in a revenue impact from the ongoing lockdown. Our TP of INR4,000/share implies 41x FY23E EPS. Reiterate **Buy**.

Operations in line, growth in headcount encouraging

- Revenue was flat YoY at INR13.4b (in line). EBITDA grew 31% YoY (est. +35%) to INR261m. Adjusted PAT rose 40% YoY (in line) to INR268m.
- Revenue growth for TEAM stood at 5% QoQ, but was flat YoY. Growth was led by General Staffing (5.5% QoQ) and Other HR Services (33% QoQ), but was partly offset by a decline in the Specialized Staffing segment (3.5% QoQ). General Staffing surpassed its pre-COVID revenue run-rate.
- EBITDA margin stood at 1.9%, flat QoQ, but was up 40bp YoY. Margin was aided by a rise in FTE productivity to 352 in 4QFY21 from 264 in 4QFY20.
- Adjusted PAT grew 40% YoY to INR268m. The same was impacted by lower other income. Without adjusting for DTL on goodwill amortization, reported PAT stood at INR196m in 4QFY21.
- Billable headcount was up 8% QoQ and 4% YoY. General Staffing headcount is back to pre-COVID levels.
- Cash conversion ratio to PBT improved to over 300%, of which 156% is contributed by tax refunds and the balance by efficient working capital management. Cash available at the end of FY21 stood at INR2.5b.

Key highlights from the management commentary

- The General Staffing segment has surpassed its pre-COVID revenue run-rate, with headcount at pre-COVID levels. Performance in 4QFY21 is on the back of strong performance in Jan-Feb'21. The effects of the second COVID wave started in Mar'21. Clients are cautious, but the management expects the turnaround to be faster than FY21.
- The company added 100 new logos in FY21 despite the pandemic. New signups resulted in a 43% growth in associates, whereas the balance came from existing customers.
- TEAM incorporates certain permanent discounts in its pricing for a few customers, which will pressurize margin. However, this should be offset by an increase in productivity.

Valuation and view – A key beneficiary of formalization

- Given some level of uncertainty in the economy (due to the back and forth on lockdowns), some of the otherwise permanent roles are likely to be fulfilled through flexi-staffing, as employers attempt to maintain variable costs. We noticed similar trends in the immediate aftermath of the GFC and demonetization, when staffing companies benefitted due to positive hiring trends in some verticals. Such a trend should likely play out in the near term, benefitting staffing firms such as TEAM.
- Over the medium term, as both the central and state governments look to liberalize and formalize the labor market, TEAM should be among the biggest direct beneficiaries.
- We marginally reduce our FY22E estimate by 2% to factor in revenue impact from the ongoing lockdown. Our TP of INR4,000/share implies 41x FY23E EPS. Reiterate **Buy**.

Consolidated quarterly performance (INR m)

	FY20				FY21				FY20	FY21		Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QFY21E	(%/bp)
Revenue	**12,512**	**12,678**	**13,514**	**13,303**	**11,364**	**11,291**	**12,754**	**13,405**	**52,007**	**48,815**	**13,417**	**0%**
YoY Change (%)	23%	16%	15%	14.3%	-9%	-11%	-6%	0.8%	17%	-6.1%	0.9%	
Total Expenditure	12,281	12,433	13,239	13,104	11,119	11,061	12,506	13,144	51,056	47,830	13,149	0%
Reported EBITDA	**232**	**245**	**275**	**199**	**246**	**230**	**248**	**261**	**951**	**985**	**268**	**-3%**
Margin (%)	1.9%	1.9%	2.0%	1.5%	2.2%	2.0%	1.9%	1.9%	1.8%	2.0%	2.0%	-5bQ
Depreciation	61	66	76	83	82	83	84	87	286	337	82	
Reported EBIT	**171**	**179**	**199**	**116**	**164**	**146**	**164**	**174**	**665**	**648**	**186**	**-6%**
Margin (%)	1.4%	1.4%	1.5%	0.9%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%	-9bp
Interest	28	29	29	37	26	19	12	12	123	69	15	-20%
Other Income	35	54	73	147	41	115	98	93	308	347	100	-7%
Reported PBT	**173**	**195**	**238**	**224**	**176**	**210**	**246**	**254**	**830**	**885**	**266**	**-5%**
Tax	-15	-6	-16	518	5	24	15	-15	480	29	0	
Rate (%)	-9%	-3%	-7%	232%	3%	11%	6%	-6%	58%	3%	0%	-580bp
Reported PAT	**188**	**202**	**255**	**-294**	**171**	**186**	**231**	**196**	**350**	**785**	**266**	**-26%**
YoY Change (%)	-14%	-19%	1%	-213%	-9%	-8%	-9%	-167%	-64%	124%	-191%	2377bp
Margin (%)	1.5%	1.6%	1.9%	-2.2%	1.5%	1.6%	1.8%	1.5%	0.7%	1.6%	2.0%	-52bp
Adjusted PAT	**188**	**202**	**255**	**192**	**171**	**216**	**231**	**268**	**836**	**887**	**266**	**1%**
YoY Change (%)	-14%	-19%	1%	-26%	-9%	7%	-9%	40%	-15%	6%	39%	107bp
Margin (%)	1.5%	1.6%	1.9%	1.4%	1.5%	1.9%	1.8%	2.0%	1.6%	1.8%	2.0%	2bp

Tata Communications

BSE SENSEX	S&P CNX
51,942	15,635

TATA COMMUNICATIONS

Bloomberg	TCOM IN
Equity Shares (m)	285
M.Cap.(INRb)/(USDb)	350.8 / 4.8
52-Week Range (INR)	1365 / 447
1, 6, 12 Rel. Per (%)	8/7/112
12M Avg Val (INR M)	389
Free float (%)	41.1

Financials and valuations (INR b)

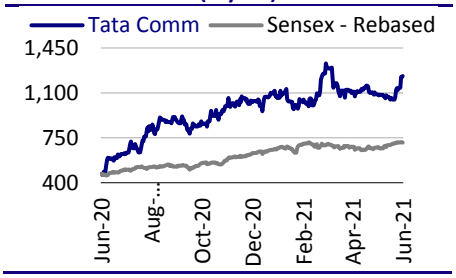
Y/E March	FY21	FY22E	FY23E
Net Sales	171.0	174.2	192.1
EBITDA	42.6	45.2	51.5
Adj. PAT	13.3	14.4	19.0
EBITDA Margin (%)	24.9	25.9	26.8
Adj. EPS (INR)	46.5	50.6	66.7
EPS Gr. (%)	340.2	8.8	31.9
BV/Sh. (INR)	4.1	54.7	121.4
Ratios			
Net D:E	57.5	2.8	0.5
RoE (%)	-227.9	172.4	75.8
RoCE (%)	19.5	16.4	18.6
Payout (%)	10.6	9.2	7.0
Valuations			
EV/EBITDA (x)	10.3	9.2	7.6
P/E (x)	26.3	24.2	18.3
P/BV (x)	302.1	22.4	10.1
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	4.4	6.4	7.5

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	58.9	75.0	75.0
DII	7.5	1.4	1.8
FII	24.4	17.7	17.5
Others	9.2	6.0	5.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1231 TP: INR1142 (-7%) Neutral

Ambitious targets, but needs to tread carefully

TCOM's analyst webinar provided a detailed deep-dive into the global enterprise growth opportunity, management's growth focus, margin outlook, and investment requirements. Key insights are:

Strong focus on growth

TCOM's achieved its double-digit EBITDA growth target last year, despite weak low single-digit Data revenue growth, thanks to margin improvement due to an impact of COVID-19 on revenue. The management reiterated its renewed growth focus, with a medium term double-digit Data revenue growth target, on the back of three key factors: a) a shift to platform from a product-based approach for Next-Gen Connectivity, Collaboration, and Cloud and Hosting business; b) strong focus towards the engagement program for its top 1,000 customers and account planning; and c) positioning as a digital ecosystem enabler, with a revamped operating structure for a greater business focus. It has managed to leverage the global shift towards digital by moving towards platform-based delivery.

Products to platform approach to leverage growth opportunity in global enterprise data

Despite the weak industry growth outlook in its traditional Core Connectivity segment, with declining market size (-2% CAGR), the management's target of double-digit Data growth stems from its focus toward new growth areas like: a) Next-Gen Connectivity, with on demand connectivity solutions, IZO platform, and integrated WAN management, where the market is expected to grow at 15% CAGR over FY20-24; b) Collaboration and Connected Solutions, which is expected to see steady industry growth of 15-25%; and c) Cloud Hosting and Security business, given the huge demand for multi-Cloud adoption, with 24% market growth over FY20-25, TCOM's innovative IaaS/PaaS offerings, and trends of vendor consolidation towards an integrated provider of Cloud + Security + Network Services.

Targets double-digit revenue growth, with 23-25% margin; capex may go up

While near-term Data revenue growth trends remain challenging, with the impact of COVID-19 on usage-based sectors like Media and Aviation seeing weak growth and the second COVID wave taking a severe toll both internally and externally, the management is still relying on growing its new order funnel, innovative solutions, and strong market demand towards digitization and new solutions. Yet we see two key challenges. a.) Until new product categories in the Innovation segment achieve scale of over 10x from a current revenue base of a mere INR1.3b, it may continue to lag along with a weak growth outlook in its subsidiaries.

Hence, the management has kept its margin guidance at 23-25%, despite already being at 24.9% in FY21. b.) It plans to maintain leverage at current levels, despite a strong FCF, as is looking at increasing capex or exploring inorganic opportunities to front load the investment cycle in the near term, even before it sees it translating in a meaningful Data revenue growth rate. The increase in RoCE target to 25-30% in the medium term underscores the management's consciousness towards right investments. But given its past record of high capital investment in multiple non-core areas like Neotel (South African market) and the ATM business, we see risk to FCF generation.

Key highlights from the analyst webinar

- **The management displayed increased vigor and reiterated double-digit Data growth** in the near term, despite weak FY21 earnings. It guided at an EBITDA margin of 23-25%, though COVID-related growth headwinds continue to linger in the near term.
- **RoCE target revised upward** to 25-30% from 20% earlier. The same stood at 25% in FY21 v/s 11.5% in FY20. Near term capex intensity and higher investment in organic/inorganic avenues to fuel growth.
- **Leverage to remain at current levels,** despite higher growth, due to the use of cash flows to fund additional capacity. The company faced headwinds during the 2HFY21 from impacted segments like Media and Aviation, which will see a slow recovery in FY22.

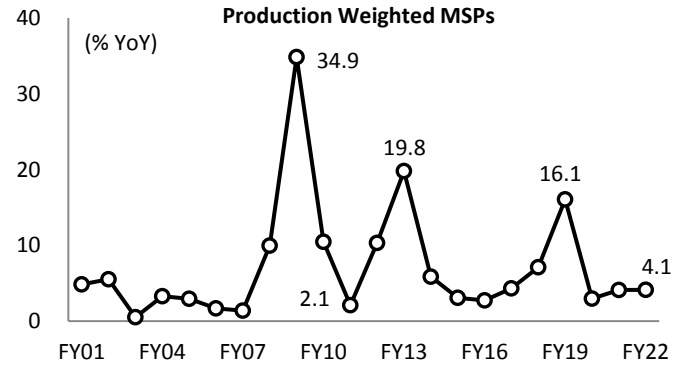
Valuation

- The stock has risen over 2.5x in the last one year. At our estimated EBITDA CAGR of 9.9% over FY21-23E, the stock is trading at FY23E EV/EBITDA of 7.6x, with a limited margin of safety.
- Its performance in the last couple of years has been commendable, with EBITDA growing to INR42.6b in FY21 from INR32.9b in FY20, thanks to 565bp margin improvement. But with a limited potential for margin improvement, near-term growth headwinds, and an increase in investment possibilities, earning growth and FCF generation could moderate over FY21-23E.
- We maintain our cautious stance on TCOM and would keenly watch execution of its stated strategies to drive healthy revenue/EBITDA growth with new product portfolios.
- We value TCOM at INR1,142 using SoTP valuation and assign a 7.8x/2.5x multiple to FY23E Data/Voice EBITDA. Maintain Neutral.

MSP hike kept unchanged for Kharif crop marketing season in FY22

- **The government has approved an increase in the Minimum Support Price (MSP) for all 14 mandated Kharif crops for marketing season FY22 on 9th Jun'21.**
- **The production-weighted average MSP hike of all these 14 crops stood at 4.1% YoY in FY22, similar to FY21, but higher than the 3% YoY in FY20.**
- **"The expected returns to farmers over their cost of production is estimated to be highest in case of bajra (85%), followed by urad (65%) and tur (62%). For the rest of the crops, return to farmers over their cost of production is estimated to be at least 50%," a government release said. The government calculates cost as a function of cost of cultivation, plus the value of family labor (A2 + FL).**
- **The highest absolute increase in MSP in FY22 over FY21 has been recommended for sesamum (INR 452/quintal), followed by tur and urad (INR300/quintal each).**

Production-weighted average hike in MSP kept unchanged at 4.1% YoY in FY22



MSP for Kharif marketing season FY22

Crops (INR/quintal)	FY21	FY22	Absolute increase	YoY (%)
Paddy	1,868	1,940	72	3.9
Jowar	2,620	2,738	118	4.5
Bajra	2,150	2,250	100	4.7
Maize	1,850	1,870	20	1.1
Ragi	3,295	3,377	82	2.5
Arhar (Tur)	6,000	6,300	300	5
Moong	7,196	7,275	79	1.1
Urad	6,000	6,300	300	5
Groundnut	5,275	5,550	275	5.2
Soybean	3,880	3,950	70	1.8
Sunflower	5,885	6,015	130	2.2
Sesamum	6,855	7,307	452	6.6
Niger Seed	6,695	6,930	235	3.5
Cotton	5,670	5,876	206	3.6
Production-weighted average hike				**4.1**

Source: Department of Agriculture, Commission for Agriculture Costs and Prices (CACP), CSO, MOFSL

Larsen & Toubro: Looking at FY22 as a growth year over FY21; R Shankar Raman, WTD & CFO

- We were striding well as we closed FY21 with momentum returning
- Had to pulls some stops in April & May on account of the pandemic
- We like to believe that worst is behind us
- Only 20-25% of labour migrated back to hometowns vs more than 70% last year
- Hope to inch back to normal by July. Progress on the sites this year has been far better
- Sufficient liquidity available for companies like us. FY21 cash flows improved by pulling back working capital
- Looking at FY22 as a growth year over FY21. May see a better order book YoY
- Execution level and supply chains in a better condition than Q1 last year
- Have a win rate of 1 out of 5 projects. Metro, dedicated freight corridor, high-speed rail order are expanding
- Transportation and health infra segments looks good. Energy sector in transition towards non-fossil. Mining & Mineral sector is looking promising now
- India's cost of infra can be 20% cheaper if we learn to execute on time

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Galaxy Surfactants: Expect robust demand; coping with supply chain requirements is key for performance; U Shekhar, Founder Promoter & MD

- H2FY21 speciality volume grew by 15%
- Have seen a sharp increase in raw material prices
- Demand will continue to be robust, need to watch supply side issues
- Should see progressive increase in EBITDA/tonne due to new products
- There is some restriction on movement of raw materials
- Impact of supply chain disruptions will not be significant
- Operations in Egypt and Europe did not get impacted in Q1

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Ratnamani Metals: Enquiries picking up after COVID slowdown; Manoj Sanghvi, Business Unit Head

- Sustainable margin range in the long run will be 16-18%
- Order book as of June at Rs. 1530 crore
- Target revenue of Rs. 3000 crore for FY22; expecting 20% contribution from exports
- Things have been slow due to COVID but enquiries increased in last few days
- Expect Rs. 50-75 crore to come from pharma space in FY22

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Sunteck Realty: Labour coming back to sites; mid-income segment showing traction; Kamal Khetan, CMD

- Have seen good sales momentum across projects
- There is more demand form mid-income and affordable segment
- Utilisation across projects is around 70-80%
- Labour is coming back to sites

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Wonderla Holidays: Rebound from second wave expected to be faster; Arun K Chittilappilly, MD

- Company was better prepared this time vs the first wave. Have reduced fixed costs by 30-40%
- Sufficiently capitalised to survive the pandemic. Rebound from second wave is expected to be faster
- Recovered to 78% of pre-COVID business in Q4FY21
- Chennai park construction been delayed on hold till end FY22

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Titagarh Wagons: Indian operations stable, order book healthy; Umesh Chowdhary, VC & MD

- Indian operations have stabilised; Indian order book is healthy
- Have seen an impact on Italian operations. Facing cash flow issue in Italian operations
- Indian order book currently at Rs. 2700 crore. Will execute entire Indian order book in next 2 years
- Italian operations saw EBITDA break-even last quarter. Will try to turn around Italian operations soon
- We are net-debt free in Indian business as of March 31
- Shut down Italian operations multiple times during the year
- Italian Government has come up with schemes for equity and soft loans. Have received support of 10 m euros under Italian Government schemes

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Cosmo Films: Will be launching the after-wash laundry sanitiser in modern trade; Pankaj Poddar, CEO

- Have launched the after-wash laundry sanitiser on Amazon & Flipkart
- Will be launching the after-wash laundry sanitiser in modern trade
- Spending Rs. 8-10 crore in the marketing of the after-wash laundry sanitiser

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