7 May 2021

MORNING INDIA

ASIAMONEY Brokers Poll 2020 (India)

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	48,678	0.9	1.9
Nifty-50	14,618	0.8	4.5
Nifty-M 100	24,410	1.0	17.1
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	4,168	0.1	11.0
Nasdaq	13,582	-0.4	5.4
FTSE 100	7,039	1.7	9.0
DAX	15,171	2.1	10.6
Hang Seng	10,722	-0.4	-0.2
Nikkei 225	28,813	0.0	5.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	69	-0.9	34.5
Gold ($/OZ)	1,787	0.4	-5.9
Cu (US$/MT)	9,949	-0.2	28.4
Almn (US$/MT)	2,450	0.8	24.1
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	73.9	0.1	1.2
USD/EUR	1.2	-0.1	-1.7
USD/JPY	109.2	-0.1	5.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.0	-0.04	0.1
10 Yrs AAA Corp	6.8	-0.04	0.2
Flows (USD b)	**5-May**	**MTD**	**CY21**
FIIs	-0.15	-1.64	5.38
DIIs	-0.03	1.45	-1.48
Volumes (INRb)	**5-May**	**MTD***	**YTD***
Cash	742	783	781
F&O	44,632	37,470	42,291

Note: *Average

Today's top research idea

Agrochemicals: Diversification to insulate companies from Mancozeb ban in the EU

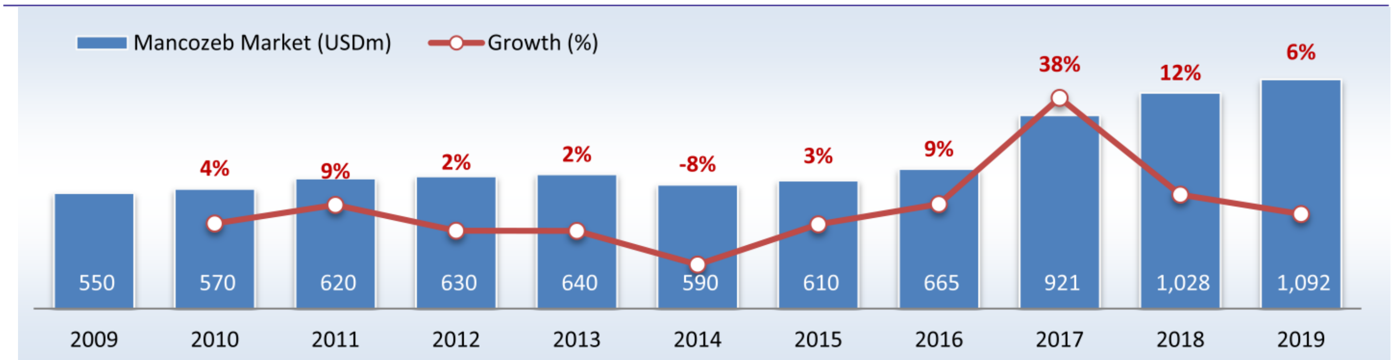
- In Oct'20, EU member states voted not to renew the license of Mancozeb for use, sighting health issues. As a result, Mancozeb is banned in the EU.
- Manufacturers can sell to distributors up to Jun-Jul'21, and a distributor can sell to farmers up to Jan'22. Mancozeb has annual sales of ~USD1b and is the world's second leading fungicide.
- UPL is the largest manufacturer of Mancozeb globally, followed by Coromandel International and Indofil Industries. The top five companies account for over 80% of Mancozeb's global market share. Europe constitutes ~10% of global Mancozeb consumption, which is used for horticulture crops like grapes, potato, and tomato.
- Mancozeb forms 5-6% of UPL's consolidated revenue, and including its mixtures, constitutes 8-10% of revenue. Sale of Mancozeb in Europe forms ~1.5% of UPL's consolidated sales. The management highlighted that they have molecules which can replace Mancozeb sales in Europe and won't change the cost incurred by farmers. Thus, the impact is unlikely to be material for the company.
- For CRIN, Mancozeb forms 5.8% of sales. Since it does not export Mancozeb to Europe, the impact is unlikely to be material.

Research covered

Cos/Sector	Key Highlights
Agrochemicals	Diversification to insulate companies from Mancozeb ban in the EU
Tata Steel	EBITDA rises 50% QoQ to a record high of INR142b
L&T Infotech	Elevated valuation fairly captures in future growth performance
SRF	Beat across all fronts; margin expands across the business
CEAT	Below est.; high RM cost hurts margins; to expand TBR capacity
Financials	RBI announces measures to mitigate impact of COVID 2.0

Chart of the Day: Agrochemicals | Diversification to insulate companies from Mancozeb ban in the EU

Global Mancozeb market size



Source: Agropages, MOFSL

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In the news today

Kindly click on textbox for the detailed news link

1

5G auctions likely to be pushed to Q1 of 2022

India's 5G auctions are likely to be pushed to the first quarter of 2022 at the earliest, with the Department of Telecommunications currently preoccupied with ensuring network stability in the midst of the pandemic and critical decisions awaited on spectrum availability and pricing. "It is …

2

CCI orders probe against Tata Motors for alleged unfair biz practices

The Competition Commission has ordered a detailed probe against Tata Motors for alleged abuse of dominant position with respect to dealership agreements. The order has come on two complaints filed against Tata Motors, Tata Capital Financial Services Ltd and Tata Motors Finance Ltd (opposite parties). The Competition Commission of India (CCI) observed that the complainants are primarily aggrieved that Tata Motors has imposed unfair terms and conditions in the dealership agreement for commercial vehicles in abuse of its dominant position in contravention of the provisions of Section 4 of the Competition Act.…

3

Cabinet okays strategic disinvestment in IDBI Bank

The Cabinet Committee on Economic Affairs, chaired by Prime Minister Narendra Modi, on Wednesday cleared the proposal for strategic disinvestment along with transfer management control of IDBI Bank. The government and Life Insurance Corporation (LIC) together own more than 94% stake in IDBI Bank with 45.48% and 49.24% individual stakes respectively.…

4

RBI Gov announces ₹50,000 cr 'on tap liquidity' to fight second wave of Covid

In a bid to provide liquidity support and strengthen public in general in their fight against Covid-19 pandemic, the Reserve Bank of India (RBI) Governor Shaktikanta Das today announced 'on tap liquidity' to the public in general. The loan will be available at the RBI's Repo Rate, i.e. 4 per cent. The tenor of the loan will be up to 3…

5

Andhra decides to sell stake in Gangavaram Port to Adani for Rs 645 cr

Andhra Pradesh government has decided to sell its 10.4% stake in Gangavaram Port in favour of Adani Ports and Special Economic Zone (APSEZ) for around Rs 645 crore. The Cabinet meeting of the YS Jagan Mohan Reddy government held on Tuesday evening, has also approved the request of APSEZ to merge with itself the modern deep sea port located on the east coast at Visakhapatnam.…

6

Auto industry output set to hit a 9-month low in May

Production in the Indian auto industry is set to hit a nine-month low in May as factories are getting shut and the supply chain is fractured amid a surge in Covid-19 infection across the country and partial lockdowns in several places.…

7

Ceat to make a fresh investment of Rs 1200 crore in truck and bus plant

Ceat Ltd, the flagship company of RPG Group, Wednesday announced Rs 1,200 crore of fresh investments into expansion of truck and bus radial capacity even as the second wave of pandemic has created a short term disruption. The fresh investment approved by the…

Agrochemicals

BSE SENSEX	S&P CNX
48,254	14,497

Financials Snapshot – UPL (INR b)

Y/E MARCH	FY21E	FY22E	FY23E
Sales	382.1	415.4	447.1
EBITDA	83.0	93.5	102.8
Adj. PAT	32.2	38.1	44.6
EBITDA Margin (%)	21.7	22.5	23.0
Cons. Adj. EPS (INR)	42.1	49.8	58.3
EPS Gr. (%)	21.0	18.2	17.0
BV/Sh. (INR)	242	427	498
Ratios			
Net D:E	1.3	1.0	0.8
RoE (%)	18.5	19.0	19.1
RoCE (%)	10.7	11.4	12.4
Payout (%)	20.0	20.0	20.0
Valuations			
P/E (x)	15.0	12.7	10.9
EV/EBITDA (x)	8.8	7.6	6.6
Div. Yield (%)	1.1	1.6	1.8
FCF Yield (%)	5.7	10.0	11.5

Financials Snapshot – CRIN (INR b)

Y/E MARCH	FY21	FY22E	FY23E
Sales	142.1	162.4	165.7
EBITDA	20.2	20.8	24.0
Adj. PAT	13.3	14.8	17.0
EBITDA Margin (%)	14.2	12.8	14.5
Cons. Adj. EPS (INR)	45.3	50.4	57.8
EPS Gr. (%)	24.6	11.3	14.7
BV/Sh. (INR)	176	212	254
Ratios			
Net D:E	(0.1)	(0.0)	(0.1)
RoE (%)	28.1	26.0	24.8
RoCE (%)	25.3	26.0	24.8
Payout (%)	26.5	27.8	27.7
Valuations			
P/E (x)	16.4	14.7	12.8
EV/EBITDA (x)	10.4	10.4	8.7
Div. Yield (%)	1.6	1.9	2.2
FCF Yield (%)	18.2	(1.0)	5.3

Diversification to insulate companies from Mancozeb ban in the EU

In Oct'20, EU member states voted not to renew the license for use of Mancozeb. As a result, Mancozeb is banned in the EU. Manufacturers can sell to distributors up to Jun-Jul'21 and a distributor can sell to farmers up to Jan'22. In this note, we have analyzed the impact of the EU ban of Mancozeb. Here are our key insights:

About Mancozeb

- Mancozeb is a dithiocarbamate non-systemic agricultural fungicide, with multi-site protective action on contact. It is a combination of two other dithiocarbamates: maneb and zineb. The mixture controls many fungal diseases in a wide range of field crops, fruits, nuts, vegetables, and ornamentals.
- **Market size**: Mancozeb has annual total consumption of 190-200k MT and annual sales of ~USD1b. It grew very fast and is now the world's second leading fungicide behind azoxystrobin. The demand for Mancozeb is relatively higher than other products owing to factors such as non-selective, effective, and its low price.
- **Key manufacturers:** The major manufacturers of Mancozeb are UPL, Coromandel International (CRIN), Indofil Industries, Dow AgroSciences, and Limin Chemical. UPL is the largest manufacturer of Mancozeb globally, followed by CRIN and Indofil. Limin Chemical is the largest manufacturer of Mancozeb in China and the fifth largest producer globally. The top five companies account for more than 80% of Mancozeb's global market share.
- **Consumption**: Latin America is one of the biggest markets for Mancozeb, where it used mainly on crops like soybean, corn, and cotton. However, in Europe, which constitutes ~10% of global Mancozeb consumption, Mancozeb is used for horticulture crops like grapes, potato, and tomato.

EU bans Mancozeb sighting health issues

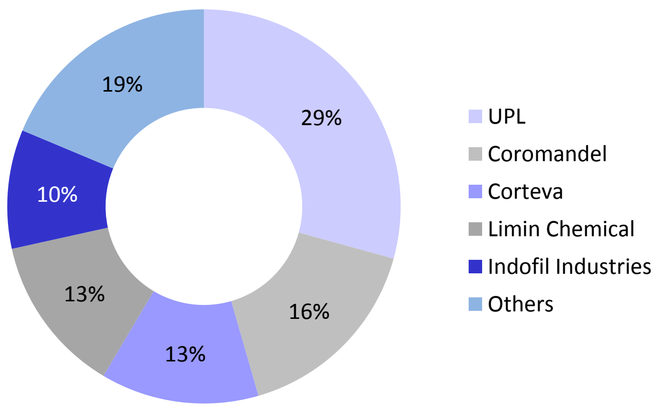
- European governments have agreed to withdraw EU approval for Mancozeb, among the most commonly applied arable crop pesticides of any kind, after majority of the delegates agreed not to renew the authorization. The decision was taken by the European Commission's Standing Committee on Plants, Animals, Food and Feed.
- Mancozeb is a combination of the dithiocarbamates fungicides – zineb and maneb – and has been in the market since CY61. Zineb lost its EU approval in CY00, when its manufacturers withdrew an application to renew it, though it remains in use as a biocide. Maneb has not been approved since CY05, as it is very toxic to aquatic life and is a suspected reprotoxin.
- The report identified that Mancozeb is presumed to be a human reprotoxin and meets criteria deeming it an endocrine disruptor. There are concerns about non-dietary exposures too. Its toxicology is related to the breakdown product ethylene thiourea, known to affect the thyroid gland and induce birth defects. Exposure to dithiocarbamates has also been linked to Parkinson's disease.

- **Thus, Europe has banned Mancozeb. Manufacturers can sell to a distributor up to Jun-July'21 and a distributor can sell to farmers up to Jan'22.**
-

Impact on UPL and CRIN

- Mancozeb forms 5-6% of UPL's consolidated revenue, and including its mixtures, constitutes 8-10% of revenue. About 60-65% of UPL's Mancozeb sales are to Latin America. Sale of Mancozeb by UPL in Europe is merely ~1.5% of its consolidated sales. In our interaction with the management, the company highlighted that they have molecules which can replace Mancozeb sales in Europe and won't change the cost incurred by farmers. Thus, the impact is unlikely to be material for the company.
- UPL has products like: i) **Captan,** which is a preventative foliar fungicide used on crops like apple and pear. The product is registering strong growth currently. ii) **RanMan,** which is a systemic protectant fungicide, is used against crops like potatoes and broccoli. The active ingredient used is cyazofamid is active on Oomycetes fungi. iii) **Proxanil** is a unique fungicide for protection against potato late blight, with a formulation that combines the antisporulant effect of propamocarb, with the kick-back effect of cymoxanil. Proxanil is a soluble concentrate that contains 400g of propamocarb-HCl and 50g of cymoxanil. Above are few products that can replace Mancozeb.
- For CRIN, the Crop Protection (CP) business accounts for ~13% of consolidated revenue, of which Mancozeb accounts for 45% of CP revenue. On consolidated revenue, Mancozeb constitutes 5.8%. The company does not export Mancozeb to Europe. Thus, the impact is unlikely to be material on the company.
- We have maintained our estimates for our coverage companies.
- **We have a Buy rating on CRIN with a TP of INR983 and remain Neutral on UPL with a TP of INR583.**

Global capacity mix of Mancozeb players



Source: Industry, MOFSL

Tata Steel

BSE SENSEX	S&P CNX
48,678	14,618

CMP:INR1,060 Neutral

EBITDA rises 50% QoQ to a record high of INR142b

Conference Call Details

Date: 6th May 2021
Time: 16:30 IST
Dial-in details:
++91 (22) 6280 1413

Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	1,515	1,635	1,603
EBITDA	312	321	296
Adj. PAT	85.8	123.0	111.3
EBITDA Margin (%)	20.6	19.6	18.4
Cons. Adj. EPS INR	71.6	102.7	92.9
EPS Gr. (%)	690.7	49.2	-9.5
BV/Sh. (INR)	645	734	813
Ratios			
Net D:E	1.1	0.9	0.7
RoE (%)	11.2	14.9	12.0
RoCE (%)	11.6	12.1	10.8
Payout (%)	10.8	7.5	8.3
Valuations			
P/E (x)	12.0	8.4	9.3
P/BV (x)	1.3	1.2	1.1
EV/EBITDA(x)	6.2	5.8	5.9
Div. Yield (%)	1.2	1.3	1.4

Tata Steel's 4QFY21 consolidated revenue/EBITDA/adjusted PAT stood at INR499b/INR142b/INR76b, up 26%/50%/99% QoQ (v/s est. +1%/-3%/0%).

Standalone operations: Higher realization drives strong EBITDA

- Revenue/EBITDA/adjusted PAT stood at INR212b/INR92b/INR56b, up 18%/37%/47% QoQ and was 5%/6%/6% higher than our estimate.
- Realization rose 19% QoQ to INR64,153/t (up 5% v/s our estimate), led by 39% QoQ increase in EBITDA/t to INR27,800 (6% above our estimate).
- Sales volumes stood at 3.3mt, down 1% QoQ (in line).

Subsidiary operations: Tata Steel Europe disappoints again

- TSE posted an EBITDA of INR11.9b (v/s est. of INR31.3b) as against a loss of INR7.2b in 3QFY21. EBITDA/t stood at USD66/t (v/s est. USD170/t).
- The miss on EBITDA was led by miss on realization as only one-fourth of the QoQ increase in EU steel prices was reflected in TSE. This was due to contracts fixed earlier at lower prices.
- Sales volumes increased 17% QoQ to 2.5mt.
- Tata Steel BSL reported record high (24%/58%/111% QoQ) revenue/EBITDA/PAT of INR73.2b/INR25.7b/INR19b. Sales volumes rose 4% QoQ to 1.19mt, whereas realization increased by INR10,182/t (20%) QoQ to INR61,367/t. As a result, EBITDA/t stood at INR21,510/t, up 52% QoQ and 15% higher than our estimate (INR18,678).

Deleveraging accelerates in FY21

- Consolidated debt reduced by INR122b QoQ to INR761b, led by strong FCF generation and receipt of final call on partly paid-up shares (INR32b).
- During FY21, the company has reduced net debt by INR245b (excluding export advance of INR63b) to INR825b. TTM net debt/EBITDA has reduced to 2.7x v/s 6.1x at the end of FY20.
- OCF/FCF stood at INR379b/INR309b, up 89%/219% YoY, in FY21.

Other significant highlights

- Capex is back – Work on the 5mtpa KPO-II expansion will now be restarted. A pellet plant and CRM are already under construction.
- The company has declared a dividend of INR25/share, much higher than the usual level of INR10-13/share.
- It has re-classified Southeast Asia operations under continuing operations.

Standalone quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	4Q	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY21E	(%)
Net Sales	**160.9**	**148.7**	**152.6**	**142.1**	**93.4**	**163.6**	**179.7**	**212.0**	**604.4**	**648.7**	**201.7**	5
EBITDA	**39.6**	**34.8**	**37.8**	**36.5**	**12.5**	**46.2**	**67.0**	**91.9**	**148.6**	**217.7**	**87**	6
(% of Net Sales)	24.6	23.4	24.8	25.7	13.4	28.3	37.3	43.3	24.6	33.6	43.1	1
Spreads	37,790	33,938	28,374	37,298	32,181	31,167	40,337	51,228	34,124	39,423	48,268	6
Conv. Cost	24,631	22,235	17,354	24,760	26,241	18,285	20,302	23,429	22,058	21,566	21,951	7
EBITDA (INR/t)	13,159	11,703	11,020	12,538	5,940	12,882	20,035	27,800	12,066	17,858	26,317	6
EBITDA (USD/t)	189	166	155	176	78	173	271	381	171	240	361	6
Interest	7.2	7.2	7.8	8.0	9.1	8.6	8.0	8.3	30.3	33.9	7.5	11
Depreciation	9.7	9.7	9.8	10.0	9.7	10.1	9.7	10.4	39.2	39.9	10.1	3
Other Income	1.8	1.0	0.5	0.7	1.2	1.9	1.4	1.9	4.0	6.4	1.5	25
PBT (before EO Inc.)	**24.4**	**18.9**	**20.7**	**19.1**	**-5.1**	**29.5**	**50.7**	**75.1**	**83.1**	**150.2**	**70.7**	6
EO Income (exp.)	-0.4	0.0	3.5	-20.1	20.6	-0.1	-2.3	9.5	-17.0	27.7		
PBT (after EO Inc.)	**24.0**	**18.9**	**24.1**	**-1.0**	**15.5**	**29.4**	**48.5**	**84.6**	**66.1**	**178.0**	**70.7**	20
Total Tax	8.6	-19.5	6.1	3.4	3.6	7.4	12.3	18.6	-1.3	41.9	17.7	5
Tax (%)	36.0	-103.2	25.3	-356.5	23.2	25.0	25.4	22.0	-2.0	23.5	25.0	
Reported PAT	**15.4**	**38.4**	**18.0**	**-4.4**	**11.9**	**22.0**	**36.1**	**65.9**	**67.4**	**136.1**	**53.0**	24
Adjusted PAT	**15.8**	**14.1**	**14.5**	**13.2**	**-3.9**	**22.1**	**38.4**	**56.4**	**57.6**	**108.3**	**53.0**	6

Consolidated quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21	4Q	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY21E	(%)
Net Sales	**359.5**	**345.8**	**355.2**	**337.7**	**242.9**	**371.5**	**395.9**	**499.8**	**1,398.2**	**1,510.1**	**496.4**	1
Change (YoY %)	-5.0	-20.6	-13.8	-20.4	-32.4	7.4	11.5	48.0	-11.3	8.0	47.0	
EBITDA	**53.8**	**38.2**	**36.2**	**46.5**	**5.1**	**61.1**	**94.6**	**141.8**	**174.6**	**302.6**	**146.6**	-3
Change (YoY %)	-16.9	-57.2	-46.2	-38.2	-90.6	60.0	161.4	205.2	-40.6	73.3	215.5	-5
(% of Net Sales)	15.0	11.0	10.2	13.8	2.1	16.4	23.9	28.4	12.5	20.0	29.5	
EBITDA (USD/t)	**122**	**83**	**70**	**100**	**14**	**111**	**179**	**248**	**93**	**158**	**279**	-11
Interest	18.1	18.7	19.3	19.3	20.0	19.4	17.8	18.7	75.3	75.8	16.8	11
Depreciation	20.8	21.3	20.2	22.2	21.1	22.6	22.7	23.9	84.5	90.4	23.1	3
Other Income	2.5	1.8	0.9	13.2	1.9	2.2	2.1	2.7	18.4	9.0	2.3	20
PBT (before EO Inc.)	**17.4**	**0.0**	**-2.4**	**18.1**	**-34.1**	**21.3**	**56.3**	**102.0**	**33.3**	**145.4**	**108.9**	-6
EO Income (exp.)	0.2	-0.3	-3.3	-34.1	0.6	0.4	-1.5	-9.9	-37.5	-10.4		
PBT (after EO Inc.)	**17.5**	**-0.3**	**-5.7**	**-15.9**	**-33.5**	**21.7**	**54.7**	**92.1**	**-4.3**	**135.0**	**108.9**	-15
Total Tax	11.2	-40.5	6.2	-2.6	12.7	6.1	15.7	21.9	-25.7	56.5	31.1	
Tax (%)	64.6	-88,428	-263	-14.5	-37.3	28.8	27.9	21.5	-77.2	39	28.5	
Reported PAT	**6.3**	**40.2**	**-11.9**	**-13.3**	**-46.2**	**15.6**	**39.0**	**70.1**	**21.4**	**78.5**	**77.9**	-10
Minority Interests	-0.1	-1.0	-1.4	-1.4	-2.4	0.9	3.1	5.2	-3.8	3.6	2.0	159
Share of asso. PAT	0.5	0.2	0.2	0.9	0.2	0.7	0.9	1.5	1.9	2.6	0.8	86
Adj. PAT (after MI and asso.)	**6.8**	**-0.5**	**-7.0**	**13.8**	**-44.3**	**15.0**	**38.3**	**76.4**	**10.4**	**85.2**	**76.7**	0
Change (YoY %)	-70.5	NA	NA	NA	NA	NA	-647.0	453.2	-89.8	721.4	455.6	

Quarterly performance of subsidiaries (INR m)

Y/E March	FY20				FY21				FY20	FY21	4Q	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY21E	(%)
Sales ('000 tonne)	**3,333**	**3,558**	**3,882**	**3,590**	**2,754**	**4,063**	**3,562**	**4,619**	**14,363**	**14,998**	**3,907**	18
Europe	2,260	2,290	2,350	2,390	1,940	2,260	2,110	2,470	9,290	8,780	2,490	-1
SEA								610		610		
Bhushan	860	1,040	1,260	980	694	1,280	1,149	1,193	4,140	4,316	1,100	8
Sponge Iron	93	118	162	140	117	184	166	172	513	639	173	-1
Change (YoY %)	-6.9	-16.2	-3.4	-8.7	-17.4	14.2	-8.2	28.7	-8.9	4.4	8.8	
Average NSR (USD/t)	**857**	**787**	**733**	**765**	**715**	**687**	**823**	**854**	**783**	**814**	1,033.1	-17
Europe (USD/t)	922	871	826	798	762	802	904	904			904	
SEA (USD/t)								681				
Bhushan (INR/t)	50,381	43,795	39,985	43,609	38,862	43,120	51,185	61,367	43,959	49,626	58,630	5
Sponge Iron (INR/t)	75,806	65,914	61,686	72,021	55,821	64,448	82,179	89,927	68,039	74,333	91,923	-2
Net Sales	**198.6**	**197.1**	**202.6**	**195.6**	**149.5**	**207.9**	**216.3**	**287.7**	**794**	**861**	**294.7**	-2
Change YoY (%)	-7.3	-23.1	-15.8	-16.0	-24.7	5.5	6.8	47.1	-8.8	8.5	50.7	
EBITDA	**14.2**	**3.4**	**-1.6**	**10.0**	**-7.5**	**14.9**	**27.6**	**50.0**	**26.0**	**85.0**	**59.7**	-16
As a percentage of Net Sales	7.2	1.7	-0.8	5.1	-5.0	7.1	12.8	17.4	3.3	9.9	20.3	
Europe	0.6	1.6	-9.6	0.6	-6.3	-4.6	-7.2	11.9	-6.6	-6.2	31.3	-62
SEA								3.0		0		
Bhushan	7.9	5.3	2.8	7.7	1.5	11.1	16.3	25.7	23.7	54.5	20.5	25
Sponge Iron	0.6	-0.4	0.4	1.3	0.1	1.8	4.1	5.0	1.8	11.0	5.9	-15
Other India	2.0	1.6	2.2	3.0	0.4	2.6	3.1	2.0	8.8	8.1	2.0	
Others	3.2	-4.7	2.6	-2.8	-3.2	4.0	11.4		-1.7	14.6		
Interest	10.8	11.5	11.5	11.2	10.9	10.8	9.8	10.4	45.0	41.9	9.3	17
Depreciation	11.2	11.6	10.4	12.2	11.4	12.6	13.0	13.5	45.3	50.5	13.0	4
Other Income	0.7	0.8	0.4	12.4	0.7	0.4	0.7	0.8	14.4	2.6	0.7	
PBT (after EO Inc.)	**-6.5**	**-19.2**	**-29.8**	**-15.0**	**-49.1**	**-7.7**	**6.3**	**7.5**	**-70.4**	**-42.9**	**38.2**	-80
Total Tax	2.6	-21.0	0.1	-6.0	9.1	-1.2	3.4	3.3	-24.4	14.6	13.4	
% Tax	-40.0	109.6	-0.3	40.4	-18.6	16.0	54.4	44.3	34.6	-34.1	35.0	
Reported PAT	**-9.1**	**1.8**	**-29.9**	**-8.9**	**-58.2**	**-6.4**	**2.9**	**4.2**	**-46.0**	**-57.6**	**24.8**	-83
Minority Interest	-0.1	-1.0	-1.4	-1.4	-2.4	0.9	3.1	2.0	-3.9	3.6	2.0	
Adj. PAT (after MI and asso.)	**-9.0**	**3.4**	**-21.6**	**7.4**	**-35.7**	**-7.1**	**-0.1**	**22.4**	**-21.6**	**-23.0**	**23.6**	-5
Change (YoY %)	78.1	-53.2	-1655.7	67.0	295.1	-310.4	-99.6	203.6	-377.2	6.5	220.5	

5 May 2021
4QFY21 Results Update | Sector: Technology

L&T Infotech

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	LTI IN
Equity Shares (m)	172
M.Cap.(INRb)/(USDb)	683.8 / 9.3
52-Week Range (INR)	4500 / 1515
1, 6, 12 Rel. Per (%)	-7/5/101
12M Avg Val (INR M)	1000

Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	123.7	144.1	169.1
EBIT Margin (%)	19.3	17.8	18.1
PAT	18.8	20.9	24.9
EPS (INR)	107.0	118.6	141.4
EPS Gr. (%)	23.6	10.9	19.1
BV/Sh. (INR)	418.3	489.4	574.7
Ratios			
RoE (%)	30.5	26.3	26.7
RoCE (%)	24.4	22.1	22.8
Payout (%)	37.4	40.0	40.0
Valuations			
P/E (x)	36.5	33.0	27.7
P/BV (x)	9.3	8.0	6.8
EV/EBITDA (x)	23.4	21.4	17.6
Div Yield (%)	1.0	1.2	1.4

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	74.3	74.4	74.6
DII	4.6	6.4	7.2
FII	13.3	11.2	9.1
Others	7.8	8.0	9.2

FII Includes depository receipts

CMP: INR 3,913 TP:INR 3,680 (-6%) Neutral

Elevated valuation fairly captures in future growth performance

Growth focus to keep margin tethered in FY22E

- L&T Infotech's (LTI) 4QFY21 USD revenue growth of 4.4% QoQ CC was broad-based, barring Insurance and E&U verticals. EBIT margin was down 120bp QoQ to 19.4%, despite the impact of a wage hike and 190bp dip in utilization (on increased hiring). With a large deal TCV of USD66m in 4Q, its FY21 large deal TCV was USD404m, an increase of 22% YoY.
- We continue to expect LTI to grow in the top quadrant of our IT Services coverage, especially among largecap IT Services names – aided by large deal traction, a strong client mining ability, and a supportive demand environment. With a strong double-digit (17.5%) topline growth in FY22E, LTI should be able to deliver FY21-23E USD revenue CAGR of 17%, the highest among its largecap peer group.
- While LTI's topline performance remains outstanding, the management's commentary and decision to provide back-to-back quarters of wage hikes should result in a pullback in profitability in FY22E. We anticipate a 160bp YoY EBIT margin decline in FY22E due to investments in growth and workforce management. We now expect it to deliver net margin at the midpoint of its guided range of 14-15% in FY22E, implying a PAT growth of 9.7% over FY21-23E.
- We continue to view LTI as one of the best performing companies in our IT Services coverage, but view the current valuation of ~28x FY23E P/E as more than factoring in industry-leading growth.
- We have largely kept our estimates unchanged. As Digital turns mainstream, we expect LTI to benefit from continued investments in Digital capabilities, strong client additions, and mining abilities. This should result in industry-leading growth. However, saturated metrics and required investments should keep margin in a narrow range. Our TP of INR3,680/share implies 26x FY23E EPS. Maintain **Neutral**.

Operationally above our estimate

- LTI reported revenue (USD)/EBIT/adjusted PAT growth of 9%/26%/14% YoY v/s our estimate of 9%/21%/14%. The same in FY21 stood at 10%/36%/24% YoY.
- Revenue growth of 4.4% QoQ CC was ahead of our estimate (3.9%). In USD terms, revenue growth stood at 4.6% QoQ
- BFS, Manufacturing (+5% QoQ CC), Hi-Tech, Media and Entertainment (+15.8%) grew, while the company faced a drag from ENU (-5.3% QoQ) and Insurance (flat QoQ).
- Growth was led by Cloud Infra and Security (+10.9% QoQ CC), Enterprise Solutions (+7.1% QoQ CC), and ADM and Testing (+3.5% QoQ CC). Other service lines saw a sequential decline during 4QFY21.
- Digital revenue stood at 45.6%, up 7.5% QoQ and 22.3% YoY.
- In terms of geography, growth was led by RoW (+17.5% QoQ CC), India (+7.9%), and Europe (+7.2%). US grew modestly by 1.9% QoQ CC.

- LTI added three new clients in the over USD10m bracket in 4QFY21. Total active clients increased to 427 (v/s 419 in 3QFY21).
- Growth during 4QFY21 was led by non-top 20 accounts, which grew 8.2% QoQ.
- The company announced two large deals with a cumulative net new TCV of USD66m.
- EBIT margin dipped 120bp QoQ to 19.4% (above our estimate of 18.7%), led by a wage hike in 4QFY21 and 190bp sequential decline in utilization. The same was partially offset by a 30bp increase in the offshore effort mix.
- Attrition was flat QoQ at 12.3%.
- Headcount increased by 1,528 to 33,983 in 4QFY21.
- PAT, at INR4.9b (excluding one-off earn out reversals), is in line with our estimate.
- DSO (including unbilled) increased by a day QoQ to 94 days. On a YoY basis, DSO reduced by 12 days.
- The company reported an OCF growth of 46% in FY21, with the OCF/EBITDA ratio at 88%. FCF grew 52% YoY, with the FCF/PAT ratio at 110%.
- LTI announced a final dividend of INR25/share.

Key highlights from the management commentary

- The company won two large deals during 4QFY21. The first was on the back of vendor consolidation in its existing logo in the Insurance space in North America for a period of five years, with net new TCV of USD21m. The second was with a new logo in the BFS space for two years with a TCV of USD45m.
- Top 10 clients have been impacted by the COVID-19 pandemic and some are in the Insurance and Oil and Gas segment, where LTI needs to perform better. Five-year CAGR has been healthy, and the management is excited about its growth prospects.
- LTI has rolled out wage hikes to all its employees (excluding senior executives) from 1st Apr'21 instead of its normal cycle starting from July. The management in confident of sustaining utilization levels.

Industry-leading growth, but valuations punchy

- LTI has deep domain capabilities, strong partnerships, and low exposure to segments that faced headwinds (legacy IMS and BPO). This is helping the company secure industry-leading growth rates.
- On the margin front, we expect some normalization from current levels on account of the easing of utilization levels and investments needed by the management in S&M to drive growth.
- Despite being confident of the company's execution capabilities, we remain on the sidelines, led by significant multiple expansions. We value the stock at 26x FY23E EPS (in line with our TCS valuation, given LTI's industry-leading growth). Our TP of INR3,680 per share implies a 6% downside. **Maintain Neutral**.

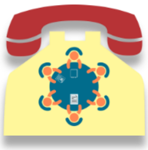
Quarterly performance (INR m)

Y/E March	FY20				FY21				FY20	FY21		Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QFY21E	(%/bp)
Revenue (USD m)	**357**	**364**	**394**	**410**	**390**	**405**	**428**	**447**	**1,525**	**1,670**	**446**	**0.2**
QoQ (%)	0.8	2.0	8.4	3.9	-4.8	3.6	5.8	4.6	13.1	9.5	4.3	26
Revenue (INR m)	**24,849**	**25,707**	**28,111**	**30,119**	**29,492**	**29,984**	**31,528**	**32,694**	**1,08,786**	**1,23,698**	**32,535**	**0.5**
YoY (%)	15.3	10.3	13.7	21.2	18.7	16.6	12.2	8.5	15.2	13.7	8.0	53
GPM (%)	**33.1**	**31.8**	**31.7**	**32.8**	**32.5**	**34.8**	**35.0**	**32.0**	**32.4**	**33.6**	**33.0**	**(105)**
SGA (%)	14.7	13.7	13.0	13.6	12.4	12.0	11.7	10.1	13.7	11.5	11.7	(159)
EBITDA	**4,579**	**4,658**	**5,274**	**5,781**	**5,920**	**6,856**	**7,320**	**7,155**	**20,292**	**27,251**	**6,944**	**3.0**
EBITDA Margin (%)	**18.4**	**18.1**	**18.8**	**19.2**	**20.1**	**22.9**	**23.2**	**21.9**	**18.7**	**22.0**	**21.3**	**54**
EBIT	**3,968**	**3,994**	**4,565**	**5,034**	**5,139**	**5,957**	**6,501**	**6,329**	**17,561**	**23,926**	**6,098**	**3.8**
EBIT Margin (%)	**16.0**	**15.5**	**16.2**	**16.7**	**17.4**	**19.9**	**20.6**	**19.4**	**16.1**	**19.3**	**18.7**	**62**
Other income	812	739	433	479	450	174	492	268	2,463	1,384	488	(45)
ETR (%)	25.6	23.9	24.6	22.5	25.5	25.5	25.8	25.9	24.1	25.7	25.8	
Adj. PAT	**3,557**	**3,603**	**3,767**	**4,274**	**4,164**	**4,568**	**5,192**	**4,886**	**15,201**	**18,810**	**4,890**	**(0.1)**
QoQ (%)	-6.1	1.3	4.6	13.5	-2.6	9.7	13.7	-5.9			-5.8	
YoY (%)	-1.5	-10.0	0.3	12.9	17.1	26.8	37.8	14.3	0.3	23.7	14.4	
EPS (INR)	**20.3**	**20.5**	**21.5**	**24.3**	**23.7**	**26.0**	**29.5**	**31.0**	**86.6**	**109.9**	**27.8**	**11.6**

SRF

BSE SENSEX	S&P CNX
48,678	14,618

Conference Call Details



Date: 6th May 2021

Time: 3:00pm IST

Dial-in details:

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CMP: INR6,841 — Buy

Beat across all fronts; margin expands across the business

- SRF reported overall revenue of INR26.1b (v/s est. of INR23.2b) in 4QFY21, up 40% YoY with the Chemicals business growing 31% (to INR11.5b) and the Packaging Film business growing 63% (to INR9.8b). Revenue for the Technical Textiles business grew 26% YoY (to INR4b), whereas the same in the Others segment grew 35% (to INR777m).
- EBITDA margin expanded 340bp to 24.3% (v/s est. of 25.3%) led by the Chemicals and Technical Textiles business. As a percentage of sales, raw material/employee/power cost stood at 50%/6.7%/8% in 4QFY21 v/s 49.4%/7.9%/9.2% in 4QFY20. Other expenses stood at 10.9% in 4QFY21 v/s 12.6% in 4QFY20.
- EBIT margin in the Chemicals and Polymers/Technical Textiles/Packaging Film business expanded 590bp/640bp/60bp YoY to 23.9%/18.2%/22.3%. The latter contracted 420bp QoQ.
- EBITDA rose 63% YoY to INR6.3b (v/s est. of INR5.9b).
- Adjusted PAT grew 68% YoY to INR3.7b (v/s est. of INR3.4b) on account of lower interest cost (-44% YoY) and higher other income (+2x YoY). However, the same was offset by the tax rate (25.9% v/s 10.3% in 4QFY20) and higher depreciation (+17% YoY).
- Revenue/EBITDA/PAT grew 17%/46%/29% in FY21.

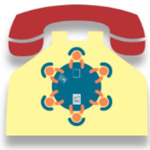
Consolidated quarterly earnings model (INR m)

	FY20				FY21				FY20	FY21	4Q	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			FY21E	(%)
Net Sales	**17,633**	**17,378**	**18,505**	**18,578**	**15,452**	**21,008**	**21,464**	**26,077**	**72,094**	**84,000**	**23,249**	**12**
YoY Change (%)	5.2	-1.0	2.3	-4.1	-12.4	20.9	16.0	40.4	0.5	16.5	25.1	
Total Expenditure	14,186	14,026	14,603	14,694	11,728	15,188	16,018	19,734	57,510	62,667	17,377	
EBITDA	**3,447**	**3,352**	**3,902**	**3,884**	**3,723**	**5,821**	**5,446**	**6,343**	**14,584**	**21,333**	**5,873**	**8**
Margin (%)	19.5	19.3	21.1	20.9	24.1	27.7	25.4	24.3	20.2	25.4	25.3	
Depreciation	925	929	1,019	1,014	1,040	1,140	1,166	1,185	3,886	4,531	1,220	
Interest	515	550	475	466	432	362	285	262	2,007	1,340	270	
Other Income	152	220	56	63	101	98	217	130	491	545	90	
PBT before EO expense	**2,159**	**2,093**	**2,463**	**2,467**	**2,353**	**4,417**	**4,213**	**5,026**	**9,182**	**16,008**	**4,473**	
Extra-Ord. expense and DO	-289	-960	-103	355	89	101	-220	-85	-997	-116	0	
PBT	**2,448**	**3,053**	**2,566**	**2,112**	**2,264**	**4,316**	**4,432**	**5,111**	**10,179**	**16,123**	**4,473**	
Tax	556	41	-864	255	493	1,164	1,185	1,302	-12	4,144	1,073	
Rate (%)	25.8	2.0	-35.1	10.3	21.0	26.4	28.1	25.9	-0.1	25.9	24.0	
Reported PAT	**1,892**	**3,011**	**3,430**	**1,858**	**1,771**	**3,152**	**3,247**	**3,809**	**10,191**	**11,979**	**3,399**	
Adj .PAT	**1,603**	**2,051**	**3,327**	**2,212**	**1,860**	**3,253**	**3,028**	**3,724**	**9,194**	**11,864**	**3,399**	**10**
YoY Change (%)	11.2	40.5	132.5	22.3	16.0	58.6	-9.0	68.3	49.7	29.0	53.7	
Margin (%)	9.1	11.8	18.0	11.9	12.0	15.5	14.1	14.3	12.8	14.1	14.6	

CEAT

BSE SENSEX	S&P CNX
48,678	14,618

Conference Call Details



Date: 6th May 2021

Time: 4 PM IST

Dial-in details:

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Financials & Valuations (INR b)

INR Billion	FY21	FY22E	FY23E
Sales	76.1	90.1	101.5
EBITDA	9.8	12.0	13.6
EBIDTA Margin (%)	12.9	13.3	13.4
Adj. PAT	4.6	5.2	6.1
EPS (Rs)	114.3	128.0	149.7
EPS Growth (%)	100.2	12.0	17.0
BV/Share (Rs)	820	936	1,073
Ratios			
RoE (%)	14.9	14.6	14.9
RoCE (%)	12.3	11.6	12.1
Payout (%)	16.9	9.4	8.0
Valuations			
P/E (x)	12.1	10.8	9.2
P/BV (x)	1.7	1.5	1.3
Div. Yield (%)	1.3	0.9	0.9
FCF Yield (%)	12.9	-11.9	8.9

CMP: INR1,378 — Buy

Below est.; high RM cost hurts margins; to expand TBR capacity

- Consol. net sales grew 46% YoY to INR22.9b (v/s est. ~INR23b).
- Gross margins contracted 370bp YoY (-360bp QoQ) to 42% (v/s est. 44.4%), reflecting raw material cost inflation.
- EBITDA was up 30% YoY to INR2.6b (v/s est. ~INR3.2b).
- The EBITDA margin contracted 130bp YoY to 11.4% (v/s est. 14%), impacted by lower gross margins.
- Adj. profit grew 116% to ~INR1.53b (v/s est. INR1.15b) as the company adopted the new corporate tax scheme – necessitating it to reassess current tax for FY20 and revalue FY21 deferred tax liabilities based on lower corporate tax. This resulted in current tax credit of INR125.4m in 4Q.
- Total debt stood at INR14.2b in FY21 (v/s ~INR19.3b in FY20). The debt/equity ratio improved to 0.42x in FY21 (v/s 0.66x in FY20). The debt reduction was aided by sharp improvement in FCF generation (INR7.2b in FY21 v/s –INR1.6b in FY20).
- The board has approved additional capex of INR12b to enhance the TBR capacity in Chennai by 190tpd in two phases over the next four years.
- It has proposed dividend of INR18/share (v/s INR12/share in FY20).
- **Valuation and view:** The stock trades at 10.8x/9.2x FY22E/FY23E EPS.

Consolidated - Quarterly Earnings Model (INR m)

Y/E March	FY20				FY21						
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY20	FY21	4QE
Net operating revenues	**17521**	**16916**	**17618**	**15734**	**11202**	**19785**	**22213**	**22897**	**67788**	**76096**	**23,108**
Change (%)	2.7	-4.6	1.8	-10.6	-36.1	17.0	26.1	45.5	-294.5	1,225.6	46.9
EBITDA	**1671**	**1704**	**1832**	**2004**	**1020**	**2925**	**3277**	**2608**	**7238**	**9830**	3,233
EBITDA Margins (%)	9.5	10.1	10.4	12.7	9.1	14.8	14.8	11.4	10.7	12.9	14.0
Depreciation	644	671	705	745	785	839	873	899	2765	3396	886.4
EBIT	**1027**	**1033**	**1127**	**1259**	**235**	**2086**	**2404**	**1710**	**4473**	**6433**	2,346
EBIT Margins (%)	5.9	6.1	6.4	8.0	2.1	10.5	10.8	7.5	6.6	8.5	10.2
Interest	349	374	380	407	488	450	419	399	1,509	1,755	401
Non-operating income	120	43	36	35	28	38	41	32	205	138	54
PBT after EO items	**1095**	**693**	**780**	**605**	**-443**	**1674**	**1903**	**1342**	**3174**	**4476**	1,999
Effective Tax Rate (%)	30	44	39	19	13	-1	37	-8	33	12	35.5
PAT	**826**	**440**	**528**	**519**	**-348**	**1819**	**1321**	**1528**	**2312**	**4320**	1,156
Adjusted PAT	**626**	**445**	**530**	**708**	**-155**	**1819**	**1430**	**1528**	**2309**	**4622**	1,156
Change (%)	-14.7	-30.9	0.4	-11.6	-124.7	308.5	170.0	115.9	-14.7	100.2	63.3
Key Performance Indicators											
RM Cost (% of sales)	60.5	58.9	57.0	54.4	59.7	53.5	54.5	58.0	57.8	56.1	55.6
Staff Cost (% of sales)	7.7	7.2	8.2	9.0	13.5	8.1	8.1	8.0	8.0	8.9	7.9
Other Cost (% of sales)	22	24	24	24	18	24	23	23	24	22	22.5
Gross margin (%)	39.5	41.1	43.0	45.6	40.3	46.5	45.5	42.0	42.2	0.0	44.4
EBITDA Margins (%)	9.5	10.1	10.4	12.7	9.1	14.8	14.8	11.4	10.7	12.9	14.0
EBIT Margins (%)	5.9	6.1	6.4	8.0	2.1	10.5	10.8	7.5	10.7	12.9	10.2

E:MOFSL Estimates

Financials

Restructuring of loans under resolution Framework 1.0 (%)

Restructured loans across Banks	Mar'21
AXSB	0.30
DCBB*	5.00
HDFCB	0.57
ICICIBC	0.54
IIB	1.80
KMB	0.19
FB*	1.30
RBK	1.58
AUBANK	1.80
BOB*	NA
SBIN*	NA

Note: *Potential for Mar'21 as indicated in 3QFY21

RBI announces measures to mitigate impact of COVID 2.0

Relief for most affected borrowers; reiterate our preference for large Private Banks

- **The Reserve Bank of India (RBI) on 5th May'21 announced various relief measures on account of the resurgence in COVID-19 cases and subsequent lockdown announced by various states. Key measures are: a) extension of loan restructuring for individuals, small businesses, and MSMEs having an aggregate exposure up to INR250m and were standard as on 31st Mar'21, b) utilization of floating provision buffer by Banks towards loan loss provisions, c) on-tap special liquidity window of INR500b to enable Banks to build a 'COVID-19 loan book', and d) liquidity facility of INR100b to SFBs for fresh lending up to INR1m per borrower.**
- **On the asset quality front, extension of the restructuring scheme is a step in the right direction to help most borrowers affected by the COVID-19 pandemic, rather than announcing a blanket moratorium, which is not required for all borrowers and comes with other complexities (interest waiver, moral hazard, operational challenges, etc.).**
- **We note that the bulk of the slippages in FY21 has come from Retail and MSMEs. Higher restructuring was also availed by both these segments. Among Banks, large ones have seen sub-1% restructuring of loans, while midsize Private Banks/SFBs have seen higher loan restructuring. Please refer Exhibit 1 for more details.**
- **On the liquidity front, the special liquidity window announced to the tune of INR100b to Small Finance Banks (SFBs) constitutes ~10% of its current loan portfolio, which is a sizable lending opportunity. This will provide strong impetus to SFBs for on-lending, given the sizeable differential in funding cost. AUBANK and EQUITAS would be the key beneficiaries of this announcement.**
- **We continue to prefer Large Private Banks. ICICIBC, AXSB, HDFCB, and SBIN remain our top picks.**

Restructuring scheme extended till Sep'21 for Individual/MSME borrowers up to INR250m

- The existing one-time restructuring scheme announced by RBI last year, under the Resolution Framework 1.0 for COVID-19 stress, has now been **extended only to stressed borrowers, including individuals, small businesses, and MSMEs having an aggregate exposure up to INR250m** on account of the resurgence in COVID-19 cases and subsequent announcement of a lockdown in various states.
- **Borrowers, who were classified as 'standard' as on 31st Mar'21, will be eligible for restructuring under this Resolution framework 2.0.** The resolution plan should be invoked by 30th Sep'21 and implemented within 90 days from the invocation date.
- However, the framework does not include previous restructured accounts. It does **permit modification of the resolution plan by extending the moratorium period up to a maximum period of two years, if not already provided.**

Additional liquidity facility for SFBs and special on-tap window to build a 'COVID-19 loan portfolio'

- RBI made a few important liquidity announcements on 5th May'21 such as providing an on-tap special liquidity window of INR500b to enable Banks to build a 'COVID-19 loan book' to improve Healthcare infrastructure in India. The lenders can borrow from RBI for up to three years at the repo rate of 4%. These loans would be classified under priority sector lending.
- The central bank will also provide a special liquidity window to the tune of INR100b to SFBs, through special three-year long-term repo operations (SLTRO), at the repo rate. This INR100b facility is to be deployed for fresh lending with a maximum ticket size of INR1m per borrower and is available till 31st Oct'21.

Other important measures announced

- RBI has also allowed Banks to utilize 100% of floating provisions/counter-cyclical provisioning buffer towards making specific provisions for NPAs. This is allowed till 31st Mar'22. **Some key Banks like HDFCB/SBIN/IIB have a floating provision buffer of INR14.5b/~INR1.9b/INR0.7b.**
- It also announced that loans lend by SFBs to MFIs, with an asset size up to INR5b, will be eligible for classification as 'Priority Sector Loans'. This facility will be available up to 31st Mar'22.
- To incentivize credit flow to MSMEs (borrowing exposure of INR2.5m), SCBs are allowed to deduct credit disbursed from their NDTL calculation for CRR computation. This facility, currently available till 1st Oct'21, has been extended till 31st Dec'21.

Valuation and view

- We believe RBI has announced effective measures which will provide relief to the most affected borrowers after the resurgence in COVID-19 cases and the announcement of a lockdown in several states. Extension of the restructuring scheme will help address potential stress arising from the most affected borrowers and is better than announcing a blanket moratorium, which is not needed for all borrowers. Most slippages during FY21 have predominantly come from Retail and MSMEs. Higher restructuring was availed in both these segments, thus underscoring their vulnerability. Among Banks, large ones have seen sub-1% restructuring, while midsize Private Banks/SFBs have seen higher restructuring of loans. The special liquidity of INR100b to SFBs at the repo rate will provide strong impetus to SFBs for on-lending, given the sizeable differential in funding cost. AUBANK and EQUITAS would be key beneficiaries of this development. We reiterate our preference for large Private Banks. ICICIBC, AXSB, HDFCB, and SBIN remain our top picks.

L&T Infotech: Net margins to remain around 14%; Sanjay Jalona, CEO

- Confident of growth in leaders quadrant in FY22
- Net margins will remain around 14%
- Focus on investing for growth, localisation
- FY21 wage hikes were given in January
- Exit velocity, record hiring, customer sentiment gives us confidence
- Will give FY22 increments in April
- Have advanced wage hike cycle to April to July for FY22
- Have more demand than supply of talent
- War for talent and attrition is going up; need to be competitive
- Energy sector has been underperforming given the shift to renewable energy
- Ability for insurance companies to spend on discretionary has come down

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JSW Steel: Focused on upgradation of US facilities; utilisation level to go up; Parth Jindal, Director JSW USA

- In past few quarters, focused on modernisation and upgradation of US facilities
- Both our US facilities restarted in past 2 months and are operating now
- Expect our utilisation level in JSW US operations to go from 40% to 80%
- JSW Steel US operations will be EBITDA accretive in FY22. JSW Steel will no longer drag JSW Steel consolidated performance
- First target is to stabilise US operations and then look at other alternatives
- Shiva Cement capital expenditure of Rs. 1500 crore is ongoing. Will do a rights issue in coming quarters
- Advanced discussions with PE firms for stake a sale in JSW Cement. JSW Cement IPO is scheduled for 2022. JSW Cement has a debt of Rs. 2800 crore

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SBI: RBI's measures will help banks keep surplus liquidity; Dinesh Kumar Khara, Chairman

- Steps taken by RBI are very pragmatic
- RBI's measures will help in creating health infrastructure and will encourage banks to create COVID books
- RBI's measures will help banks keep surplus liquidity. It's created Rs. 50000 crore book for COVID related funding
- Pharma companies do not borrow much generally. Hospitals and labs are the ones that borrow
- Both vaccine manufacturers have reached out to SBI for loans. Vaccine manufacturers can be given loans under the new facility
- Large corporates may not face challenges w.r.t cash flows as such as MSMEs. Large corporates may not need extension of restructuring as of now
- Banks have been permitted to reassess working capital condition of companies
- 2nd COVID wave has come with a lot of intensity and it's unevenly spread. Activity level has come down significantly
- Rural demand is also impacted this quarter. This quarter could be quite challenging

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Alembic Pharma: Barring Azithromycin drug Azithral 500, don't have much in terms of COVID related sales; Pranav Amin, MD

- Don't have much in terms of COVID related sales
- Seeing traction in Gynaecology and also seeing good demand overall
- Saw a pick-up in sales of Azithromycin in last 4-5 weeks
- Don't have the capability to manufacture vaccines; approached some MNCs and domestic companies for COVID related drugs
- Non-US business has done tremendously well, saw tepid growth for 2 years
- Sartans opportunity lasted for a long time; pricing pressure in Sartans was bound to happen
- Last couple of years were more constrained on API supplies
- H1FY21 saw lot of supply disruptions from China
- China has come back into the API market
- Lot of people looking at an alternative to China in the API market
- US FDA came on a mission critical basis to inspect the plant
- Expect 10% YoY growth in APIs

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Auto ancillaries on impact of COVID-19; NK Minda (Minda Industries, CMD), Ranbir Singh (GNA Axles, President & CEO)

- Many OEMs have declared maintenance shutdown while some are operating (Minda)
- We are calling our labour based on demand from different OEMs (Minda)
- North region is operating at 30-35% capacity utilisation (Minda)
- West and South are operating at 60-65% capacity utilisation (Minda)
- Passenger vehicles inventory is building, pipeline was very dry earlier (Minda)
- Baja Auto and TVS Motor are exporting and building inventory domestically (Minda)
- Have an agreement with OEMs to pass on costs either every month or quarter (Minda)
- Importing semiconductors by air and placing long-term orders (Minda)
- Operating at full production in April (GNA Axles)
- Exports are around 55% of revenue (GNA Axles)
- Domestic demand may decline by 20-25% in May-June (GNA Axles)
- Decline in domestic demand will be compensated by strong exports (GNA Axles)
- Our employees over 45 years of age are vaccinated, not facing COVID issues (GNA Axles)
- Have a 70-80% market share in North America class 8 trucks in our segment (GNA Axles)
- Have good visibility from North America class 8 trucks over the next 2 quarters (GNA Axles)
- Domestic truck orders are down 40% MoM (GNA Axles)
- Expect decline in domestic trucks temporary, hopeful of recovery in Q2 (GNA Axles)

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M&M Financial Services: Expects 15% of borrowers to opt for restructuring; Ramesh Iyer, VC & MD

- 10-15% of book can get restructured
- Restructuring of loans will help borrowers
- School bus operators, tourist bus operators would need restructuring
- First 20 days of April were good in terms of collections and disbursement
- Collections are at 80% when compared to a normal month

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