

ASIAMONEY Brokers Poll 2020 (India)

Best Local Brokerage

Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	51,018	0.8	6.8
Nifty-50	15,301	0.6	9.4
Nifty-M 100	25,566	0.1	22.7
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	4,196	0.2	11.7
Nasdaq	13,738	0.6	6.6
FTSE 100	7,027	0.0	8.8
DAX	15,451	-0.1	12.6
Hang Seng	10,856	0.6	1.1
Nikkei 225	28,642	0.3	4.4
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	68	0.3	33.2
Gold (\$/OZ)	1,897	-0.1	-0.1
Cu (US\$/MT)	9,961	0.6	28.5
Almn (US\$/MT)	2,368	1.3	20.0
Currency	Close	Chg .%	CYTD.%
USD/INR	72.8	0.0	-0.4
USD/EUR	1.2	-0.5	-0.2
USD/JPY	109.2	0.3	5.7
YIELD (%)	Close	1MChg	CYTD chg
10 Yrs G-Sec	6.0	0.00	0.1
10 Yrs AAA Corp	6.8	0.00	0.3
Flows (USD b)	26-May	MTD	CY21
FII	0.03	-1.46	5.60
DII	-0.06	1.42	-1.56
Volumes (INRb)	26-May	MTD*	YTD*
Cash	741	823	788
F&O	42,799	42,660	42,505

Note: \*Average



Today's top research idea

EcoScope: Commodities rally unlikely to hurt Indian economy

- ❖ Over the past few months, many commodities have seen a sharp increase in prices. The surge, however, is uneven across different commodities.
- ❖ There are broadly four baskets of commodities – base and precious metals, agricultural (food and non-food), and energy.
- ❖ While steel has touched fresh highs of USD1,000/t and edible oil just 10% lower than its record high (of CY08), precious metals and energy items have remained contained so far.
- ❖ Given the near absence of base metals in CPI and self-sufficiency in most food items in India, the impact of high commodity prices is expected to influence WPI rather than CPI. Additionally, India's self-sufficiency in agri items and very low deficit in base metals implies its minimal impact on foreign trade.
- ❖ However, iron and steel being one of the major construction inputs and as it constitutes over 50% share in India's GFCF, the rise in price there might affect India's investment adversely.
- ❖ Interestingly, we observe that inflation in base metals and fuel have moved very closely. Therefore, a global commodity rally is unlikely to hurt India, unless energy prices start picking up.



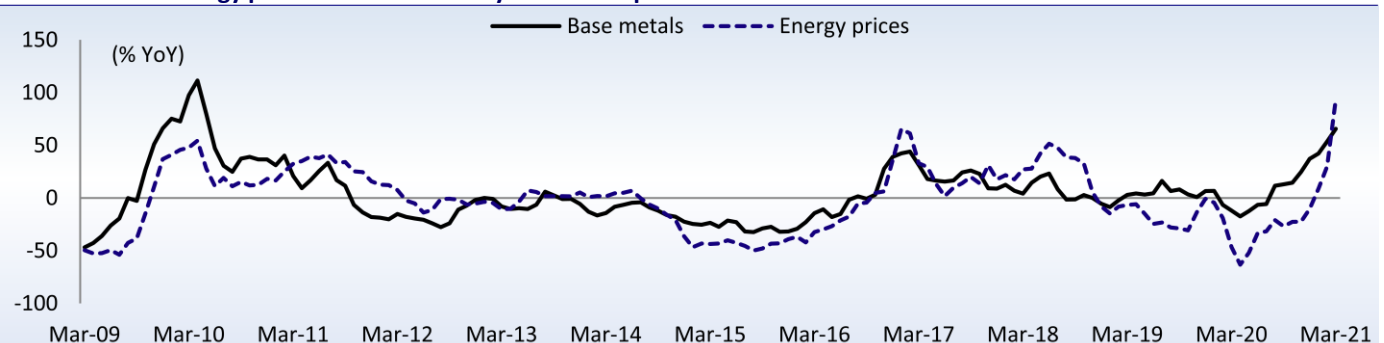
Research covered

Cos/Sector	Key Highlights
EcoScope	Commodities rally unlikely to hurt Indian economy
Mindtree	Growth outlook remains intact
BPCL	Beat led by better marketing volumes and margin
Cummins India	In line revenue; higher other income leads to beat on PAT
Thermax	In line earnings, order inflows key to future outlook
Manappuram Finance	Gold loan book moderates; MFI performance healthy
Agriculture	Rising commodity prices to maintain demand momentum for Agri inputs



Chart of the Day: EcoScope (Commodities rally unlikely to hurt Indian economy)

Base metals and energy prices have moved in sync over the past decade. Will this time be different?



Base metals include aluminum, cobalt, copper, iron ore, lead, molybdenum, nickel, tin, uranium and zinc, Fuel items include crude oil (petroleum), natural gas, coal prices and propane indices; Source: International Monetary Fund (IMF), CEIC, MOFSL

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Kindly click on textbox for the detailed news link

1

**Banks sanction over Rs 15 lakh crore under Mudra Yojana**

The finance ministry on Wednesday said banks and financial institutions have sanctioned about Rs 15 lakh crore to over 28 crore beneficiaries under the Mudra scheme in the last six years. Pradhan Mantri MUDRA Yojana (PMMY) was launched...

2

**Retail sales down 49% in April**

The second wave of covid-19 in India and subsequent restrictions imposed by several states have hurt retailers of apparel, footwear, personal care goods, electronics, and quick-service restaurants with most reporting a significant decline in sales in April 2021 compared with April 2019, according to a monthly survey of retailers by Retailers' Association of India (RAI)...

3

**One year on, bus sales yet to gain traction after skidding due to Covid-19**

Business was only recovering for Assamese bus operator Anjit Bora when the second surge of Covid-19 and the following clamp down on interstate and intercity travel forced his entire fleet off the roads making him wonder how he will pay the next round of salaries to his staff. "The situation in January and February was okay..."

4

**Disruptions in store operations impacting revenue, may face problem of excess inventory: D-Mart**

Avenue Supermarts Ltd, which owns and operates retail chain D-Mart, on Saturday said it is having an "adverse and severe impact" on its revenues due to "significant disruptions" of its store operations from March 2021 onwards. Besides, D-Mart may also have to face,,,

5

**Zydus Cadila, Taiwan's TLC ink pact to market black fungus drug in India**

Zydus Cadila and Taiwan-based specialty pharmaceutical firm TLC on Wednesday said they have signed a pact to market Liposomal Amphotericin B, a critical drug to treat mucormycosis (black fungus), in India. The companies have announced signing of an agreement to commercialise AmphoTLC (Amphotericin B Liposome for Injection 50mg) in India, Zydus Cadila said in a statement...

6

**59% of startups and MSMEs may shut shops, sell off or scale down: LocalCircles survey**

More than half of the existing startups and small companies could shut shops or sell off their companies by the end of the year due to Covid pandemic, a LocalCircles survey said. As per the survey, 59% of startups and MSMEs...

7

**Gati to exit cold chain solutions biz, Mandala Capital to buy 70% stake in firm**

Gati Ltd, an express courier services firm and part of logistics company Allcargo Group, will exit its cold chain solutions business, Gati Kausar India Ltd, and will focus entirely on express distribution and e-commerce delivery, the company said on Wednesday...



### Commodities rally unlikely to hurt Indian economy

#### Not till energy prices remain contained

- Over the past few months, many commodities have seen a sharp increase in prices. However, the price surge is uneven across different commodities. There are broadly four baskets of commodities – base (or industrial) metals, precious metals, agricultural (food and non-food), and energy (or fuel). While base metals and agro commodity prices have seen a great surge in CY21, the same has been contained in precious metals and energy. In this note, we analyze the impact of the rapid surge in base metals and agro commodities on India’s macroeconomic fundamentals.
- In particular, we look at its effect on three different indicators – inflation, foreign trade, and domestic investments. There are two measures of inflation in India – retail inflation, as measured by the Consumer Price Index (CPI), and Wholesale Price Index (WPI), which captures prices at the first point-of-sale. Our calculations suggest that commodities – all four broad types – account for 32.5%/41% of the CPI/WPI basket. Given the almost absence of base metals in CPI and self-sufficiency in most food items in India, the impact of the recent surge in commodity prices is expected to influence WPI rather than CPI.
- While India is a large importer of precious metals and energy commodities, it runs a net surplus in agro commodities and a very small deficit in base metals. Within base metals, it ran an annual trade surplus of more than USD2b during the past three years in iron and steel, which has witnessed one of the sharpest price surges in CY21. India’s external trade is unlikely to be adversely affected.
- With the rise in iron, steel, aluminum, and copper prices, input cost in Construction is likely to go up. This is especially true because iron and steel hold a large weightage in the national accounting procedure. The question that arises is “*whether companies will be able to pass-on higher input costs, which are directly dependent on the strength of housing demand in the country?*” This is where India may get adversely affected due to higher commodity prices in CY21.
- While several commodity prices have surged dramatically in the past few months, with steel touching fresh highs of USD1,000/tonne and edible oil just 10% lower than its record high touched in CY08, the implications for the Indian economy are not as severe. This is true only till energy commodities (fuel, coal, natural gas, etc.) do not witness the same trend. The worry, however, is that base metals and energy items have moved hand-in-hand during the past decade. Will this time be different?

The surge in commodities is led by supply constraints, better-than-expected global demand recovery and liquidity glut created by global central banks

**Several commodities have surged rapidly in CY21:** Global commodity prices have increased sharply in CY21, with CRB Core Commodity index rising 70% YoY in Apr’21. Although the CRB index is partly supported by a low base (fall of 35% YoY in Apr’20), agro commodities and base metals are showing a much faster and higher surge compared to fuel and precious metals.

Steel, for instance, has crossed USD1,000/t for the first time earlier this month, and has doubled from levels seen in early CY20. This surge in commodities is led by supply constraints (as Chinese authorities have become more concerned about the environmental damage), better-than-expected global demand recovery, and the liquidity glut created by global central banks, led by the US Federal Reserve. Although other base metals have also surged in CY21, most of them remain (aluminum, zinc, nickel, and lead) much lower than their CY06-07-peak, except copper and tin, which have also risen to new highs in May’21.

Within FAO's (Food & Agriculture Organization) Food Price index (FPI), the prices of edible oil and sugar have risen dramatically, with the edible oil prices index threatening to touch record levels. According to FAO, international palm oil prices continued to rise in Apr'21 on concerns over a slower-than-expected production growth in major exporting countries. Soy and rapeseed oil values climbed further, underpinned by firm global demand, including biodiesel producers, and protracted global supply tightness, respectively. By contrast, international prices of sunflower oil contracted moderately on demand rationing.

At the other end are precious metals and energy items, which have remained contained so far. Gold prices dipped below USD1,700/oz in Mar'21, but surged towards USD1,880/oz in May'21, similar to the levels seen at the start of early CY21. Brent crude oil prices have been hovering ~USD67/bbl lately, similar to levels seen in early CY20.

While base metals and food prices have surged rapidly in the past few months, prices of precious metals and energy commodities have been contained

### Impact of the commodities rally on the India economy

While base metals and food prices (based on FAO's food basket) have surged rapidly in the past few months, prices of precious metals and energy have been contained. The low base has led to higher YoY growth in almost all commodities. In this note, we analyze the impact of rising commodity prices on the Indian economy in three different ways – inflation, foreign trade, and investments.

**1) Role of commodities in India's inflation:** There are two measures of inflation in India – retail inflation, as measured by the CPI, and WPI, which captures prices at the first point-of-sale. There are 299/697 items in CPI/WPI. Using these details, we prepare an estimate of the share of commodities in CPI and WPI.

Our calculations suggest that commodities – base metals, agro, energy, and precious metals – account for 32.5%/41% of the CPI/WPI basket (*Exhibit 1-2*). Though precious metals weigh about 1% in both inflation measures, there are other notable differences. Energy items weigh almost twice in WPI (12.5%) vis-à-vis CPI (6.7%). Base metals are not directly included in CPI, but account for 9.6% of WPI. Agricultural items (comprising only food<sup>1</sup> in CPI but non-food items as well in WPI) account for 25% in CPI vis-à-vis 18% in WPI. While the sharp price rise in base metals doesn't affect CPI directly, it does impact WPI adversely.

Domestic food inflation (measured by CPI and WPI) doesn't relate to global food inflation

While food prices have been rising globally, and accounts for about a quarter in CPI, its eventual impact would be much smaller because India is self-sufficient in most of these food items. It is not surprising that domestic food inflation (measured by CPI and WPI) doesn't relate to global food inflation (*Exhibit 3*). Cereals, dairy, and meat together make up 20% of the 25% basket (~80%), while edible oil and sugar account for only 5% of the CPI basket. Since India is largely closed in terms of cereals, dairy, and meat items, domestic inflation in these items does not match global inflation (*Exhibit 4-6*). Since edible/vegetable oil and sugar are traded commodities, domestic inflation in these items mirrors global inflationary trends (*Exhibit 7-8*). India is also self-sufficient in most fruits and vegetables that make up 9% of CPI.



# Mindtree

BSE SENSEX  
51,108

S&P CNX  
15,301

CMP: INR2,210

TP: INR2180 (-1%)

Neutral



### Stock Info

Bloomberg	MTCL IN
Equity Shares (m)	165
M.Cap.(INRb)/(USD\$b)	363.7 / 5
52-Week Range (INR)	2300 / 858
1, 6, 12 Rel. Per (%)	2/43/84
12M Avg Val (INR M)	1920

### Financials Snapshot (INR b)

Y/E Mar	FY21	FY22E	FY23E
Sales	79.7	94.1	109.4
EBIT Margin (%)	17.5	17.4	17.5
PAT	11.1	12.8	14.9
EPS (INR)	67.4	77.7	90.6
EPS Gr. (%)	75.7	15.3	16.7
BV/Sh. (INR)	262	305	355

### Ratios

RoE (%)	29.7	27.4	27.5
RoCE (%)	24.1	23.5	23.5
Payout (%)	37.1	45.0	45.0

### Valuations

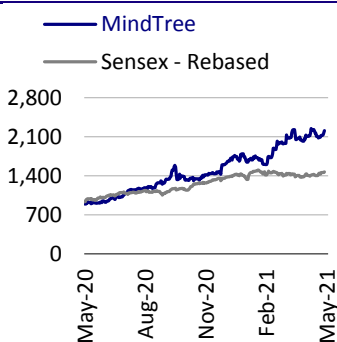
P/E (x)	32.8	28.5	24.4
P/BV (x)	8.4	7.2	6.2
EV/EBITDA (x)	20.3	16.9	14.2
Div Yield (%)	1.1	1.6	1.8

### Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	61.0	61.0	74.1
DII	10.9	10.6	5.8
FII	13.9	13.3	11.9
Others	14.2	15.1	8.3

FII Includes depository receipts

### Stock performance (one-year)



## Growth outlook remains intact

We attended MTCL's Analyst Day, where the management reiterated its 4x4x4 strategy and investments that the company is incurring to boost long-term growth. Here are the key highlights from the meet:

- The management reiterated its 4x4x4 strategy, with a focus on four industry groups, four service lines, and four geographies. Continuing with its four core industry groups, it will now segregate Healthcare as a separate vertical, given the strong deal traction in the same. The four service lines point to an elevated focus on Cloud.
- Within geographies, MTCL has made additional investments in Finland and Norway to increase its foothold in Europe. It is in the process of creating local/regional leadership in Europe, alluding that it will be a key growth driver for the business.
- The management displayed confidence of delivering both on the growth and profitability front. It maintained its guidance of double-digit industry-leading growth and EBITDA margin of over 20%, despite additional investments.

## Focus on white spaces within key operating segments

- MTCL has identified white spaces within its core focus areas, where it will be investing to boost growth.
- Given the strong deal pipeline in Healthcare, MTCL will segregate the vertical while building its focus towards the non-Life Sciences part. It will work with the provider's ecosystem to help them in their Digital transformation journey.
- While continuing its investing in Europe, it will also look at expanding in selective APAC (including Japan) and Middle East countries.
- Within service lines, MTCL will increase its focus towards Security, Enterprise applications, and IoT capabilities to leverage its incoming Digital projects/deals.

## Growth will be beyond the top account

- Its top account has exhibited strong growth (31% CAGR) in the past three years and strengthened its partnership with one of the key hyperscalers in the Cloud ecosystem.
- This enhances MTCL's capability as a key partner in the Enterprise Cloud journey. It has been consistently looking at participating in projects where it can gain the maximum benefit of Cloud multiplier revenue.
- While the top account will keep on demonstrating growth (despite strong acceleration in the past few years), a higher proportion of incremental growth should come from the non-top account. One of the key reasons for the same will be pent up demand in the Travel vertical, which fell 47% in FY21.

**Strong margin expectation despite being in an investment phase**

- We view the strategy of expanded regional focus and planned expansion into multiple white spaces as a lever to its medium-term revenue aspiration of growing above industry growth.
- Moderation in EBITDA margin (from 4QFY21 levels of 22%) will not be significant (relatively). In FY21, MTCL expanded its margin by 610bp, led by multiple industry and company-specific levers. Its guidance of over 20% EBITDA is impressive, given the expectation of a gradual return of travel expenses, shortage of key skill sets in the market, and required investments in the company.

**Valuations fair, no room for further upside**

- Since Jul'19, post the disruption pertaining to the ownership change, MTCL has taken steps to stabilize its client and employee counts.
- The management's increased focus on annuity revenue and tail account rationalization is already reflected in its revenue and client mix.
- A stable outlook for the top account, decent deal signings, and the ability to sustain improved margin are key positives.
- Consistent margin expansion and a positive outlook on the same are key positives. Higher exposure to the Travel, Transport, and Hospitality segments remain a drag on overall recovery.
- The stock is currently trading at 24x FY23E EPS. It has been one of the best performers in the IT sector in the last one-year, with returns of 148%. The key positives are already captured, and we see limited upside hereafter. Our TP stands at INR2,180/share. **Maintain Neutral.**

BSE SENSEX  
51,018S&P CNX  
15,301

CMP: INR472

Buy

## Conference Call Details

**Date:** 27<sup>th</sup> may 2021**Time:** 11:00am IST**Dial-in details:**

+91 22 6280 1259

+91 22 7115 8160

## Beat led by better marketing volumes and margin

- Marketing margin stood at INR6.1/liter (est. of INR4). Marketing sales volumes were 7% higher than our estimate at 11.2mmt (+4% YoY).
- **Core GRM stood at USD2.46/bbl (est. USD1.5/bbl).** Reported GRM came in at USD6.6/bbl (est. USD4.5). Refining throughput was in line at 8.4mmt (flat YoY).
- It reported inventory gains of INR36.4b (refining/marketing gains of INR18.1b/INR18.3b). **Adjusted EBITDA for inventory gains stood at INR14.2b.**
- Reported EBITDA came in at INR50.6b (98% higher than our estimate; INR5.9b in 4QFY20). Expense of INR6.5b was recognized as a reduction in the carrying value of the PMUY loan in other expenditure. Employee expense was higher QoQ at INR1.1b, as INR0.7b (INR7.8b for FY21) was charged as VRS expense.
- It opted to move to the new tax regime and recognized DTL of INR18.2b, thus the tax rate stood at 2.4% in 4QFY21. Reported PAT came in at INR119.4b, while adjusted PAT (for exceptional item) stood at INR51.2b.
- **The company reported exceptional gains of INR69.9b on account of:**
  - Gain on sale of (61.65%) investment in NRL at INR94.2b (total consideration was INR98.8b)
  - Impairment of BPRL by INR20.3b (carrying value at INR62.3b)
  - Employee share expense of INR4b (totaling INR9.4b for FY21)
- **In FY21, EBITDA/PBT stood at INR172b/INR226b (v/s INR83b/INR27b in FY20).** Reported/adjusted PAT stood at INR190b/INR136b (v/s INR27b/INR38b in FY20).
  - Refining throughput/marketing sales were down 17%/10% YoY to 26.4mmt/38.7mmt.
  - Marketing margin averaged INR6.0/liter (up from INR5 in FY20).
  - Core GRM averaged at USD1.8/bbl (v/s USD4.3 in FY20). Reported GRM stood at USD4.06/bbl (v/s USD2.5 in FY20).
- **Developments on BPCL privatization in FY21**
  - Completed sale of its entire stake in NRL to a consortium of Oil India and Engineers India, and to the Government of Assam for INR98.8b.
  - Acquired 100% stake in BORL.
  - It sold equity shares from 'BPCL Trust for investment in shares' via a bulk deal on the stock exchange for INR55.1b.
  - Proposed merger of BGRL with BPCL will be completed after obtaining approval from respective authorities.
  - Impairment of upstream assets – BPRL by INR20.3b, the carrying value now stands at INR62.3b.

- It announced a final dividend of INR58/share (in addition to the INR21/share announced during the year), totaling INR79/share, or ~17% dividend yield for FY21 at the CMP.
- **Debt profile:**
  - Standalone debt fell 44% YoY to INR213b.
  - Consolidated debt fell 28% YoY to INR400b.

**Standalone quarterly performance**

(INR b)

Y/E March	FY20				FY21				4Q Act	Var. (%)	YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Net Sales</b>	<b>763</b>	<b>643</b>	<b>747</b>	<b>690</b>	<b>388</b>	<b>501</b>	<b>667</b>	<b>852</b>	<b>769</b>	<b>-10</b>	<b>11</b>	<b>15</b>
YoY Change (%)	6	-11	-6	-7	-49	-22	-11	23	11			
<b>EBITDA</b>	<b>22</b>	<b>28</b>	<b>28</b>	<b>6</b>	<b>40</b>	<b>39</b>	<b>43</b>	<b>26</b>	<b>51</b>	<b>98</b>	<b>NM</b>	<b>17</b>
Margin (%)	3	4	4	1	10	8	6	3	7			
<b>EBITDA adj. for inventory and one-offs</b>	<b>26</b>	<b>28</b>	<b>23</b>	<b>55</b>	<b>34</b>	<b>14</b>	<b>35</b>	<b>-8</b>	<b>14</b>	<b>-267</b>	<b>-74</b>	<b>-60</b>
Forex loss	0	4	1	12	1	-2	-1	-1	0			
Depreciation	9	10	10	9	10	10	10	11	10	-6	6	1
Interest	5	6	5	6	6	0	3	3	5	71	-17	90
Other Income	5	9	5	12	6	4	14	9	16	92	41	14
<b>PBT before EO expense</b>	<b>14</b>	<b>17</b>	<b>17</b>	<b>-10</b>	<b>29</b>	<b>34</b>	<b>46</b>	<b>21</b>	<b>52</b>	<b>146</b>	<b>-631</b>	<b>15</b>
Extra-Ord. expense	0	0	0	11	0	1	4	0	-70			
<b>PBT</b>	<b>14</b>	<b>17</b>	<b>17</b>	<b>-21</b>	<b>29</b>	<b>33</b>	<b>42</b>	<b>21</b>	<b>122</b>	<b>475</b>	<b>-692</b>	<b>NM</b>
Tax	3	-1	5	-7	9	11	14	7	3	-58	-142	-78
Rate (%)	20	-3	27	34	29	32	33	33	2			
<b>Reported PAT</b>	<b>11</b>	<b>17</b>	<b>13</b>	<b>-14</b>	<b>21</b>	<b>22</b>	<b>28</b>	<b>14</b>	<b>119</b>	<b>741</b>	<b>-977</b>	<b>NM</b>
<b>Adj. PAT</b>	<b>11</b>	<b>17</b>	<b>13</b>	<b>-6</b>	<b>21</b>	<b>23</b>	<b>31</b>	<b>14</b>	<b>51</b>	<b>260</b>	<b>-887</b>	<b>67</b>
Margin (%)	1	3	2	-2	5	4	4	2	16			
<b>Key Assumptions</b>												
Refining throughput (mmt)	7.5	7.7	8.4	8.4	5.1	5.6	7.2	8.3	8.4	1	0	16
Reported GRM (USD/bbl)	2.8	3.4	3.2	0.8	0.4	5.8	2.5	4.5	6.6	45	NM	NM
Core GRM (USD/bbl)	3.7	3.8	2.2	7.4	1.9	1.6	1.2	1.5	2.5	64	-67	NM
Marketing sales volume excl. exports (mmt)	11.1	10.3	11.0	10.7	7.5	8.9	11.1	10.4	11.2	7	4	1
Marketing GM incl. inv. (INR/liter)	4.4	5.0	4.8	4.4	8.9	6.6	6.1	4.0	6.1	50	37	-1

E: MOFSL estimates



BSE SENSEX 51,018 S&P CNX 15,301

**CMP: INR807**

**Sell**

**Conference Call Details**



**Date:** 28<sup>th</sup> May 2021  
**Time:** 10:00am IST  
**Dial-in details:**  
18001203356  
(PIN: 68695997#)

**Financials & Valuations (INR b)**

Y/E Mar	2021	2022E	2023E
Sales	43.3	52.9	58.8
EBITDA	5.8	6.8	7.9
PAT	5.6	6.2	7.1
EBITDA (%)	13.4	12.9	13.5
EPS (INR)	20.1	22.5	25.8
EPS Gr. (%)	(13.6)	12.0	14.4
BV/Sh. (INR)	159.0	166.7	173.9
<b>Ratios</b>			
Net D/E	(0.2)	(0.0)	(0.0)
RoE (%)	12.6	13.5	14.8
RoCE (%)	12.6	12.3	13.5
Payout (%)	61.6	72.0	72.0
<b>Valuations</b>			
P/E (x)	39.9	35.6	31.2
P/BV (x)	5.1	4.8	4.6
EV/EBITDA (x)	36.8	32.4	28.0
Div Yield (%)	1.4	1.6	1.8
FCF Yield (%)	3.0	0.5	0.7

**In line revenue; higher other income leads to beat on PAT**

**4QFY21 snapshot**

- Revenue stood at INR12.5b, up 18% YoY and **in line with our estimate**.
- Domestic/export revenue stood at INR9.8b/INR2.6b (+26% YoY/flat YoY).
- Employee costs fell 5% YoY, while other expenses came in 30% lower.**
- EBITDA stood **in line** at INR1.7b (+151% YoY on a low base). EBITDA margin stood at 13.4%.
- Other income came in at INR1.1b (**up 24% YoY and higher than our estimate of INR697m**).
- PBT stood at INR2.5b (23% above our estimate).
- Adjusted PAT stood at INR1.9b (**19% above our estimate**).

**FY21 snapshot**

- Revenue fell 16% YoY to INR43.3b.
- Domestic/export revenue fell 18%/11% YoY to INR31b/INR11.5b.**
- Employee costs stood 12% lower, while other expenses fell ~22% YoY.
- EBITDA stood at INR5.8b, flat YoY. EBITDA margin rose 200bp YoY to 13.4%.
- Adjusted PAT stood at INR5.6b, down 14% YoY owing to a higher tax rate.**
- Focus on working capital cycle led to CFO at INR7.9b (v/s INR6b in FY20).**
- Net cash position improved to INR12.8b (v/s INR7.5b in FY20).

**Quarterly performance**

Y/E March	FY20				FY21				FY20	FY21	4QFY21E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Sales</b>	<b>13,430</b>	<b>13,084</b>	<b>14,534</b>	<b>10,528</b>	<b>4,982</b>	<b>11,602</b>	<b>14,243</b>	<b>12,465</b>	<b>51,577</b>	<b>43,292</b>	<b>13,038</b>	<b>-4.4%</b>
Change (%)	1.1	(12.0)	(3.3)	(21.5)	(62.9)	(11.3)	(2.0)	18.4	(8.9)	(16.1)	23.8	
<b>EBITDA</b>	<b>1,514</b>	<b>1,525</b>	<b>2,158</b>	<b>667</b>	<b>29</b>	<b>1,674</b>	<b>2,417</b>	<b>1,675</b>	<b>5,863</b>	<b>5,795</b>	<b>1,677</b>	<b>-0.1%</b>
Change (%)	(29.5)	(39.2)	(4.8)	(61.2)	(98.1)	9.8	12.0	151.2	(20.2)	(1.2)	151.5	
As a percentage of sales	11.3	11.7	14.8	6.3	0.6	14.4	17.0	13.4	11.4	13.4	12.9	
Depreciation	291	293	296	308	303	327	320	306	1,187	1,255	329	
Interest	52	55	47	49	43	40	46	33	203	162	46	
Other Income	769	926	723	898	666	580	629	1,116	3,315	2,990	697	
<b>PBT</b>	<b>1,940</b>	<b>2,102</b>	<b>2,538</b>	<b>1,208</b>	<b>349</b>	<b>1,887</b>	<b>2,681</b>	<b>2,452</b>	<b>7,789</b>	<b>7,368</b>	<b>1,999</b>	<b>22.7%</b>
Tax	525	269	551	(5)	72	431	695	595	1,341	1,794	440	
Effective Tax Rate (%)	27.1	12.8	21.7	(0.4)	20.7	22.9	25.9	24.3	17.2	24.4	22.0	
<b>Adjusted PAT</b>	<b>1,415</b>	<b>1,833</b>	<b>1,988</b>	<b>1,213</b>	<b>277</b>	<b>1,456</b>	<b>1,985</b>	<b>1,857</b>	<b>6,448</b>	<b>5,574</b>	<b>1,559</b>	<b>19.1%</b>
Change (%)	(22.7)	(13.4)	6.2	(13.9)	(80.4)	(20.6)	(0.1)	53.1	(10.8)	(13.6)	28.6	
Extra-ordinary Income (net)	-	-	(125)	(30)	249	-	356	-	(155)	605	-	
<b>Reported PAT</b>	<b>1,415</b>	<b>1,833</b>	<b>1,862</b>	<b>1,183</b>	<b>526</b>	<b>1,456</b>	<b>2,341</b>	<b>1,857</b>	<b>6,293</b>	<b>6,179</b>	<b>1,559</b>	<b>19.1%</b>
Change (%)	(22.7)	(13.4)	(0.5)	(16.0)	(62.9)	(20.6)	25.7	57.0	(12.9)	(1.8)	31.8	



# Thermax

Estimate change	↑
TP change	↑
Rating change	↔

**CMP: INR1,462      TP: INR1,335 (-9%)      Neutral**

## In line earnings, order inflows key to future outlook

### Balance Sheet strengthens further

Bloomberg	TMX IN
Equity Shares (m)	113
M.Cap.(INRb)/(USDb)	174 / 2.4
52-Week Range (INR)	1550 / 703
1, 6, 12 Rel. Per (%)	-2/56/39
12M Avg Val (INR M)	79

- Revenue was 15% below our estimate in 4QFY21, with lower miss (6%) on operating profit. This is largely attributable to higher operating leverage and margin uptick. While margin across segments moderated sequentially, it stood higher YoY (barring the Environment segment), owing to improved execution in the Energy segment, higher mix of Specialty Resin in the Chemical segment, and ongoing cost controls.
- Order inflows grew 57% YoY to INR15b in 4QFY21 after declining for four consecutive quarters. Recovery was seen across sectors like Cement, Metals, and Refineries. Order inflows fell 13% YoY to INR47.8b in FY21. Sustainability of 4QFY21 order inflow run-rate remains a key monitorable for our future outlook.
- Focus on working capital management led to higher CFO at INR7.7b in FY21 (v/s INR3.3b in FY20), with net cash position improving to INR17.5b (v/s INR10.6b in FY20).
- Order book stood at INR52.3b (flat YoY), with book-to-bill of 1.1x. Weak ordering environment, owing to the second COVID wave, and order book depletion is a significant risk to our FY22-23E revenue estimate. On account of a higher cash balance, we increase our FY22E/FY23E EPS estimate by 5% each due to increase in other income. We maintain our **Neutral** rating with a TP of INR1,335/share, based on 32x Mar'23E EPS.

### Financials & Valuations (INR b)

Y/E Mar	2021	2022E	2023E
Sales	47.9	60.0	66.5
EBITDA	3.6	5.3	6.2
PAT	2.5	3.9	4.7
EBITDA (%)	7.4	8.8	9.3
EPS (INR)	22.0	34.9	41.7
EPS Gr. (%)	16.5	58.7	19.5
BV/Sh. (INR)	289	314	345

### Ratios

Net D/E	(0.5)	(0.5)	(0.5)
RoE (%)	7.6	11.1	12.1
RoCE (%)	7.7	11.2	12.1
Payout (%)	42.0	24.3	22.4

### Valuations

P/E (x)	66.5	41.9	35.1
P/BV (x)	5.1	4.7	4.2
EV/EBITDA (x)	41.8	28.1	23.5
Div Yield (%)	0.5	0.6	0.6
FCF Yield (%)	4.2	1.0	2.6

### Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	62.0	62.0	62.0
DII	14.6	14.5	17.6
FII	17.9	17.7	13.3
Others	5.5	5.9	7.2

FII Includes depository receipts

### Revenue disappoints on a low base; order book flat YoY

- **4QFY21 snapshot:** Revenue stood at INR15.7b, up **19% YoY, but 15% below our estimate**. EBITDA doubled YoY to INR1.4b on higher operating leverage (below our estimate by 6%). **Employee costs stood flat YoY, while other expenses increased 7% YoY**. EBITDA margin stood at 8.9% (higher YoY, but lower QoQ). Adjusted PAT came in at INR1.1b, **in line with our estimate**. **Order inflow rose 57% YoY to INR15b (after declining in the preceding three quarters)**.
- **FY21 snapshot:** Revenue fell 16% YoY to INR47.9b. EBITDA declined 13% YoY to INR3.6b, while EBITDA margin stood at 7.4%. PBT fell 12% YoY to INR3.3b. The effective tax rate stood at 24.5% (v/s 43.3% in FY20). Adjusted PAT increased 17% YoY to INR2.5b. **Order inflows declined 13% YoY to INR47.8b. The order book stood at INR52.3b (flat YoY)**.
- CFO stood at INR7.7b (v/s INR3.3b in FY20). **Its net cash position further improved to INR17.5b (v/s INR10.6b in FY20)**.
- **Segment performance in 4QFY21: a) Energy:** Revenue grew 12% YoY to INR11.8b. EBIT margin stood at 9.3% (v/s 3.1% YoY). **b) Environment:** Revenue grew 52% YoY to INR3b. EBIT margin stood at 6.6% (-160bp YoY). **c) Chemical:** Revenue rose 24% YoY to INR1.2b. EBIT margin was flat YoY at 18.5%.

### Highlights from the management commentary

- The outlook for FY22 will depend on TMX's ability to execute, owing to challenges posed by the on-going second COVID wave. It will be a challenging 1QFY22 due to lower efficiency and execution across projects.
- Cement, Metal, and Refinery constituted ~40% of order intake in 4QFY21. Waste heat is a big opportunity in Steel and Cement. Waste heat recovery (WHR) in Cement has now been adopted by most major domestic plants. However, many industries in Southeast Asia and Middle East are yet to adopt WHR, which poses a good opportunity for TMX.
- TMX was impacted by ~INR100m owing to commodity price inflation in 4QFY21 (largely due to Steel, Aluminum, and Chemical raw materials). The management expects some impact in 1QFY22 too.
- The company has augmented capacity for Specialty resin. Coupled with water resins, these products have a higher margin within the entire Chemical segment product portfolio.
- TMX is keen on technological M&A in the Chemical business, but is yet to come across a good candidate as yet. On the international side, it is looking across two geographies for M&A, which will increase the market access for the company across those geographies.

### Valuation and view

We estimate revenue/EBITDA/adjusted PAT CAGR of 18%/32%/38% over FY21-23E, factoring in improved performance from Danstoker and a low base of FY21, as TMX has seen a disproportionate impact of COVID-19. Weak ordering environment, owing to the second COVID wave, and order book depletion, poses a significant risk to our FY22-23E revenue estimate. On account of a higher cash balance, we increase our FY22E/FY23E EPS estimate by 5% each due to increase in other income. We maintain our Neutral rating with a TP of INR1,335/share, based on 32x Mar'23E EPS.

### Quarterly performance

	FY20				FY21				FY20	FY21P	MOSL	Var.
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE		
<b>Sales</b>	<b>13,925</b>	<b>16,059</b>	<b>14,101</b>	<b>13,230</b>	<b>6,649</b>	<b>11,412</b>	<b>14,106</b>	<b>15,745</b>	<b>57,313</b>	<b>47,913</b>	<b>18,444</b>	<b>-15%</b>
Change (%)	34.5	12.5	(1.8)	(36.2)	(52.2)	(28.9)	0.0	19.0	(4.0)	(16.4)	39.4	
<b>EBITDA</b>	<b>991</b>	<b>1,303</b>	<b>1,132</b>	<b>636</b>	<b>(114)</b>	<b>793</b>	<b>1,476</b>	<b>1,397</b>	<b>4,062</b>	<b>3,552</b>	<b>1,480</b>	<b>-6%</b>
Change (%)	42.9	18.4	5.5	(62.8)	(111.5)	(39.1)	30.4	119.7	(11.2)	(12.6)	132.9	
As a percentage of Sales	7.1	8.1	8.0	4.8	(1.7)	7.0	10.5	8.9	7.1	7.4	8.0	
Depreciation	262	281	316	308	280	287	291	288	1,166	1,146	299	
Interest	44	38	19	49	40	47	57	63	150	206	26	
Other Income	216	220	258	307	209	228	282	358	1,000	1,077	340	
Extra-ordinary Items	-	-	-	-	-	(200)	(209)	-	-	(409)	-	
<b>PBT</b>	<b>901</b>	<b>1,204</b>	<b>1,054</b>	<b>586</b>	<b>(225)</b>	<b>687</b>	<b>1,411</b>	<b>1,404</b>	<b>3,745</b>	<b>3,277</b>	<b>1,496</b>	<b>-6%</b>
Tax	273	947	205	196	(72)	175	369	330	1,621	803	376	
Effective Tax Rate (%)	30.3	78.7	19.4	33.4	32.1	25.5	26.2	23.5	43.3	24.5	25.1	
<b>Reported PAT</b>	<b>628</b>	<b>257</b>	<b>850</b>	<b>390</b>	<b>(153)</b>	<b>312</b>	<b>833</b>	<b>1,074</b>	<b>2,125</b>	<b>2,066</b>	<b>1,120</b>	<b>-4%</b>
Change (%)	28.2	(65.5)	13.2	(69.2)	(124.3)	21.6	(2.0)	175.0	(34.7)	(2.8)	187.0	
<b>Adj. PAT</b>	<b>628</b>	<b>257</b>	<b>850</b>	<b>390</b>	<b>(153)</b>	<b>512</b>	<b>1,042</b>	<b>1,074</b>	<b>2,125</b>	<b>2,474</b>	<b>1,120</b>	<b>-4%</b>
Change (%)	29.8	(62.3)	30.4	(68.6)	(124.3)	99.2	22.6	175.0	(30.6)	16.5	187.0	



# Manappuram Finance

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR160 TP: INR205 (+28%) Buy**

Bloomberg	MGFL IN
Equity Shares (m)	845
M.Cap.(INRb)/(USDb)	135.7 / 1.9
52-Week Range (INR)	187 / 112
1, 6, 12 Rel. Per (%)	4/-22/-26
12M Avg Val (INR M)	1241

## Gold loan book moderates; MFI performance healthy

- **Consolidated PAT grew 18% YoY to INR4.7b (5% miss) in 4QFY21.** While operating profit was largely in line, higher provisions (from the MFI segment) led to the PAT miss.
- Compared to our expectation of 3% QoQ decline, the gold loan book declined 6% QoQ. All the other segments delivered sequential loan book growth – the most prominent being the MFI segment with 11% growth.

### Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
NII	39.7	45.7	53.7
PPP	27.6	31.8	37.5
PAT	17.2	20.7	24.4
EPS (INR)	20.4	24.4	28.8
EPS Gr. (%)	16.3	19.9	18.0
BV/Sh.(INR)	86.3	107.1	131.6

### Ratios

NIM (%)	15.6	15.9	15.9
C/I ratio (%)	33.7	34.0	33.6
RoA (%)	5.7	6.1	6.2
RoE (%)	26.4	25.3	24.2
Payout (%)	10.3	15.0	15.0

### Valuations

P/E (x)	7.9	6.5	5.5
P/BV (x)	1.9	1.5	1.2
Div. Yld. (%)	1.3	2.3	2.7

### Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	35.0	35.0	35.1
DII	8.9	9.2	8.4
FII	38.6	39.5	39.5
Others	17.6	16.3	17.0

FII Includes depository receipts

## Lower prices and tonnage lead to a lower Gold loan book

- **Gold prices in 4QFY21 were down 12% QoQ. Two other factors led to the decline in the loan book: a) auction of INR4b worth of Gold loans, and b) 4% decline in tonnage to 65MT. However, these were offset by an increase in LTV to 71% from 63%.**
- The total number of customers was stable at 2.6m, while the average ticket size declined 4% sequentially to INR45k. The share of online Gold loans has come off a bit to 54% v/s 59% in 3QFY21.
- The GNPL ratio increased 60bp QoQ to 1.9%. However, we do not foresee any eventual credit losses from this book.

## MFI segment – Growth picks up; collection efficiency north of 100%

- **Over the past two quarters, the MFI book has grown 20% to INR59b. The management's confidence in loan growth comes from its healthy collections – collection efficiency stood at 103-105% in each month of the quarter. Even excluding prepayments, collection efficiency was 99-100%.**
- The 0dpd+ ratio in the MFI segment has declined to 16% in FY21 from a peak of 21% in 1HFY21. The GNPL ratio stands at 2.5%.
- In other key segments (Housing loans and Vehicle Finance), the loan book grew 5-7% QoQ. While the GNPL ratio in the HFC segment increased 100bp QoQ to 6%, it improved 330bp to 5% in the Vehicle Finance segment.

## Spreads stable; maintaining healthy liquidity on the Balance Sheet

- Consolidated spreads (calculated) moderated 30bp QoQ to 14.5%, in line with its long-term average. Over the past year, consolidated cost of funds is down 70bp to 9.1%.
- **The share of NCDs in the total borrowing mix continues to inch up (doubled to 36% from 18% YoY).** The share of CPs stands at a modest 5%. Total liquidity on the Balance Sheet stood at 13% of borrowings.

## Valuation and view

The slowdown in the Gold Finance segment is a one-time blip due to a sharp correction in gold prices. The short loan tenure (three months v/s the industry average of 6-12 months) is resulting in a quicker downward re-pricing. Over the medium term, we expect MGFL to deliver 10-15% steady-state gold loan growth. In the other segments, there is a clear turnaround in terms of growth and collections. While the cost of funds is elevated, we expect some moderation in FY22E. Our EPS estimates are largely unchanged. We maintain our Buy rating with a TP of INR205/share (1.6x FY23E BVPS).

Quarterly performance

(INR m)

Y/E March	FY20				FY21				FY20	FY21	4QFY21E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Interest Income	11,613	12,795	13,589	14,719	14,758	15,473	15,919	15,746	52,171	61,896	15,804	0
Interest Expenses	4,058	4,480	4,687	5,808	5,668	5,710	5,573	5,239	18,322	22,190	5,383	-3
<b>Net Interest Income</b>	<b>7,555</b>	<b>8,316</b>	<b>8,902</b>	<b>8,911</b>	<b>9,089</b>	<b>9,763</b>	<b>10,347</b>	<b>10,507</b>	<b>33,848</b>	<b>39,706</b>	<b>10,421</b>	<b>1</b>
YoY Growth (%)	22.0	23.4	26.9	26.1	20.3	17.4	16.2	17.9	25.3	17.3	16.9	
Other income	395	1,108	923	1,462	407	307	581	557	3,341	1,851	596	-7
<b>Total Income</b>	<b>7,950</b>	<b>9,424</b>	<b>9,826</b>	<b>10,374</b>	<b>9,496</b>	<b>10,070</b>	<b>10,928</b>	<b>11,063</b>	<b>37,190</b>	<b>41,557</b>	<b>11,017</b>	<b>0</b>
Operating Expenses	3,537	3,647	3,741	3,807	3,121	3,545	3,553	3,777	14,741	13,996	3,604	5
<b>Operating Profit</b>	<b>4,413</b>	<b>5,777</b>	<b>6,085</b>	<b>6,567</b>	<b>6,376</b>	<b>6,524</b>	<b>7,375</b>	<b>7,287</b>	<b>22,449</b>	<b>27,561</b>	<b>7,413</b>	<b>-2</b>
YoY Growth (%)	35.8	57.8	53.4	55.0	44.5	12.9	21.2	11.0	48.5	22.8	12.9	
Provisions	341	292	480	1,226	1,453	1,080	802	1,066	2,376	4,401	795	34
<b>Profit before Tax</b>	<b>4,071</b>	<b>5,485</b>	<b>5,604</b>	<b>5,341</b>	<b>4,923</b>	<b>5,444</b>	<b>6,573</b>	<b>6,221</b>	<b>20,073</b>	<b>23,160</b>	<b>6,618</b>	<b>-6</b>
Tax Provisions	1,404	1,068	1,421	1,359	1,249	1,390	1,741	1,537	5,270	5,911	1,694	-9
<b>Net Profit</b>	<b>2,668</b>	<b>4,417</b>	<b>4,183</b>	<b>3,982</b>	<b>3,674</b>	<b>4,054</b>	<b>4,832</b>	<b>4,684</b>	<b>14,803</b>	<b>17,250</b>	<b>4,924</b>	<b>-5</b>
YoY Growth (%)	33.4	97.2	69.3	43.6	37.7	-8.2	15.5	17.6	56.1	16.5	23.6	
<b>Key Ratios (%)</b>												
Yield on loans	22.3	22.7	24.9	25.9	25.0	24.7	24.0	23.6	25.4	24.9		
Cost of funds (Cal.)	8.6	8.8	9.8	11.2	9.9	9.4	9.3	9.1	9.9	10.0		
Spreads (Cal.)	13.7	13.9	15.2	14.8	15.1	15.4	14.8	14.5	15.6	14.9		
NIMs (Cal.)	14.5	14.7	16.3	15.7	15.4	15.6	15.6	15.7	16.5	16.0		
C/I ratio	44.5	38.7	38.1	36.7	32.9	35.2	32.5	34.1	39.6	33.7		
Credit Cost	0.7	0.5	0.8	2.0	2.3	1.7	1.2	1.6	1.2	1.8		
Tax Rate	34.5	19.5	25.4	25.4	25.4	25.5	26.5	24.7	26.3	25.5		
<b>Balance Sheet Parameters</b>												
<b>Consolidated AUM (INR b)</b>	<b>202</b>	<b>227</b>	<b>241</b>	<b>252</b>	<b>253</b>	<b>269</b>	<b>276</b>	<b>272</b>				
Change YoY (%)	21.5	31.9	35.5	29.8	25.6	18.6	14.7	7.9				
<b>Gold loans (INR b)</b>	<b>133</b>	<b>152</b>	<b>162</b>	<b>170</b>	<b>177</b>	<b>197</b>	<b>202</b>	<b>191</b>				
Change YoY (%)	6.6	20.5	29.7	30.9	33.4	30.1	24.4	12.4				
Gold stock (tonne)	68	72	74	72	69	69	68	65				
Gold loans/branch (INR m)	39	44	46	48	50	56	57	54				
<b>Consol. Borrowings (INR b)</b>	<b>224</b>	<b>185</b>	<b>198</b>	<b>218</b>	<b>240</b>	<b>247</b>	<b>234</b>	<b>227</b>				
Change YoY (%)	66.7	32.0	38.7	42.6	7.0	33.6	18.2	4.1				
<b>Borrowings Mix (%)</b>												
Debentures	14.0	11.0	13.0	18.0	21.0	28.0	31.0	36.0				
CPs	19.0	21.0	20.0	9.0	7.0	6.0	7.0	5.0				
WC/CC	45.0	42.0	39.0	29.0	29.0	26.0	24.0	19.0				
TL	20.0	24.0	26.0	32.0	32.0	29.0	27.0	29.0				
ECB	1.0	2.0	2.0	12.0	11.0	11.0	12.0	12.0				
Others	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Debt/Equity (x)	3.9	3.7	3.7	3.8	4.0	3.8	3.4	3.1				
<b>Asset Quality Parameters (%)</b>												
GNPL ratio (Standalone)	0.7	0.6	0.5	0.9	1.3	1.1	1.3	1.9				
NNPL ratio (Standalone)	0.4	0.3	0.2	0.5	0.7	0.7	0.8	1.5				
<b>Return Ratios (%)</b>												
RoA (Rep.)	5.1	5.9	6.3	5.7	4.8	5.1	6.1	6.0				
RoE (Rep.)	23.3	28.0	30.4	28.2	25.0	26.0	29.0	26.4				

E: MOFSL estimates



## Rising commodity prices to maintain demand momentum for Agri inputs

We hosted Mr. Sameer Goel – Managing Director, Coromandel International & Mr. Balram Singh Yadav – Managing Director, Godrej Agrovet, to get their individual perspectives on the inflation in agricultural commodities (as per the World Bank, prices in Apr'21 increased 83% YoY for Maize, 64% YoY for Soybean, 76% YoY for Palm Oil, 58% YoY for Sugar, and 43% YoY for Cotton). Furthermore, we wanted to understand the implication of this inflation – driven by supply-side disruptions, stockpiling, and speculation – on various stakeholders (farmers, corporates, and the economy) as well as the current situation on the ground. Here are the key takeaways:

### CMr Sameer Goel – MD, Coromandel International

During his career, spanning more than 28 years, he has held various roles in India, the UK, the UAE, and West and South Africa; he was Vice President for Africa when he moved from GSK. He has extensive experience in managing businesses, driving sales across multiple geographies, and building B2C businesses.

### Key takeaways from our meeting with Mr Sameer Goel – Managing Director, Coromandel International Agricultural industry

- **Increase in Food Price Index:** As of Apr'21, the Food Price Index posted a rise for the 11<sup>th</sup> consecutive month and was at the highest levels since May'14. Growth was largely driven by vegetable oils and cereals, lower output and decline in inventory levels, and stockpiling in China.
- The monsoon forecast for CY21 remains normal, and reservoirs in South and West India are at good levels; these factors bode well for acreages.
- **RM prices:** Since Nov'20, prices have surged across DAP, phos acid, ammonia, and sulfur. This is largely attributable to a sharp increase in commodity prices, leading to a rise in RM prices. Moreover, increased demand, coupled with lower availability from Brazil, China, the US, and India, contributed to the price rise.
- **NBS rates:** The government has increased the subsidy on phosphorous by 204% to INR45.3/kg, keeping the subsidy rate constant for NKS. This led to a fall in DAP prices (for farmer) to INR1,200/bag (from INR1,900/bag).

### Specific to Coromandel International (CRIN)

- **Backward integration:** CRIN has increased focus on backward integration and fully integrated its Vizag and Ennore plants. The company is increasing capacity in Vizag and also installing an evaporator at the plant, which would help transport concentrated acid to the Ennore plant.
- **Capital allocation:** Going forward, the major focus and investment would be toward crop protection chemical plants (new MPP installations). It would also focus on backward integration to reduce the number of imports.
- The company is also looking at inorganic expansion opportunities – as CRIN has fully repaid its long-term and short-term debts.

**Mr Balram Singh Yadav, MD, Godrej Agrovet**

He is also MD of Godrej Tyson Foods and Former Chairman of the Compound Livestock Feed Manufacturers Association of India. Additionally, he serves as Director on the boards of ACI Godrej (Bangladesh), Creamline Dairy Products, and Polychem Hygiene Laboratories. In the last 19 years, he has handled positions of increasing responsibility, including Deputy Sales Manager (Khanna), Factory Manager, and Operations Manager.

**Key takeaways from our meeting with Mr Balram Singh Yadav – Managing Director, Godrej Agrovet****Industry concerns**

- **Rural consumption:** Rural consumption slowed in FY21, largely due to a rise in the number of COVID cases in rural areas and consequent lockdowns. GoI has introduced various initiatives to revive rural demand, such as subsidizing all the fertilizers (namely urea, DAP, and P&K). Another INR190b has been allocated to 95m farmers under the PM Kisan Samman Nidhi (of which 45m farmers have received the funds). The drop in consumption is expected to be temporary, and demand is expected to bounce back faster than expected.
- **Commodity prices:** The surge in agri-commodity prices is expected to be corrected shortly – as prices are not sustainable at this level (15–20% decline may be expected) and reflect the change in global prices. Cereal prices are expected to remain elevated on increased demand from the Bio-Diesel segment.
- **Agri sector:** India's domestic sector saw a bumper rabi season, thereby paving the way for robust growth in FY22. Food grain production for the year is expected to be north of 307mmt.

**Specific to Godrej Agrovet (GOAGRO)**

- **Animal Protein:** Post the lifting of the lockdown, a surge in demand is anticipated for chicken, eggs, and fish, potentially leading to a shortage in the market. 2Q/3Q/4QFY22 performance is expected to be considerably good v/s 1QFY22 and would thereby support annual growth for FY22.
- **Palm Oil:** At the current price level, farmers make ~INR200k/ha, the highest for any crop in the country. Palm oil prices are expected to remain high and are linked to bio-diesel demand, which also remains high. However, prices may correct by 10–15%, but would not return to previous levels (would be 25–30% higher than 2Q/3QFY21 levels).
- **Aqua Feed:** The Fish Feed business faced major headwinds as labor availability was an issue due to the lockdown. Shrimp feed demand continues to be robust, driven by global demand, leading to an increase in shrimp prices. With the impact of COVID gradually subsiding, the Shrimp business is expected to perform well in the current financial year.

**Emami: Confident of double-digit growth in FY22; will retain margin above 30%; Mohan Goenka, Director**

- Volume growth was led by nearly all brands
- 40-45% sales come from the winter portfolio. Q4 fell vs Q3 due to seasonal impact
- Confident of double-digit growth in FY22 on pent-up demand
- Rural India has been impacted across geographies in the second wave
- e-commerce contribution at 4% of sales vs 0.5% 2 years ago, may reach 6% of sales in next 2-3 years
- Will retain margin above 30%. Capacity utilisation at 62% currently

[➔ Read More](#)**Thermax: Broad-based recovery still absent but is not hitting demand significantly; Ashish Bhandari, MD & CEO**

- Good demand in large projects; larger industries have started investing again. Demand recovery not expected across India
- Food, pharma, chemicals, textiles doing very well. Orders from steel segment very strong
- Broad-based recovery still absent but is not hitting demand significantly
- Significant impact expected due to commodity price increase. Our prices are going up in new orders on account of increase in commodity prices
- Q1 will be challenging on account of the pandemic

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- Dip in US numbers QoQ is just a patter. US business has seen a revival this year
- QoQ decline in US business is due to the product profile. Do not see much risk there
- Have 6 new products lined up in this year. COVID basket is doing extremely well
- Confident of seeing growth in the India business
- Have written to the regulators for the Goa plant warning letter
- Overall, European market has done very well. In process to shift European supplies to Baddi
- There is an improvement in business mix & efficiencies. Can clock margin of 19% next year

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### **TTK Prestige: Q1FY22 not bad, will grow 50% more than last year; TT Jagannathan, Chairman**

- Q1 was not bad, company will grow 50% more than last year
- Won't give up on margin, will maintain price hikes. 40% revenue came from the south last year
- Rural India did well in Q4 but it is now shut down. Can't predict demand trends due to uncertainty
- e-commerce for non-essentials shut; COVID 2.0 will take longer to control
- Factories in Tamil Nadu are shut, units in Roorkee and Karjat functioning
- Doubling capacity in non-stick cookware in India. Have ample capacity
- Metal prices have begun to ease from the peak. Don't foresee another price hike in the near future

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### **Stove Kraft: Exports and e-commerce sales growth strong ; Rajendra Gandhi, CMD**

- April has been normal in terms of e-commerce and export
- Operating at 50% capacity utilisation
- May saw a big impact due to 2nd wave of COVID-19
- Seeing high growth in exports and e-commerce sales
- Exports contributed 9% to sales in FY21, e-commerce 8%
- 82% revenue came from Pigeon brand in FY21
- LED segment is very new business for us, catering to 6 states and has low base

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### **Akzo Nobel: Saw higher growth in rural in Q4 but can't extrapolate that into Q1; Rajiv Rajgopal, MD**

- Grew above 34% in paints, powder & auto coatings business
- Made inroads into non-traditional, tier-2 and tier-3 towns
- Saw a big impact due to COVID in May
- Saw higher growth in rural in Q4 but can't extrapolate that into Q1
- Growth in distribution has been an important strategy
- Have maintained market share

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### **GPII: Expect 25% increase in pellet prices in Q1; Abhishek Agrawal**

- Expect 25% increase in pellet prices in Q1
- Think EBITDA should be 40-50% higher in FY22 compared to last year
- Company has been trying to divest Godawari Green Energy since the last few years
- Haven't finalised the divestment yet although talks are at an advance stage. Looking to sell Godawari Green Energy for about Rs. 650-750 crore

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### **Newgen Software: Margin improved in FY21 due to lower travel cost, recued infra cost; Diwakar Nigam, CMD**

- Company is transitioning to subscription-based revenue from licence-based revenue. Added 76 logos this year & most of them were subscription-based
- 50% of our revenue comes from annuity income
- Seeing a rise in US revenue. COVID has affected Indian & EMEA regions
- Margin improved in FY21 due to lower travel cost and reduced infra cost
- Expect the lower costs to continue with 'work-from-anywhere'
- Expect 15% revenue growth in FY22

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### **Raymond: Getting strong inquiries from channel partners; will see strong demand as market opens up; Amit Agarwal, Group CFO**

- H2FY21 performance has been very good. Demand was robust in first two weeks of April 2021, ex-Maharashtra
- As unlock happens, will see pent-up demand leading to strong recovery
- Strong demand seen in US & Europe
- 15-17% of our retail shops are currently operational. Tier-IV to tier-VI cities contribute 60% of revenue
- Getting strong inquiries from channel partners; will see strong demand as market opens up

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### **Lux Industries: Market share is going up in the organised sector; Saket Todi, President-Marketing**

- Majority part of the growth is sustainable. The base of exports was really small last financial year
- There will be overall improvement in gross margin again
- We should be able to save 100 bps on advertising costs this year
- Gross margin should be higher by 100-150 bps
- Market share is going up in the organised sector

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## **Laxmi Organics: Colours, pigments & dyes are vulnerable to local lockdowns; Harshvardhan Goenka, ED-Strategy & Business Development**

- QoQ has been much better than expectations
- Global phenomenon is reflected in PAT number reported for Q4
- Colours, pigments & dyes are vulnerable to local lockdowns
- Expect significant increase in exports from specialty chemicals (currently at 10%)
- Aim is to have margin north of 15%

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