India Strategy

BSE Sensex: 49,502 | **S&P CNX: 14,942**

Refer to our Mar'21 Quarter Preview

4QFY21 interim earnings review

In-line; Downgrades > Upgrades; Corporate commentaries turning cautious

- 78 MOFSL Universe and 27 Nifty companies have announced their results as of 10th May'21. Companies that have reported earnings thus far comprise: (a) 50% of est. PAT for the MOFSL Universe, (b) 58% of est. PAT for the Nifty, (c) 53% of India's market capitalization, and (d) 75% of the Nifty 50 index weight.
- The 4QFY21 earnings season has maintained the momentum of the 3QFY21 results season. Nifty profits for the 27 companies that have posted their results have grown 50% YoY (v/s exp. of 49% growth). On the other hand, for the 78 companies in the MOFSL Universe, profit growth stood at 47% YoY (v/s exp. of 51% growth). 4QFY21 was another strong quarter, aided by the deflated base of 4QFY20 and healthy demand recovery for the large part of 4QFY21 – as attested by high-frequency indicators. 31 companies from our Coverage Universe have seen downgrades of more than 5%, while just 15 companies have seen upgrades of more than 5%, reversing the trend of 2QFY21 and 3QFY21 where upgrades were far higher than downgrades.
- Key drivers of the 4QFY21 performance: [1] Metals – Only Tata Steel / Hindustan Zinc has thus far reported results among the steel/non-ferrous companies. As expected, Tata Steel reported strong margins in India Steel operations. [2] Private Banks and NBFCs – The healthy performance was attributable to moderation in slippages and improved disbursements / collection efficiency. However managements sounded cautious about collection efficiencies/asset quality ahead. [3] IT – It has continued to post strong performance, with robust deal wins and orderbook.
- KEY SECTORAL INSIGHTS: [1] Technology: 4QFY21 marks the third quarter of robust QoQ revenue growth; 4 out of 12 companies have reported beats on a PAT basis, while 5 posted in-line performance. [2] Consumer: Most of the companies have delivered sales growth in line with or below our expectations. Marico has been the only company to post a beat. Margins have remained under pressure due to high commodity inflation during the quarter. [3] Metals: As expected, Tata Steel reported strong margins in India Steel operations. It further saw massive deleveraging of INR123b in 4QFY21 owing to strong FCF generation. The near-term outlook for the sector remains strong, driven by sharp price increases over Apr–May'21 (thus far). [4] Banks: Most banks have reported a strong sequential uptick in loan growth, led by healthy trends in Retail – many segments such as Gold Loans and Home Loans have surpassed pre-COVID levels. On the other hand, deposit growth has remained strong, led by a higher mix of CASA deposits. Margins also exhibited positive bias. On the asset quality front, most banks (barring AUBANK) reported an improvement in asset quality ratios (from the pro-forma ratios reported in Dec'20), with slippages declining sequentially.

Key 4QFY21 result highlights

- The 27 Nifty companies have reported sales/EBITDA/PBT/PAT at 17%/25%/52%/50% YoY (v/s est. 17%/23%/55%/49% YoY). 8 of these have beaten our PAT expectations, while 9 have missed. On the EBITDA front, 7 have exceeded, 7 have missed, and 13 have met our expectations.
- For the MOFSL Universe, sales/EBITDA/PBT/PAT growth stands at 17%/26%/50%/47% YoY (v/s est. 18%/26%/55%/51% YoY).

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Refer to our May'21
The Eagle Eye

- **The earnings upgrade/downgrade ratio for 4QFY21 is skewed in favor of downgrades. 31 MOFSL Universe companies have reported downgrades of more than 5% (of which 17 companies have seen downgrades of more than 10%), while 15 have posted upgrades of more than 5%.**
- **Among the Nifty constituents, Axis Bank, SBI Life Insurance, HUL, Hero MotoCorp, and Reliance Industries have exceeded our profit estimates. On the flip side, Tata Consumer, Maruti Suzuki, Britannia Industries, HCL Technologies and Kotak Mahindra Bank have missed our expectations.**
- **A 0.3%/2.2% upgrade is seen in FY21/FY22E Nifty EPS estimates to INR535/INR743 (from INR533/INR726). Notably, the 2.2% upgrade is driven entirely by Tata Steel, excluding which FY22E would see a 1.5% downgrade in earnings.**
- **Within the MOFSL Universe, at the sector level, only Metals, NBFCs and Cement have seen earnings upgrades of 74%, 3% and 2%, respectively. On the contrary, Technology, Consumer and Automobiles have seen earnings downgrades.**
- **View: The advent of the second COVID wave has muddied sentiment and impaired the FY22E earnings visibility. With multiple states entering into extended lockdowns and restrictions, we see downside risks to our FY22 earnings estimates. 4QFY21 earnings are progressing largely in line with our expectations but management commentaries in BFSI/Consumer/Auto have turned cautious even as it remained upbeat in IT and Metals. The interplay of the resurgence in COVID cases and the pace of vaccination would decide the trajectory of economic recovery going forward. The Nifty now trades at 12M forward P/E of 19.4x, ~3% above its historical average of 18.8x. At 2.9x, Nifty P/B is well above its historical average of 2.6x. We are OW BFSI, IT, Metals and Cement, Neutral on Consumer, Healthcare, Auto, Telecom and UW on O&G, Infrastructure.**

Key sectoral trends from 4QFY21 earnings

- **Technology:** 4QFY21 marks the third quarter of robust QoQ revenue growth of +3.7% QoQ USD (largely in line with our estimates) for our large-cap IT Services Coverage Universe – despite a high base (4.9% QoQ USD growth in 3Q). Most companies have reported strong deal wins (while moderating slightly from the higher base of 3Q), with improved visibility on growth going forward. Management commentaries have also highlighted a strong tech spending environment, with a high focus on cloud migration. The cumulative EBIT margin for the Top 5 IT services companies has dipped 120bps QoQ – on account of wage hikes, employee additions, and some moderation in utilization. However, on a YoY basis, margins are up 180bps on account of lower travel expenses, increased offshoring, and relatively higher utilization. Total headcount additions for 4Q stood at 45k, one of the highest increases seen in recent history. This provides further assurance on sustained growth momentum in our IT Services Universe. While the management of Tier 1 companies guided for conservative double-digit revenue growth for FY22 (low teens in the case of Infosys), we believe this would increase over the course of the year, given the deal pipeline remains strong. We are confident that the sector would report growth in the mid-teens for FY22. We have downgraded our earnings for Tier 1 IT by 4% for FY22/FY23, as we build in some moderation in margins, led by increasing supply pressures in the industry.
- **Banks:** Most banks have reported a strong sequential pickup in loan growth, led by healthy trends in Retail, with many segments (such as Gold Loans and Home Loans) exceeding pre-COVID levels; deposit growth remains strong, led by a higher mix of CASA deposits. Margins have also exhibited positive bias. On the

asset quality front, most banks (barring AUBANK) reported an improvement in asset quality ratios from the proforma ratios reported in Dec'20, with slippages declining sequentially. However, the bulk of the slippages in FY21 have come from the Retail/MSME segment. Furthermore, restructuring in large banks stood at sub-1%, while mid-sized Private Banks/SFBs have seen higher loan restructuring. Large banks continue to maintain high COVID-related provision buffers v/s mid-sized peers. With the resurgence in COVID-19 cases and lockdowns announced in various key states, collection efficiency has moderated in Apr'21, with some of the banks suggesting a 4–5% drop in collections over Mar'21. Overall, banks remain watchful of both business growth and asset quality outlook in the near term. We mainly increase our earnings estimate for AXSB, while we cut our estimates in IIB, Bandhan, RBL, and AUBANK. We continue to prefer large private banks. ICICIBC, AXSB, HDFCB, and SBIN remain our top picks.

- **NBFCs:** Business volumes are near pre-COVID levels for most of the vehicle financiers. We observe a sequential uptick in the repayment rate, which provides comfort on the collection efficiencies of the vehicle financiers. MSME lending is yet to return to normal levels, and ECGLS lending across financiers has not been meaningful. Housing financiers have continued to witness a strong quarter on all fronts – not only are they seeing MoM improvement but have also exceeded YoY levels. The "retailization of the balance sheet", deeper roots in the Affordable segment, is the continued business strategy adopted by most players. NBFCs are reducing their dependence on traditional means and diversifying into newer borrowing sources, such as retail NCDs and ECBs. Decline in cost of funds and yields is likely to result in stable margins in the ensuing quarters. Much to our surprise, the liquidity on the books is not reducing across lenders. Asset quality has been resilient across companies, driven by robust collection efficiency and minuscule restructuring. We believe the provisioning cover across our Coverage Universe is more than adequate, and deterioration in credit costs is unlikely. For the coming year, we are uncertain about the impact of the second wave of the pandemic. However, we build in strong earnings revival in 2H, driven by better operating performances and controlled credit costs.
- **Consumer:** Among the results declared thus far, most of the companies have delivered sales growth in line with or below our expectations. HUVR, NEST, BRIT, and TTAN delivered in-line sales performances, while UBBL, PG, and DABUR were below expectations. MRCO was the only the company to post a beat. TTAN, HUVR, MRCO, DABUR, and PG reported strong double-digit sales growth, albeit on a soft base, which had declined due to COVID-led lockdowns. NEST, BRIT, and UBBL posted high single-digit sales growth in the quarter. While the performances of NEST and BRIT were decent, UBBL disappointed with sharp decline in the base quarter. The upbeat consumer sentiment post the festive season in 3QFY21 has continued in 4QFY21 as well. This has benefited the Discretionary portfolio of consumer companies more than the Essentials portfolio. With high commodity inflation seen during the quarter, most companies witnessed compression in gross margins. In addition, the revival of ad spends meant that there was considerable pressure on EBITDA margins. This was partially offset by cost savings initiated by companies in the previous quarters (due to COVID). Companies are much better prepared to handle the disruption of the second COVID wave led lockdowns this year v/s the first COVID wave disruption last year. However, restricted hours of operations at retail

outlets have once again created uncertainty in the demand environment, especially for 1QFY22. Furthermore, the recent commodity inflation would also weigh on earnings, leading us to cut our FY22 EPS estimates for most of the companies. We have maintained our estimates for FY23 for most companies assuming a normalized environment. Amid the rising COVID cases, managements are largely cautious on the near term due to the uncertainties involved, but have reiterated an optimistic view once the situation normalizes.

- **Auto:** 4QFY21 results have been impacted by RM cost inflation, reflected in the P&L. OEMs (MSIL, HMCL, TVSL, and BJAUT) have reported a commodity cost impact of 1.5–4pp QoQ, partially offset by price hikes and cost-cutting initiatives – leading to gross margin contraction of 80bp and EBITDA margin contraction of 110bp sequentially. The RM cost impact for CEAT was 6–7pp (gross margin contracted 360bp). Ongoing volume recovery has been impacted by the second COVID wave. Nevertheless, companies are optimistic about recovery in 2QFY22 – on the expectation that the situation would normalize with the ongoing vaccination drives. PVs are better placed owing to a strong order book. 2W demand is expected to remain subdued in the domestic market in the near term, but exports would sustain the momentum. Commodity cost pressure is likely to sustain over the next couple of quarters; the current situation has rendered it difficult for companies to pass the cost to the customer via price hikes.
- **Cement:** 4QFY21 results have been impressive thus far, with companies that have reported results (ACC, Ambuja, UltraTech, and Dalmia Bharat) showing robust EBITDA growth of 52% YoY (47–63%). This has been driven by a) 26% YoY (21–28%) volume growth, b) ~4% YoY realization growth, and c) decline in total cost per ton – due to lower fixed costs and higher operating leverage, offset by higher power and fuel costs and freight costs. On a sequential basis, companies have surprised on the cost front by mitigating the impact of higher petcoke and diesel costs through the use of thermal coal and reducing the lead distance or optimizing channels. Cashflow generation has also remained strong during the quarter. UltraTech reduced its net debt by INR27b to INR67.2b, whereas Dalmia reduced its gross debt by INR8.5b and is virtually a net-debt-free company (with net debt of just INR1.0b at FY21-end).
- **Metals:** Only Tata Steel / Hindustan Zinc has thus far reported results among the steel/non-ferrous companies. As expected, Tata Steel reported strong margins in India Steel operations, leading to 50%/99% QoQ growth in consolidated EBITDA to INR142b/INR76b. The company saw massive deleveraging of INR123b (13%) in 4QFY21 on strong FCF generation. The near-term outlook for the sector remains strong, driven by sharp price increases over Apr–May'21 (thus far). This should drive Tata Steel's FY22 EBITDA higher by 82% YoY. We expect other steel companies to also report strong margins and sharp debt reduction. Hindustan Zinc posted a strong quarter, with EBITDA/PAT growth of 19%/13% QoQ to INR38.8b/24.8b, led by higher LME prices and metal volumes.

In-line performance; rising COVID cases a headwind

- **Aggregate performance for MOFSL Universe:** Sales/EBITDA/PBT/PAT at 17%/26%/50%/47% YoY (v/s est. 18%/26%/55%/51% YoY)
- **Top companies that beat estimates:** Axis Bank, SBI Life Insurance, HUL, Hero MotoCorp, and Reliance Industries

- **Top companies that missed estimates**: Tata Consumer, Maruti Suzuki, Britannia Industries, HCL Technologies, ICICI Bank, Kotak Mahindra Bank, and HDFC Life
- **Top FY22E upgrades:** Tata Steel (146.9%), SBI Life Insurance (25.4%), and Axis Bank (12.1%)
- **Top FY22E downgrades**: IndusInd Bank (-16.5%), HDFC Life Insurance (-13.3%), Titan (-12.2%), Maruti (-11.4%), Reliance Industries (-8.8%), HCL Tech (-8.5%), Tata Consumer (-6.9%), and Wipro (-5.9%)

Exhibit 1: Sector-wise 4QFY21 performances of MOFSL Universe companies (INR b)

Sector	Sales				EBIDTA				PBT				PAT			
(no of companies)	Mar-21	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Mar-21	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Mar-21	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Mar-21	Chg. % QoQ	Chg. % YoY	Var. over Exp. %
Automobiles (7)	540	-0.9	35.0	3.2	62	-9.3	42.8	1.2	52	-24.9	17.9	-9.3	42	-21.4	16.0	-6.2
Capital Goods (1)	16	-4.2	7.0	-9.7	1	-32.4	812.1	1.9	1	-26	332.8	-6.3	1	-28.1	398.6	-8.1
Cement (4)	256	12.4	30.2	3.5	63	19.8	52.2	13.1	47	21.9	87.4	15.1	32	14.0	64.4	9.2
Consumer (9)	308	2.6	24.6	1.9	62	0.6	29.7	-1.7	57	2	30.0	-1.3	42	0.8	28.9	0.5
Cons. Durables (1)	16	43.4	24.0	1.8	1	24.8	172.7	-11.1	1	111.7	690.1	28.0	1	85.1	604.4	9.8
Financials (24)	1,040	10.6	15.4	-0.8	569	2.7	14.9	-2.2	339	1	83.4	-6.5	258	1.6	77.6	-7.8
Banks-Private (10)	469	2.6	10.9	-3.2	416	2.0	17.1	-1.3	243	-2.6	102.3	-4.8	185	-0.9	99.9	-5.3
Life Insurance (3)	403	25.1	22.9	1.3	15	50.9	-13.2	-34.6	10	26.4	6.9	-6.2	9	13.8	-10.5	-11.3
NBFC (11)	168	4.2	11.8	1.0	138	1.1	12.3	0.1	86	10.5	55.7	-11.0	65	7.9	50.6	-13.8
Healthcare (4)	53	1.6	23.4	-1.6	15	5.4	50.3	3.3	12	4	54.6	1.6	9	-4.3	49.6	3.3
Metals (2)	569	18.8	49.2	1.7	181	40.7	173.2	-0.3	135	57.4	268.2	-3.4	101	67.2	272.1	0.2
Oil & Gas (2)	1,507	26.9	9.9	-3.3	237	8.6	6.7	1.5	159	4	16.2	-3.6	127	-5.0	31.3	11.2
Retail (3)	157	-1.3	34.1	-2.9	16	-8.8	39.5	-1.6	14	-6.6	60.0	1.3	10	-1.3	69.1	1.1
Staffing (1)	24	3.7	10.7	1.0	1	-16.0	-10.9	-16.4	1	2	12.0	34.8	1	-5.8	-13.2	20.3
Technology (12)	1,268	2.8	7.8	0.5	327	-1.8	18.0	-0.9	302	-2.3	18.1	-1.9	224	-3.0	11.4	-4.3
Telecom (2)	106	-3.6	-1.3	-4.5	44	-3.7	19.0	-2.6	22	-2	54.4	-1.0	17	-1.1	52.5	1.7
Others (6)	104	-1.8	5.3	5.7	14	-14.9	-2.7	-7.9	8	-27.6	-10.9	-19.4	6	-30.8	-26.4	-28.7
MOFSL Univ. (78)	**5,965**	**10.6**	**17.2**	**-0.3**	**1,594**	**5.2**	**25.6**	**-0.5**	**1,151**	**3.7**	**49.8**	**-3.5**	**871**	**2.4**	**47.4**	**-2.3**
Nifty (27)	**4,981**	**11.4**	**17.1**	**0.1**	**1,452**	**5.0**	**25.1**	**2.0**	**995**	**3.7**	**52.0**	**-1.8**	**751**	**2.6**	**50.1**	**0.4**
Sensex (19)	**3,850**	**11.1**	**13.6**	**-0.3**	**1,216**	**2.4**	**15.5**	**2.6**	**812**	**-0.5**	**39.3**	**-1.7**	**610**	**-2.4**	**38.6**	**-0.1**

Note: LP: Loss to Profit; PL: Profit to Loss

Source: Company, MOFSL

4QFY21 aggregate performance of MOFSL Universe companies that have declared results thus far

Exhibit 2: Sales in line with estimates – increase of 17% YoY

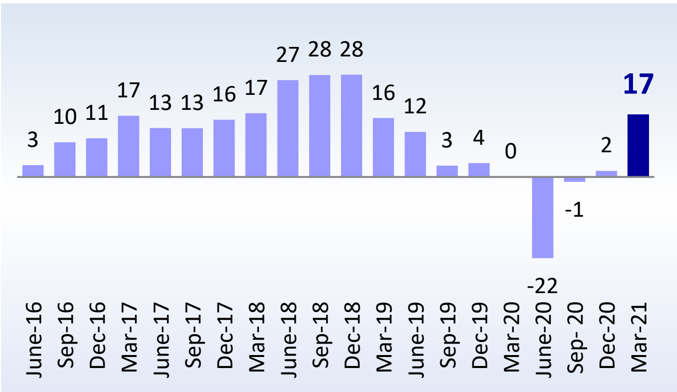


Exhibit 3: PAT in-line with expectations at 47% YoY (v/s est. 51% YoY)

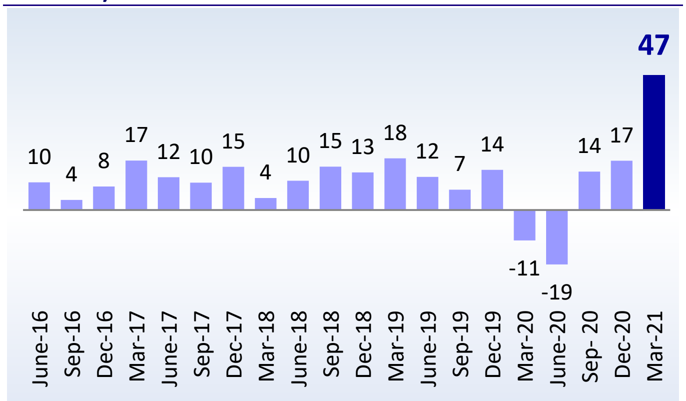
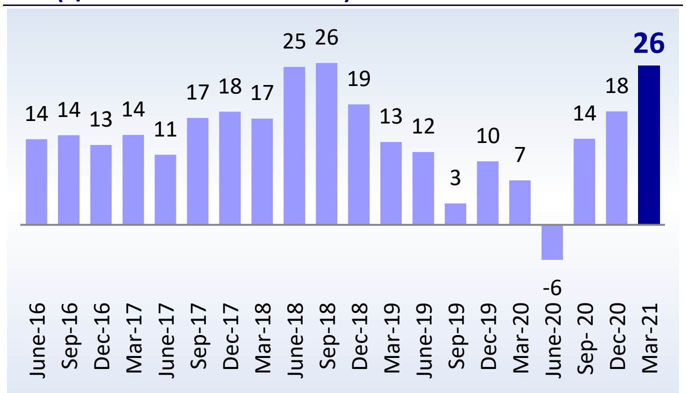
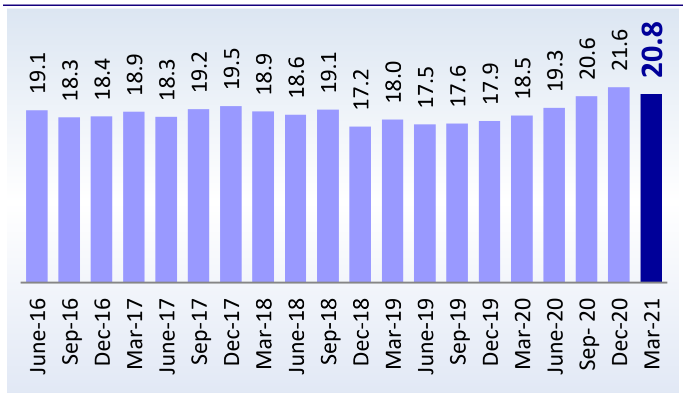


Exhibit 4: EBITDA in-line with expectations – increase of 26% YoY (v/s est. 26% YoY increase)



Source: Company, MOFSL

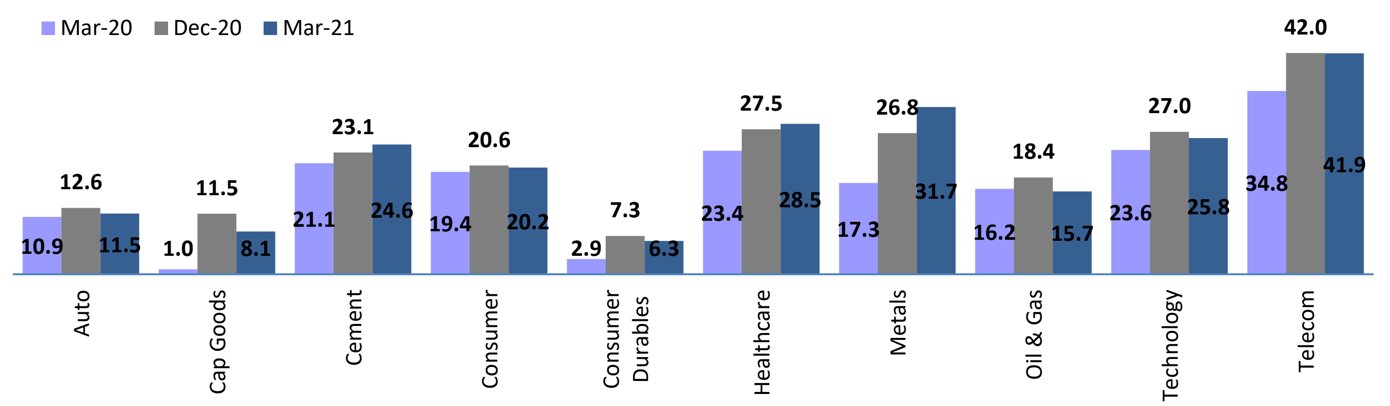
Exhibit 5: EBITDA margin (ex-Financials) up 230bp YoY to 20.8%



Source: Company, MOFSL

Sectoral EBITDA margins

Exhibit 6: MOFSL Universe – sector-wise margin performance



Source: Company, MOFSL

Nifty 4QFY21 aggregate performance in line with estimates (27 companies)

The 27 Nifty companies have reported sales/EBITDA/PBT/PAT of 17%/25%/52%/50% YoY (v/s est. 17%/23%/55%/49% YoY). 8 of these Nifty companies have beaten our PAT expectations, while 9 have missed. On the EBITDA front, 7 have exceeded, 7 have missed, and 13 have met our expectations.

Exhibit 7: Nifty sales up 17% YoY (v/s est. 17%)

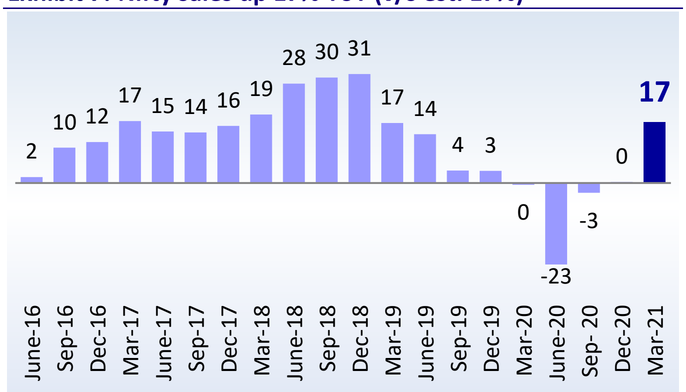


Exhibit 8: Nifty PAT up 50% YoY (v/s est. 49%)

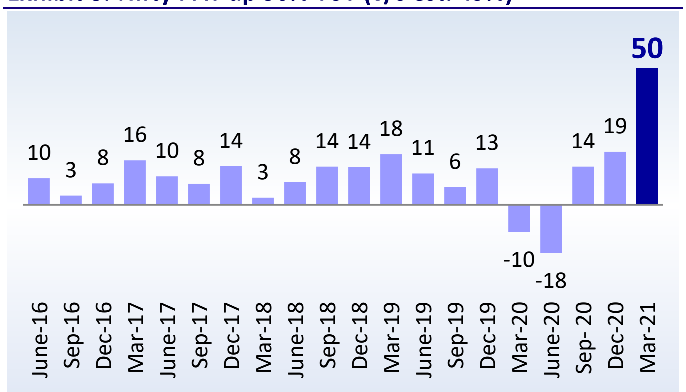
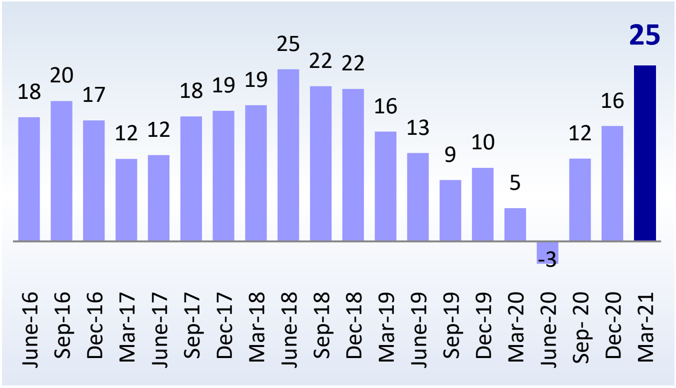
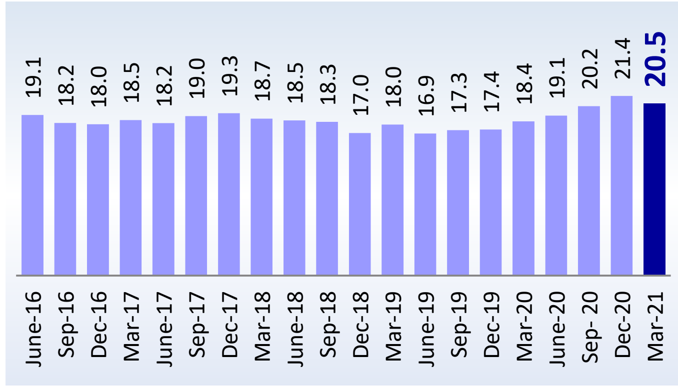


Exhibit 9: Nifty EBITDA up 25% YoY (v/s est. 23%)



Source: Company, MOFSL

Exhibit 10: Nifty EBITDA margin (ex-Financials) up 210bp YoY to 20.5% YoY



Source: Company, MOFSL

Aggregate performance of Nifty Universe companies that have declared their 4QFY21 results

Exhibit 11: 4QFY21 performances of 27 Nifty companies that have declared results thus far (INR b)

Company	Sector	Sales				EBITDA				PBT				PAT			
		Mar 2021	Chg. % YoY	Chg. % QoQ	Var. over Exp.%	Mar 2021	Chg. % YoY	Chg. % QoQ	V Var. over Exp.%	Mar 2021	Chg. % YoY	Chg. % QoQ	Var. over Exp.%	Mar 2021	Chg. % YoY	Chg. % QoQ	Var. over Exp.%
Bajaj Auto	Automobiles	86	26.1	-3.5	5.1	15	21.7	-11.9	4.6	17	1.1	-14.4	2.3	13	1.7	-14.4	2.6
Hero MotoCorp	Automobiles	87	39.2	-11.1	3.3	12	83.5	-14.3	16.9	11	73.6	-21.7	13.2	9	39.4	-20.2	11.8
Maruti Suzuki	Automobiles	240	32.0	2.4	0.7	20	28.8	-10.6	-13.5	13	-17.0	-46.6	-39.4	12	-9.7	-39.9	-33.5
Axis Bank	Banks-PVT	76	11.0	2.5	-1.2	69	17.3	12.6	8.6	36	LP	139.4	64.5	27	LP	139.8	64.4
HDFC Bank	Banks-PVT	171	12.6	4.9	-1.5	155	19.9	2.3	-0.2	108	18.1	-7.9	-7.2	82	18.2	-6.5	-5.8
ICICI Bank	Banks-PVT	104	16.9	5.2	-1.2	85	15.6	-3.2	-9.3	57	297.6	-6.9	-11.6	44	260.5	-10.9	-14.6
IndusInd Bank	Banks-PT	35	9.4	3.8	0.7	31	9.5	5.6	3.4	13	203.3	13.8	5.3	9	193.8	11.5	4.4
Kotak Mah Bank	Banks-PVT	38	8.0	-0.8	-8.8	34	25.0	17.4	2.9	22	32.8	-10.3	-14.4	17	32.8	-9.2	-14.0
HDFC Life Insur.	Life Ins	129	23.0	35.6	6.1	4	219.0	58.3	-12.1	3	8.7	15.8	-23.2	3	2.0	20.0	-10.2
SBI Life Insurance	Life Ins	156	31.1	13.0	-0.7	5	-23.0	71.1	-26.5	6	19.3	166.9	58.5	5	0.3	128.6	41.5
Bajaj Finance	NBFC	38	2.2	14.3	7.3	31	-5.5	5.1	0.8	18	42.6	17.2	2.2	13	42.0	17.5	2.2
Bajaj Finserv	NBFC	154	15.7	-3.6	24.1	154	15.7	-3.6	24.1	24	197.9	-15.1	89.3	10	403.6	-24.1	220.1
HDFC	NBFC	40	13.7	0.6	3.6	41	14.9	2.7	6.7	33	19.0	-0.5	-2.3	28	22.9	2.8	-2.2
UltraTech Cem	Cement	144	32.7	17.5	3.9	37	50.9	19.0	10.3	27	83.1	14.7	7.1	18	57.2	15.0	3.7
Britannia	Consumer	31	9.2	-1.1	-0.9	5	11.3	-17.4	-14.0	5	7.6	-19.8	-18.6	4	-3.5	-20.6	-24.2
Hind. Unilever	Consumer	121	34.6	2.3	3.5	30	43.2	3.6	4.4	28	37.0	6.4	6.1	21	43.2	7.8	16.3
Nestle	Consumer	36	8.6	5.2	0.1	9	16.2	22.8	5.2	8	14.2	24.8	3.8	6	13.1	29.9	3.0
Tata Consumer	Consumer	30	26.3	-1.1	6.3	3	-2.6	-16.9	-11.6	3	5.8	-12.2	-6.1	1	-36.2	-49.1	-41.5
Adani Ports	Infra	36	23.5	-3.7	-5.1	23	261.2	-14.2	14.5	15	492.2	-23.3	2.0	13	288.2	-16.2	14.5
Tata Steel	Metals	500	48.0	19.3	0.7	142	205.2	48.2	-3.2	102	462.3	80.2	-6.4	76	453.2	98.3	-0.4
Reliance Inds.	Oil & Gas	1,496	9.6	26.9	-3.5	234	6.0	8.3	0.9	156	15.2	3.6	-4.4	125	30.5	-5.5	10.5
Titan Company	Retail	75	59.1	-1.6	-0.6	8	33.4	-3.7	-1.8	7	43.3	-1.5	-0.6	6	65.5	7.2	-3.5
HCL Technologies	Technology	196	5.7	1.8	-0.1	44	-7.4	-19.7	-7.7	34	-11.0	-24.2	-11.9	24	-24.3	-30.5	-21.5
Infosys	Technology	263	13.1	1.5	-1.1	73	28.1	-1.9	-1.5	69	26.2	-3.0	-3.6	51	17.5	-2.3	-4.5
TCS	Technology	437	9.4	4.0	1.1	128	16.6	4.9	-0.3	125	19.2	7.1	0.2	93	14.7	6.4	-2.9
Tech Mahindra	Technology	97	2.5	0.9	-0.6	19	44.5	2.8	2.7	16	34.8	-7.1	-5.2	12	18.6	-7.5	-6.1
Wipro	Technology	162	3.4	3.7	2.6	41	27.9	-1.4	2.8	37	26.4	-2.6	3.5	30	27.8	0.2	7.0
Nifty Universe		**4,981**	**17.1**	**11.4**	**0.1**	**1,452**	**25.1**	**5.0**	**2.0**	**995**	**52.0**	**3.7**	**-1.8**	**751**	**50.1**	**2.6**	**0.4**

Note: LP: Loss to Profit; PL: Profit to Loss

Source: Company, MOFSL

Exhibit 12: Nifty companies' PAT YoY change (%) – 21 stocks have seen positive change

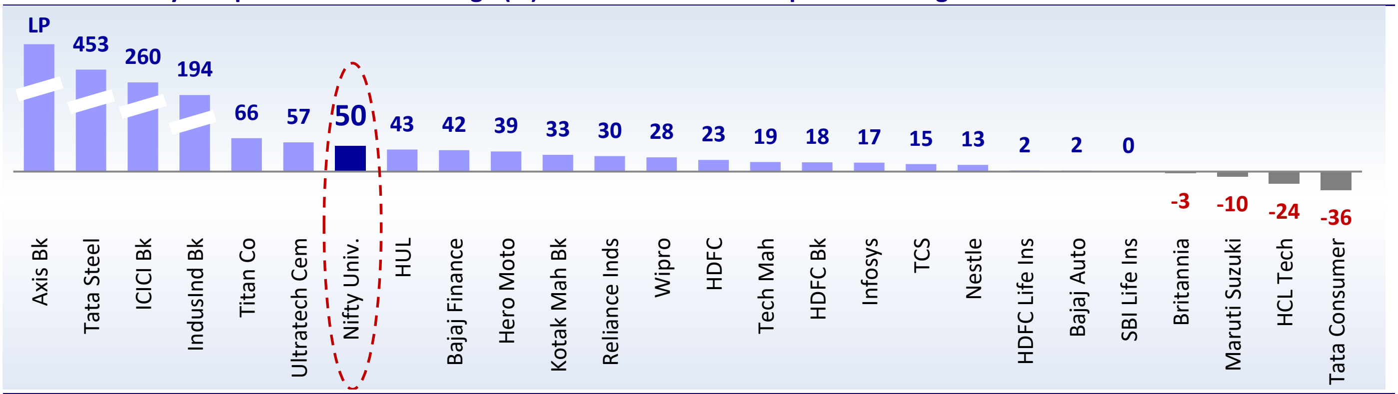
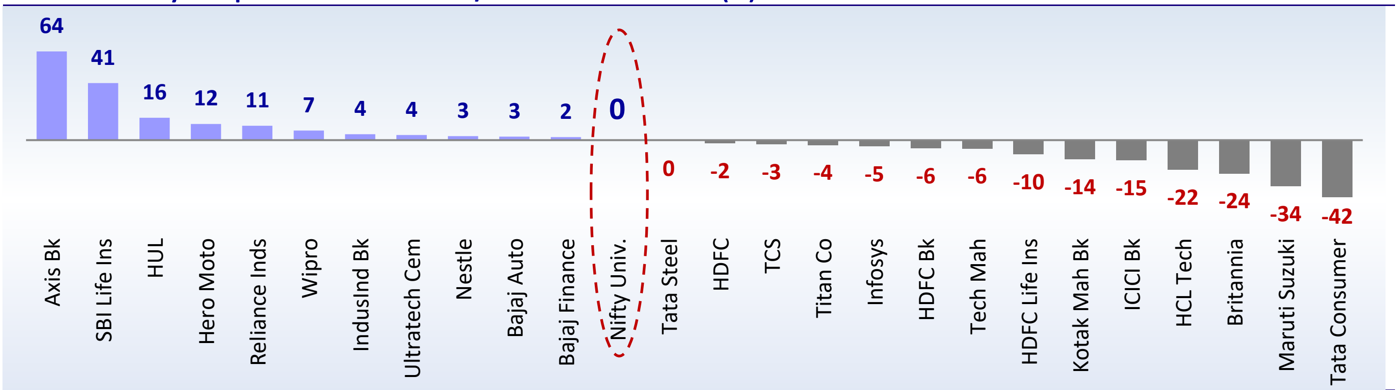


Exhibit 13: Nifty companies' PAT – actual v/s estimated variance (%)



Source: Company, MOFSL

Exhibit 14: Nifty Universe – only 3 upgrades of over 5% v/s 8 downgrades of over 5% for FY22E

		EPS Preview (INR)			EPS Review (INR)			% Upgrade / Downgrade			EPS Growth (%)		
Company Name	Sector	FY21E	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Tata Steel	Metals	69.3	103.0	93.3	69.0	254.5	159.5	-0.6	146.9	71.1	661.2	269.0	-37.3
SBI Life Insurance	Life Insurance	12.9	13.3	17.8	14.6	16.7	20.3	12.7	25.4	13.8	2.4	14.9	21.3
Axis Bank	Banks-Private	18.8	45.9	63.4	22.4	51.5	67.3	18.8	12.1	6.1	271.0	129.8	30.7
Kotak Mahindra Bank	Banks-Private	49.8	59.6	69.8	50.4	61.3	74.1	1.3	2.9	6.1	12.2	21.6	20.8
Bajaj Auto	Automobiles	162.8	200.5	217.0	167.8	202.6	231.2	Loss	1.1	6.5	-6.8	20.7	14.1
Bajaj Finance	NBFC	73.2	147.0	186.7	73.5	148.2	182.6	0.4	0.8	-2.2	-16.3	101.7	23.2
TCS	Technology	87.2	109.8	126.2	86.7	109.0	124.9	-0.6	-0.8	-1.1	0.6	25.7	14.6
HDFC	NBFC	55.3	63.8	73.5	54.5	63.1	72.7	-1.4	-1.1	-1.1	10.8	15.8	15.3
Tech Mahindra	Technology	52.6	59.8	67.9	51.7	59.1	66.0	-1.8	-1.3	-2.9	6.9	14.3	11.7
Hero Motocorp	Automobiles	143.5	181.8	209.0	149.4	179.0	209.3	4.1	-1.5	0.1	-2.3	19.8	16.9
Nestle	Consumer	217.4	253.7	291.8	217.4	249.2	291.9	0.0	-1.8	0.0	7.6	14.6	17.1
ICICI Bank	Banks-Private	25.4	31.6	39.8	24.2	30.9	38.8	-4.6	-2.0	-2.6	97.0	27.9	25.4
Britannia	Consumer	81.7	79.4	91.5	76.8	77.2	88.9	-6.0	-2.8	-2.9	31.0	0.5	15.1
Infosys	Technology	46.2	55.5	65.8	45.6	53.2	63.5	-1.3	-4.2	-3.5	17.1	16.8	19.4
Ultratech Cement	Cement	190.8	229.4	287.0	190.4	219.7	274.4	-0.2	-4.2	-4.4	31.0	15.4	24.9
HDFC Bank	Banks-Private	57.7	70.7	84.6	56.6	67.6	82.6	-1.9	-4.5	-2.5	17.8	19.4	22.2
Hind. Unilever	Consumer	34.1	41.7	48.9	34.8	39.8	48.9	2.0	-4.5	-0.1	11.5	14.4	22.7
Wipro	Technology	18.3	21.2	23.8	18.8	20.0	23.9	2.3	-5.9	0.7	14.3	6.5	19.9
Tata Consumer	Consumer	10.3	13.0	15.2	9.5	12.2	15.2	-8.5	-6.9	0.4	20.8	28.5	25.4
HCL Technologies	Technology	46.2	55.0	64.2	43.8	50.3	59.7	-5.2	-8.5	-7.0	7.5	14.9	18.6
Reliance Inds.	Oil & Gas	65.9	101.6	122.8	67.7	92.7	111.4	2.8	-8.8	-9.3	1.9	36.8	20.3
Maruti Suzuki	Automobiles	160.7	266.7	322.8	145.3	236.2	312.5	-9.6	-11.4	-3.2	-22.7	62.5	32.3
Titan Company	Retail	11.3	23.0	30.0	11.0	20.2	29.7	-2.1	-12.2	-0.9	-35.4	83.4	47.1
HDFC Life Insur.	Life Insurance	6.9	8.9	10.1	6.7	7.7	9.1	-2.5	-13.3	-10.1	4.7	15.2	17.2
IndusInd Bank	Banks-Private	39.9	83.0	103.0	39.9	69.4	95.1	0.2	-16.5	-7.6	-41.4	73.7	37.1

Source: Company, MOFSL

Within the MOFSL Universe, at the sector level, only Metals, NBFCs and Cement have seen earnings upgrades of 74%/3/2%, respectively. On the contrary, Technology, Consumer, Automobiles, and Cement have seen earnings downgrades.

Exhibit 15: Sector-wise earnings estimates – revision from 4QFY21 preview

		Estimates at preview		Current estimates		% Revision	
		EBIDTA (INR b)	PAT (INR b)	EBIDTA (INR b)	PAT (INR b)	FY22E	
Sector	No of Cos.	FY22E	FY22E	FY22E	FY22E	EBIDTA	PAT
Automobiles	7	266	203	255	194	-4.1	-4.2
Banks-Private	10	1,860	1,011	1,853	996	-0.4	-1.5
Life Insurance	3	65	49	61	45	-6.4	-7.8
NBFC	11	602	350	603	360	0.2	3.0
Capital Goods	1	6	4	6	4	1.6	-2.6
Cement	4	207	111	212	113	2.2	2.4
Consumer	9	297	206	287	195	-3.4	-5.1
Consumer Durables	1	4	2	3	2	-16.2	-16.6
Healthcare	4	66	40	66	40	-0.7	-0.9
Metals	2	472	238	717	414	51.9	73.6
Oil & Gas	2	1,212	663	1,117	606	-7.8	-8.7
Retail	3	67	41	55	32	-18.8	-22.4
Staffing	1	7	3	6	3	-10.4	-10.2
Technology	12	1,467	1,036	1,422	995	-3.0	-4.0
Telecom	2	192	73	191	73	-0.6	-0.4
Others	6	88	47	77	38	-12.4	-18.3
MOFSL Universe	**78**	**6,877**	**4,077**	**6,930**	**4,109**	**0.8**	**0.8**

NOTES

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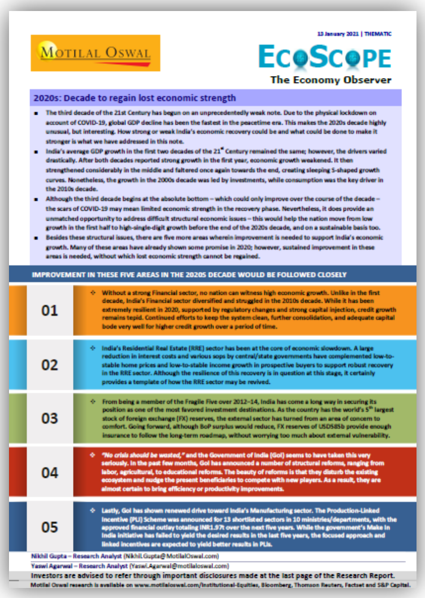
MOTILAL OSWAL

13 January 2021 | THEMATIC

EcoScope

The Economy Observer

2020s: Decade to regain lost economic strength

- The third decade of the 21st Century has begun on an unprecedentedly weak note. Due to the physical lockdown on account of COVID-19, global GDP decline has been the fastest in the peacetime era. This makes the 2020s decade highly unusual, but interesting. How strong or weak India's economic recovery could be and what could be done to make it stronger is what we have addressed in this note.
- India's average GDP growth in the first two decades of the 21st Century remained the same; however, the drivers varied drastically. After both decades reported strong growth in the first year, economic growth weakened. It then strengthened considerably in the middle and faltered once again towards the end, creating sleeping S-shaped growth curves. Nonetheless, the growth in the 2000s decade was led by investments, while consumption was the key driver in the 2010s decade.
- Although the third decade begins at the absolute bottom – which could only improve over the course of the decade – the scars of COVID-19 may mean limited economic strength in the recovery phase. Nevertheless, it does provide an unmatched opportunity to address difficult structural economic issues – this would help the nation move from low growth in the first half to high-single-digit growth before the end of the 2020s decade, and on a sustainable basis too.
- Besides these structural issues, there are five more areas wherein improvement is needed to support India's economic growth. Many of these areas have already shown some promise in 2020; however, sustained improvement in these areas is needed, without which lost economic strength cannot be regained.

IMPROVEMENT IN THESE FIVE AREAS IN THE 2020S DECADE WOULD BE FOLLOWED CLOSELY

01	Without a strong Financial sector, no nation can witness high economic growth. Unlike in the first decade, India's Financial sector diversified and struggled in the 2010s decade. While it has been extremely resilient in 2020, supported by regulatory changes and strong capital injection, credit growth remains tepid. Continued efforts to keep the system clean, further consolidation, and adequate capital bode very well for higher credit growth over a period of time.
02	India's Residential Real Estate (RRE) sector has been at the core of economic slowdown. A large reduction in interest costs and various sops by central/state governments have complemented low-to-stable home prices and low-to-stable income growth in prospective buyers to support robust recovery in the RRE sector. Although the resilience of this recovery is in question at this stage, it certainly provides a template of how the RRE sector may be revived.
03	From being a member of the Fragile Five over 2012–14, India has come a long way in securing its position as one of the most favored investment destinations. As the country has the world's 5th largest stock of foreign exchange (FX) reserves, the external sector has turned from an area of concern to comfort. Going forward, although BoP surplus would reduce, FX reserves of USD585b provide enough insurance to follow the long-term roadmap, without worrying too much about external vulnerability.
04	*"No crisis should be wasted,"* and the Government of India (GoI) seems to have taken this very seriously. In the past few months, GoI has announced a number of structural reforms, ranging from labor, agricultural, to educational reforms. The beauty of reforms is that they disturb the existing ecosystem and nudge the present beneficiaries to compete with new players. As a result, they are almost certain to bring efficiency or productivity improvements.
05	Lastly, GoI has shown renewed drive toward India's Manufacturing sector. The Production-Linked Incentive (PLI) Scheme was announced for 13 shortlisted sectors in 10 ministries/departments, with the approved financial outlay totaling INR1.97t over the next five years. While the government's Make in India initiative has failed to yield the desired results in the last five years, the focused approach and linked incentives are expected to yield better results in PLIs.

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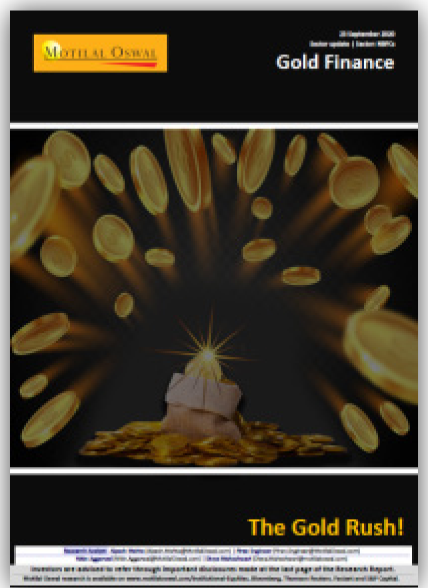

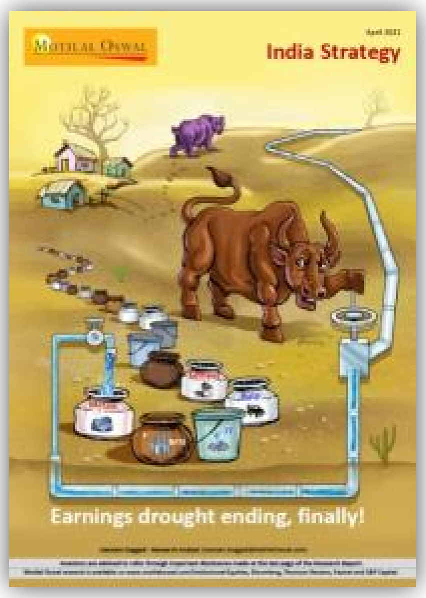

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