VOICES

VOICES

India Inc on Call

VOICES, a quarterly product from Motilal Oswal Research, provides a ready reference for all the post results earnings calls attended by our research analysts during the quarter. Besides making available to readers our key takeaways from these interactions, it also provides links to relevant research updates, and transcripts links of the respective conference calls.

This quarterly report contains

- Key takeaways from the post results management commentary for 160 companies, with links to the full earnings call transcripts
- Links to our Results Updates on each of the companies included

Research & Quant Team (Gautam.Duggad@MotilalOswal.com)

Contents

Note: All stock prices and indices are as on 20th August 2021, unless otherwise stated.

Voices

BSE Sensex: 55,556 **S&P CNX: 16,496**

Strong start to FY22; commentaries on demand recovery improve

In this report, we present detailed takeaways from the 1QFY22 conference calls as we refine the essence of India Inc. – 'Voices'.

- Corporate earnings in the first quarter of FY22 have been in line with our elevated expectations, aided by the deflated base of 1QFY21 and localized and less-stringent lockdowns v/s 1QFY21. Management commentaries across the board indicate an improved demand environment post Jun'21, led by the easing of restrictions and a sharp reduction in active COVID-19 cases. Moreover, companies that have reported towards the end of the earnings season have shown demand revival in July'21/Aug'21. For the MOFSL Coverage Universe, the earnings downgrade to upgrade ratio for FY22 stands at 6:5 – as 59 companies have seen downgrades >5%, while 47 companies have been upgraded by >5%. Nifty EPS is largely unchanged for FY22/FY23 as downgrades in the Auto and NBFC sectors have been compensated by upgrades in the Metals and Cement sectors.
- Most banks' managements have indicated sharp recovery in momentum from July'21; they expect loan growth to revive in the Retail/SME segment, assuming there is no adverse impact of a potential third COVID wave. Most banks have reported sequential deterioration in asset quality, largely led by the Retail segment, the impact on which was lower than that witnessed during the first COVID wave. Large banks have indicated the slippage trend would subside meaningfully from 2HFY22. NBFCs' commentaries suggest collection efficiency (CE) has recovered sharply in June/July'21 and is quickly rebounding to the pre-COVID levels. Most companies have continued to maintain excess liquidity on their balance sheets and anticipate a robust uptick in the business momentum from 2QFY22.
- In the Consumer sector, the widespread impact of the second COVID wave in 1QFY22 has resulted in a slowdown in the demand momentum seen in 4QFY21. Staples and essentials have continued to see strong demand, but discretionary demand has remained muted in 1QFY22. The sharp commodity inflation has impacted the gross margins of several companies, necessitating pricing actions and cost rationalization. While inflation has abated, to some extent, managements have guided for further price hikes if the inflation resumes.
- In Autos, both demand and supply were adversely impacted by the second COVID wave – localized lockdowns and oxygen shortage during April and May resulted in volume decline across categories. Industry players, however, remain optimistic about demand recovery in the upcoming festive season. Tractor volumes are likely to remain muted as companies have guided for mid-single-digit growth for the industry for FY22. Commodity cost inflation has impacted gross margins, partially offset by price hikes and the product mix during the quarter. However, the intensity is expected to plateau from 2HFY22. The semiconductor shortage continues to impact PV production, with 2QFY22 expected to be worse than 1QFY22. All of the 2W OEMs' commentaries focused on their EV strategies going forward and expected launches.

- The IT industry is seeing a big change, with technology emerging as the cornerstone for large enterprises. Two themes are driving growth in the industry: (1) digital transformation and (2) cost control through increased automation. Managements remain confident of achieving double-digit revenue growth in FY22 on the back of a strong deal pipeline around cloud, data analytics, cybersecurity, automation, and AI. While companies are adding employees at an unprecedented pace, attrition-led supply pressure on margins remains a key concern.
- In Cement, most companies in their post-earnings management calls have reported steady recovery in demand since June, led by the gradual easing of the lockdowns; pent-up demand would kick in once the monsoon recedes. Rural demand is expected to see strong recovery on the back of a good monsoon season and an increase in MSP. Over the near term, companies expect higher fuel costs to impact margins; however, this should be offset by better pricing and fixed cost absorption.
- In Healthcare, with COVID cases subsiding in 2QFY22, most companies expect IPM growth (at 11–13% YoY) to be led by core therapies (non-COVID) in FY22. Managements that have focused on US Generics have indicated the impact of price erosion during the quarter was in the high single digits and was higher than usual. Companies have further indicated a slowdown in new approvals for generics players. Companies across the board are concerned about rising supply chain costs impacting profitability over the near to medium term.

Autos

- Industry players are optimistic about the upcoming festive season. However, domestic 2W recovery would be slower than last year as (a) pent-up demand is not as strong this year and (b) channel inventory is higher v/s last year (low inventory levels in 1QFY21 due to lockdown during the BS6 transition). PV demand remains strong, while the semiconductor shortage continues to impact PV production. Tractor volume growth is expected to be muted, with guidance for mid-single-digit growth for the industry for FY22. The commodity cost inflation intensity is expected to plateau from 2HFY22. All of the 2W OEMs' commentaries have been focused on their EV strategies going forward.

Capital Goods

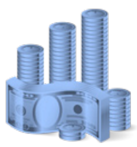
- In Capital Goods, the managements have indicated that although the intensity of execution has been much higher vis-à-vis last year, most of the companies lost 3–4 weeks of productivity due to the second COVID-19 wave disruption. The L&T management has indicated the order pipeline is up YoY, implying a positive outlook. While order inflows (OI) across most of the companies have been robust, Thermax's management remains cautious; it attributes the higher OI to the pent-up demand effect post the lockdown. In Consumer Electricals, the managements of Havells and Crompton have indicated that eastern and southern India continue to witness muted demand, while northern and western India have rebounded. They have further indicated that minor price increases would be needed to entirely cover the commodity cost inflation. In Durables, commodity price inflation has weighed on margins, with the Blue Star management has hinted at the need to evaluate further price hikes post the festive season. Inventory in the channel is normal, while that with the company is marginally higher.

Cement

- Most companies in their post-earnings management calls have reported steady recovery in demand since June, led by the gradual easing of the lockdowns; pent-up demand would kick in once the monsoon recedes. In the near term, rural demand is expected to see strong recovery on the back of a good monsoon season and an increase in MSP. Government infra projects are continuing at a good pace across regions despite the COVID-led lockdowns. Prices remained stable across regions in July, but are expected to soften due to heavy rains. Prices are expected to see an upward correction in Sep’21, driven by a demand uptick on account of retreating monsoons. Over the near term, companies expect higher fuel costs to impact margins; however, this should be offset by better pricing and fixed cost absorption. Managements have also enhanced their focus on achieving carbon reduction and are cutting their dependence on coal-based power sources by establishing waste heat recovery systems (WHRS) and renewable energy plants.

Consumer

- The widespread impact of the second COVID wave in 1QFY22 resulted in a slowdown in the demand momentum seen in 4QFY21. Although companies have been better prepared to tackle supply chain disruptions (v/s last year), the lockdowns and local restrictions imposed by most state governments have impacted retail operations and consumer mobility. This has affected the sales of most companies. Staples and essentials continue to see strong demand, but discretionary demand has remained muted in 1QFY22. Nevertheless, managements have been optimistic on the back of consistent vaccination drives and gradual unlocks happening across the country. Sharp commodity inflation has impacted the gross margins of several companies, necessitating pricing actions and cost rationalization. While the inflation has abated, to some extent, managements have guided for further price hikes if the inflation resumes. Although the number of COVID cases has been on the decline, companies remain watchful of a potential third COVID wave and cautiously optimistic about the festive season.



Financials

Banks

- Most banks’ managements have indicated sharp recovery in momentum from July’21; they expect loan growth to revive in the Retail/SME segment, assuming there is no adverse impact of a potential third COVID wave. Also, certain banks such as KMB have highlighted the opportunity to grow in the unsecured segment as well. Deposit growth remains healthy. On the asset quality front, most banks have reported higher slippage, driven by Retail – AXSB/IIB/ICICBC saw ~84%/85%/94% slippage from the Retail segment. Banks have thus reported sequential deterioration in their asset quality ratios. PCR remains healthy, with banks continuing to carry additional provision buffers, while the restructuring book has increased. Large banks have indicated the slippage trend is likely to subside meaningfully from 2HFY22.

NBFC

- NBFCs’ commentaries suggest collection efficiency (CE) was impacted during the first two months of the quarter. However, in June/July, CE recovered sharply and is quickly rebounding to pre-COVID levels. Most of the managements believe margins are sustainable at current levels in FY22, despite the benefit on incremental CoB largely having played out. Restructuring across financiers has varied. Vehicle financiers, predominantly in new CV financing (particularly M&HCV), have reported relatively higher restructuring, while restructuring has been lower in used vehicle financing. Barring LICHF, none of the other large HFCs have reported disproportionately high demand for restructuring in the Wholesale Developer Lending segment. Affordable housing financiers have resorted to restructuring under OTR 2.0. However, this has been largely range-bound at 0.7–1.2% for most of the players, except Repco, which reported ~5% restructuring in 1QFY22. Given the uncertainty around the second COVID wave, most companies have continued to maintain excess liquidity on their balance sheets to (a) protect themselves against any potential liquidity squeeze and (b) in anticipation of a robust uptick in the business momentum from 2QFY22. Vehicle financiers have indicated good momentum in collections/demand in Jul'21 and expect a strong demand uptick from September, the start of the festive season in India.

Healthcare

- In Healthcare, with COVID cases subsiding in 2QFY22, most companies expect IPM growth (at 11–13% YoY) to be led by core therapies (non-COVID) in FY22. Managements that have focused on US Generics have indicated the impact of price erosion during the quarter was in the high single digits and was higher than usual. The higher price erosion is largely attributable to higher inventory in the channel and subsequent dumping. Companies have further indicated a slowdown in new approvals for generics players, leading to higher competition in old products. While the overall revenue base is recovering gradually, companies across the board are concerned about rising supply chain costs impacting profitability over the near to medium term.

Media

- Recovery in advertisement spends was impacted by the second COVID wave. Ad revenues are expected to rebound as normalcy returns and lockdown restrictions are lifted. While the decision on NTO 2.0 has been appealed in the SC, clarity is expected on subscription revenue growth post the ruling. SUNTV's management has called off its subscription double-digit growth guidance due to the uncertainty regarding the outcome of NTO 2.0. Furthermore, the company plans to invest INR12b in movie production over the next 1.5–2 years. Slow recovery in ad revenue from the lockdowns is expected to bring down Zee's earlier margin guidance of ~25% for FY22. PVR had opened up ~200 cinemas as of 30th June 2021, and with big-budget movies scheduled for release, it expects recovery during the festive season starting October 2021.

Metals

- The managements have reiterated their positive stance on the pricing outlook for steel and base metals. The strong rally in steel prices is likely to sustain on account of the following factors: (a) strong demand recovery in metal-consuming sectors across the world; b) focus on de-carbonization in China, leading to production cuts; c) the Chinese government discouraging steel exports by way of removal of export rebates; d) higher raw material prices such as iron ore, coke, and coal; and e) temporary export tax imposition by Russia to discourage steel exports. On the other hand, aluminum prices would be supported by improved demand for the metal, production cuts in China, and the cap on capacity expansion leading to a market structurally in deficit over the next 2–3 years. While there are temporary headwinds in demand from the Automotive segment due to the semiconductor shortage, the worse is likely behind. While deleveraging would remain the key focus for companies, they are also eyeing growth, which would lead to higher capital expenditure. On the domestic front, volume decline has been observed in all companies due to weak domestic demand. However, the managements have highlighted that demand is expected to improve from Aug'21.

Oil & Gas

- OMCs have highlighted that with the easing of the lockdowns in India in July, demand for petroleum products such as MS/LPG has surpassed 2019 levels (+5%/+10%), while HSD demand remains subdued (-8%). An increase in personal mobility due to COVID-19 continues to drive demand higher for MS (thus aiding cracks). Demand for HSD is also seeing strong recovery in the US, coupled with the re-opening of the Chinese and Indian economies. Although, high levels of HSD inventory globally have resulted in suppressed cracks. Volume recovery in the aftermath of the last two lockdowns has been the quickest for GUJGA (current volumes at 12mmscmd v/s 10mmscmd in 1QFY22, with Morbi at 7.1mmscmd). CNG volumes for both IGL and MAHGL are picking up as the lockdowns are gradually lifted in Delhi and Mumbai, respectively. The management of MAHGL has stated CNG prices are linked to the prevailing prices of alternate fuels. Negotiations are still on with OMCs on higher commissions to sell CNG. Coupled with an increase in domestic APM gas prices, this could be critical for the margin going forward.

Retail

- The Retail sector saw an impact for a major part of the quarter on account of lockdowns across most states/territories leading to store closures. However, footfall and sales picked up over June–July'21 with recovery in retail spending and increased vaccinations. Retailers expect sales recovery by 3Q/4QFY22, led by demand from the festive season and weddings/functions. An increase in raw material prices would impact pricing and margins. On the digital front, retailers have significantly increased their investments to cater to demand from the online channel. Shoppers Stop plans to open 30 stores over the next two years. V-Mart's acquisition of "Unlimited" is expected to extend the company's presence in the southern region.

Specialty Chemicals

- Higher raw material prices (in line with an increase in Brent prices), along with international supply chain disruption, have resulted in margins compression for companies. The management believes that pressure on margins due to higher raw material and freight costs is likely to continue for a couple of more quarters (NFIL and VO) before the cost is passed on to the customer as per varied customer contracts. The China +1 scenario has continued to pan out, with higher inquiries from newer customers looking for supply chain diversification (NFIL and NOCIL). The demand outlook remains robust as global economies gradually open up and lockdown restrictions are lifted in India – translating to positive commentaries from the companies (GALSURF, NOCIL, and ATLP).

Technology

- The IT industry is seeing a big change, with technology emerging as the cornerstone for large enterprises. It has shifted from being an expense on the P&L to an investment that drives growth. Two themes are driving growth in the industry: (1) digital transformation and (2) cost control through increased automation. Within this strong tech spending environment, there is a high focus on cloud migration, which forms the basis for digital transformation. Managements remain confident of achieving double-digit revenue growth in FY22 on the back of a strong deal pipeline around cloud, data analytics, cyber security, automation, and AI. While companies are adding employees at an unprecedented pace, attrition-led supply pressure on margins remains a key concern.

Telecom

- Operators have seen a marginal revenue impact due to a) the free extension of plan validity in May'21 and b) SIM consolidation and loss of revenue from feature phone subscribers due to the economic impact of the pandemic. ARPU has been marginally impacted by the free extension during the validity period and due to affected recharge availability. Airtel plans to gradually hike tariffs to INR200 from INR146 currently. Telecom companies are undertaking 5G trials on the expectation of auction announcements early next year. TCom has stated it is focusing on smaller deals to support growth as the company is witnessing longer lead times in closing large transformation deals. VIL is working on engaging with investors for new funding and is parallelly in talks with bondholders for refinancing to keep up with the bond repayments due between Dec'21 and Feb'22.

Utilities

- Torrent Power (TPW) has noted it expects demand for its distribution franchise (DF) circles to reach pre-COVID levels by end-FY22. The co. has won the bid for Daman and Diu and Dadra & Nagar Haveli, but is waiting for the issuance of an LOA. TPW expects capex within the distribution license (DL) and DF circles to continue at INR12b and INR2.5b p.a., respectively. NTPC is focused on spearheading the energy transition (targeting 60GW of renewables capacity by 2032) and exploring opportunities within green hydrogen. The co. expects to monetize its renewables and trading subsidiaries over the next 18 months. PWGR is looking at opportunities ushered in by the government's distribution reform schemes. The company sees an incremental INR2t in funding/investment needs for DISCOMs to upgrade their distribution networks and Smart Meters. It is looking to engage with DISCOMs for the same and provide technical solutions and investment support. PWGR expects capitalization in FY22 to stand at INR150b, with capex of INR75b. For FY23, it expects capitalization to come in at INR120–150b, with capex of INR75–100b.

Key takeaways from management commentary

AUTOMOBILES

- **Industry players are optimistic about the upcoming festive season. However, domestic 2W recovery would be slower than last year as (a) pent-up demand is not as strong this year and (b) channel inventory is higher v/s last year (low inventory levels in 1QFY21 due to lockdown during the BS6 transition). PV demand remains strong, while the semiconductor shortage continues to impact PV production. Tractor volume growth is expected to be muted, with guidance for mid-single-digit growth for the industry for FY22. The commodity cost inflation intensity is expected to plateau from 2HFY22. All of the 2W OEMs' commentaries have been focused on their EV strategies going forward.**

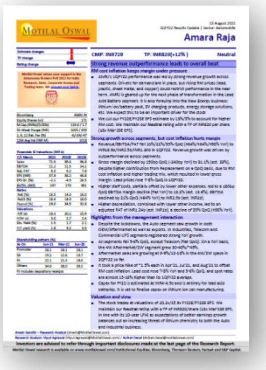
KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY22	EV Strategy
Bajaj Auto	■ Domestic 2W outlook: Domestic 2W recovery would be slower than last year due to higher channel inventory v/s last year (which had low inventory due to the BS6 transition). ■ Domestic 3W outlook: The return to normalcy was interrupted over Apr–May; however, retails in Jun'21 were good at 6–7k units (v/s its own expectation of 5k). Availability of financing is not a problem for 3Ws, although underwriting could be stricter. ■ Cost inflation of 3% is expected in 2QFY22, of which ~2% is expected to be offset through price hikes.	■ EVs: Chetak is being launched in Nagpur, Aurangabad, Mysuru, and Mangaluru. Chetak's approval for the FAME-2 subsidy is expected imminently. It is setting up a new subsidiary focused on EVs. BJAUT would launch its own e-3W by end-CY21.
Eicher Motors	■ While demand is good, supply-side issues have impacted the production ramp-up and new product launches. Although it is seeing step-by-step improvement in supply chain issues, it expects the semi-conductor shortage to continue to have an impact over the next few months. ■ 1QFY22 saw the best ever exports (+28% QoQ, 83% growth over 1QFY20). International network expansion continued in 1QFY22 with the addition of eight exclusive stores (to 140) and 19 new multi-brands (to 650). It targets an exclusive store count of 175 by FY22-end.	
Hero MotoCorp	■ Demand outlook: Over 90% of outlets are operating normally now and retails are over 80% of pre-COVID levels. Unlike last year, pent-up demand is not that strong this year. During the recent regional festivals, such as Rath Yatra (Gujarat), retails were up 40%, as was the case during Guru Purnima and Eid. It expects a positive trend starting with the 32-day festive season to sustain in 2HFY22. ■ RM cost: It expects to neutralize the cost inflation of 2QFY22 through a price hike of INR1,200 taken in Jul'21 and leap cost savings. It expects commodities to soften in 2H and lead to margin recovery.	■ **EV strategy:** HMCL would launch in-house products based on fast charging solutions by Mar'22. Products from the Gogoro partnership would be launched in the latter part of CY22.
M&M	■ Tractor outlook: Considering the high base, it expects tractor volumes to be muted from 2HFY22; hence, it is guiding for low- to mid-single-digit growth for the industry for FY22. ■ Autos outlook: MM is seeing strong demand for its SUV brand, and industry demand is also good. Considering the uncertainty due to a chip shortage, it is building system stock to prepare for the festive season. ■ Tractor international subsidiaries: All the international FES subsidiaries were profitable in 1QFY22, with the highest ever overall PBIT. This was the fourth consecutive quarter of positive PBIT (v/s INR8.8b loss in FY19 and INR6.5b in FY20).	■ e-3Ws: It is seeing good traction in the e-3W Cargo segment in the e-commerce channel. It is now expanding its network for Treo Zor. The Passenger segment is currently highly subdued due to COVID. It is putting in place a long-term strategy to drive growth.
Maruti	■ Update on demand: Recovery is seen in both urban and rural. Inquiries are similar to 4QFY21 levels and bookings are at 80–85% of 4QFY21. Inquiries in July'21 are at 120% of Jun'21 levels, with retail similar to Jun'21. Wholesale in	■ Fuel-agnostic strategy: It is focusing on the following areas: i) improving the ICE engine, ii) manufacturing products that utilize gas/bio-fuels, and iii) manufacturing hybrids and EVs –

	Jul'21 should be higher v/s Jun'21. It has 170k pending bookings currently, whereas network inventory stands at 135–138k units (27 days at 4Q retail). ■ Chip shortage: MSIL is faring relatively better as it is able to adjust its production by manufacturing cars with a lower intensity of semi-conductors. ■ Commodity price impact: In 1QFY22, it saw an impact of 3.5pp QoQ. It expects a further impact in 2Q as well and should see some stability thereafter. It took price increases in January (1.3%) and April (1.6%) and has taken one in July as well (small increase). It is attempting to strike a balance between cost pass-through, demand, and market share.	as different PV segments would have a different approach to lowering emissions. It believes hybrids would play a key role in electrification until EV charging infrastructure is developed in India.
Tata Motors	■ JLR FY22 outlook: 2QFY22 wholesales are expected to be 65k units (v/s the earlier guidance of 60–65k, 50% lower than originally planned), translating to revenues of GBP3.7b. It has guided for positive EBIT and FCF for 2HFY22. ■ India: Sequential improvement is expected in overall performance from the second half of FY22, with the target to deliver a positive EBIT margin with positive free cash flows in FY22. ■ Demand for CVs has started to recover from Jun'21 (volumes similar to Apr'21). ■ PV demand is also recovering well. With the waiting periods across models and very low dealer inventory, it plans to build up inventory at the dealer level.	
TVS Motors	■ Demand has improved in Jul'21 and is coming closer to 4Q retail levels. It expects demand to normalize over Sep–Oct'21. ■ Exports: Export momentum is expected to continue (ex-Bangladesh and Nepal, as they are yet to open up). It expects even Bangladesh and Nepal to see recovery from Aug'21. ■ Commodity cost impact and margins: The commodity cost impact witnessed in 1Q was offset by a favorable product mix, cost-saving initiatives, and price increases. It took a price hike of 1.1% in Apr'21 and 2.4% in Jul'21. Post the Jul'21 price increases, under-recoveries on account of cost inflation stand at just 50bp. The management is confident of EBITDA margins normalizing with volumes and be back at double-digit levels.	■ EV plans: TVSL's EV capacity is expected to be 10k units/ month by 4QFY22, with further expansion planned for the next year. It has set up a separate vertical for EVs and would invest INR10b (~INR3b in FY22E) in building the product portfolio, capacities, and ecosystem for both 2Ws and 3Ws for India and the global market. TVS iQube is now sold in six cities and expected to be expanded across the country by end-FY22.

AMARA RAJA
Gotta be a better way

Click below for Results Update

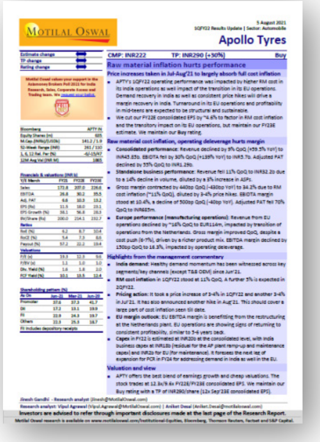


Amara Raja Batteries — Neutral

Current Price INR 697

- Despite the lockdowns, the Auto segment saw growth in both OEM/Aftermarket as well as exports. In Industrials, Telecom and Commercial UPS segments registered strong YoY growth.
- All segments fell 5-6% QoQ, except Telecom (flat QoQ). On a YoY basis, the 4W Aftermarket/2W segment grew 30-40%/~45%.
- Aftermarket sales are growing at 8-9%/12-13% in the 4W/2W space in 2QFY22 so far.
- It took a price hike of ~1.5% each in Apr'21, Jul'21, and Aug'21 to offset RM cost inflation. Lead cost rose 7-8% YoY and 5-6% QoQ, and spot rates are almost 15-18% higher than its 1QFY22 average.
- Capex for FY22 is estimated at INR4-4.5b and is entirely for lead acid batteries. It is yet to finalize capex on lithium ion cell manufacturing.

Click below for
Results Update



Apollo Tyres — Buy

Current Price INR 212

India operations

- **India demand:** Healthy demand momentum has been witnessed across key segments/key channels (except T&B OEM) since Jun'21.
- **RM cost inflation** in 1QFY22 stood at 11% QoQ. A further 5% is expected in 2QFY22.
- **Pricing action:** It took a price increase of 3-4% in 1QFY22 and another 3-4% in Jul'21. It has also announced another hike in Aug'21. This should cover a large part of cost inflation seen till date. It has substantially expanded its distribution footprint (over 750 dealers in the last 15 months), with touch points in rural India increasing by over five times since FY19 to 6.2k in 1QFY22.
- **Exports:** It attained the highest quarterly exports ever in 1QFY22, as there was a ramp-up in exports to the EU. Exports to other geographies are also being ramped up. It is looking to increase its export contribution to 15% of sales (from 10% at present).

Europe

- EU revenue in 1QFY22 had an impact of the transition from the Netherlands plant (first quarter of transition) to Hungary and India as mold movements took a longer time. It expects revenue to normalize in 2QFY22.
- Gross margin improved despite a cost push (6-7%), driven by a richer product mix. EBITDA margin also benefited from the restructuring of the Netherlands plant. EU operations are showing signs of returning to consistent profitability, similar to 5-6 years back.
- It took price increase of ~2% (PCLT) and ~4% (Agri) in 1QFY22 in the Replacement segment.
- Improvement in the sales mix as UHP/UUHP accounted for ~38% of PCLT sales in volume terms in 1QFY22 (v/s 36% in 4QFY21).
- APTY added over 100 dealers in EU in 1QFY22 taking the total dealer count to ~7,100.
- Despite adverse market conditions, it expanded its customer base (added over 400 customers in the last 15 months).

Others

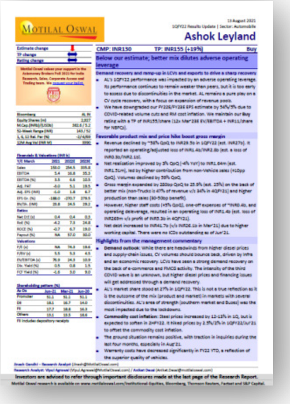
- Capex in FY22 is estimated at INR20b at the consolidated level, with India business capex at INR18b (residual for the AP plant ramp-up and maintenance capex) and INR2b for EU (for maintenance). It foresees the next leg of expansion for PCR in FY24 for addressing demand in India as well in the EU.

Click below for
Detailed Concall Transcript &
Results Update

Ashok Leyland — Buy

Current Price INR 119

- 1QFY22 performance: The 260bp QoQ loss in market share in M&HCVs is a reflection of mix (product and geography) as South India was most impacted due to the lockdowns, which is an area of strength for AL. In exports, its addressable markets of MENA and SAARC have not fully opened up.
- Demand outlook: While there are headwinds from higher diesel prices and supply-chain issues, CV volumes should bounce back, driven by Infra and an economic recovery, subject to the intensity of the third COVID wave. LCVs have seen a strong demand recovery on the back of e-commerce and FMCG activity.



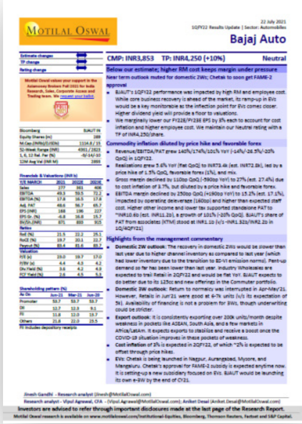
- The ground situation remains positive, with traction in inquiries during the last four months, especially in Aug'21. Dealers expect normalcy by Sep-Oct'21, with an increase in freight demand. Fleet operators are currently facing challenges on two fronts:
- Lower freight rates and higher input cost due to rising diesel prices.
- Financing disparity: Large and medium fleet operators are being offered very attractive rates. However, single and small fleet operators are facing challenges.
- Commodity cost inflation: Steel prices increased by 12-13% in 1Q, but is expected to soften in 2HFY22. AL is executing special projects (looking at every line cost) to dilute the impact of commodity prices, with a focus on raw materials (alternative materials) and middle line management.
- Price hike: 3Q and 4QFY21 saw a price hike in M&HCVs (2% in Oct'20, 2% in Jan'21, and 2.5% in Apr'21) and LCVs (1.5% in Oct'20, 1.5% in Jan'21, and 2% in Apr'21). It has taken a 1.5-2% price hike each in 3Q/4QFY21, 2.5% in 1QFY22, and 2% in Jul'21.
- Semi-conductor availability remains a concern. However, the AL has managed it well so far.
- Capex for FY22 would be INR5-7.5b (INR500m in 1QFY22). This would not involve any brownfield expansion, but would largely be for maintenance and debottlenecking capacities.
- Warranty costs have decreased significantly in FY22 YTD, a reflection of the superior quality of vehicles.
- EVs: AL expects Switch Mobility to raise capital independently. If required, it would infuse capital.
- HLFL (captive NBFC) reported a revenue/PAT of INR6.7b/INR0.7b. It has seen a collection efficiency of over 85% in Jun'21 and Jul'21 is even better (v/s over 90% in Apr'21). The management said M&HCV customers are repaying as per schedule. NNPA stood at 2.6% in FY21. It has a 40% exposure in CVs. Capital infusion in FY22 could be INR1-1.5b.

Bajaj Auto — Neutral

Current Price INR 3,751

Click below for Detailed Concall Transcript & Results Update

- **Domestic 2W outlook:** The recovery in domestic 2Ws would be slower than last year due to higher channel inventory as compared to last year (which had lower inventory due to the transition to BS-VI emission norms). Pent-up demand so far has been lower than last year. Industry Wholesales are expected to trail Retail in 2QFY22 and would be flat YoY. BJAUT expects to do better due to its 125cc and new offerings in the Commuter portfolio.
- **Domestic 3W outlook:** Return to normalcy was interrupted in Apr-May'21. However, Retails in Jun'21 were good at 6-7k units (v/s its expectation of 5k). Availability of financing is not a problem for 3Ws, though underwriting could be stricter. Rising NPAs are largely to do with its old book as loans availed during the moratorium period are now turning into NPAs. BJAUT has now attained leadership in all segments of 3Ws in the domestic market.
- **Export outlook:** It is consistently exporting over 200k units/month despite weakness in pockets like ASEAN, South Asia, and a few markets in Africa/LatAm. It expects exports to stabilize and receive a boost once the COVID-19 situation improves in these pockets of weakness. It has gained 2%/6% QoQ global market



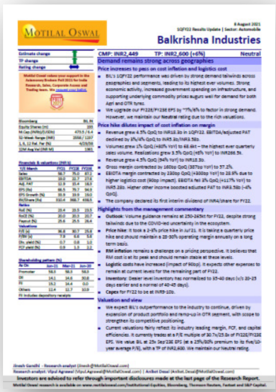
share in 2Ws/3Ws. It now generates 85% of exports from markets where it is either placed first or second. Strong growth in exports to KTM (+48% QoQ) and introduction of Dominar 250 has led to an increase in the contribution of the Premium segment in exports.

- It witnessed a cost inflation of 3.7% in 1QFY22, of which 1.5% was diluted through price hikes. A further 3% cost inflation is expected in 2QFY22, of which ~2% is expected to be offset through price hikes.
- **EVs:** Chetak is being launched in four more cities: Nagpur, Aurangabad, Mysore, and Mangaluru. Chetak's approval for FAME-2 subsidy is expected anytime now. It is setting-up a new subsidiary focused on EVs. While it expects a 3-5 year transition for EVs in 2Ws, its roadmap in 3Ws isn't very clear considering the increasing penetration of CNG. BJAUT would be launching its own e-3W by the end of CY21.
- **CNG 3Ws:** The government's plan to increase CNG pumps to 9,000 by CY25 from 1,500 at present should augur well for BJAUT due to its 85-90% share in CNG. As a rule of thumb, the creation of 100 new CNG pumps would generate a demand for 10k 3Ws (new as well as the shift from diesel as CNG offers savings of INR1.25/km).
- Triumph product launch has got delayed by 6-9 months due to COVID-19 impact and is now expected to be launched by FY23-end.

Balkrishna Inds — Neutral

Current Price INR 2,237

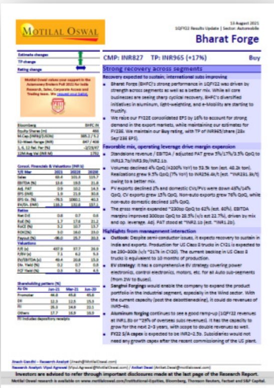
Click below for
Detailed Concall Transcript &
Results Update



- **Outlook:** The demand momentum continues to remain strong across geographies and the segment on the back of strong economic activity, increased government spending worldwide in Infra, and supportive commodity prices.
- **Volume guidance** remains at 250-265kt for FY22, despite strong tailwinds due to the COVID-led uncertainty in the ecosystem.
- **Capacity utilization:** Currently, it is operating near peak capacity utilization. It can produce a maximum quantity of 285kt/year from its current capacity. Additional growth would come from ongoing projects.
- **RM inflation** remains a challenge on a pricing perspective. It believes that RM cost is at its peak and should remain stable at these levels.
- **Logistic costs** have increased (impact of 90bp). It expects other expenses to remain at current levels for the remaining part of FY22.
- **Price hike:** It took a 2-3% price hike in Jul'21. It is taking a quarterly price hike and should maintain a 28-30% operating margin annually on a long term basis.
- **Inventory:** Dealer level inventory has normalized to 35-40 days (v/s 20-25 days earlier and a normal of 40-45 days).
- The growth rate in the global Specialty tyre market stands ~3-5% p.a. BIL's has a market share of 5-5.5%, and excluding China, it would be 7-7.5%.
- **US sales contribution** has risen marginally as it is the focus area. Also, OTR contribution has gone up due to the management's focus. India was relatively weak due to the lockdowns and seasonality, but should recover going forward.
- Capex for FY22 to be around INR10b.

KALYANI
BHARAT FORGE

Click below for
Results Update

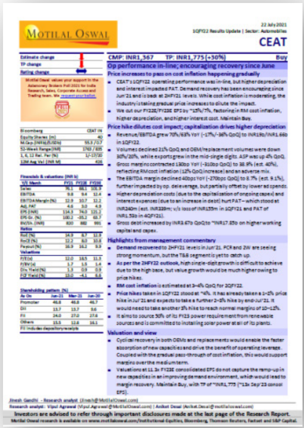


Bharat Forge — Buy

Current Price INR 753

- **Outlook:** Despite semi-conductor issues, it expects recovery to sustain in India and exports. Production for US Class 8 trucks in CY21 is expected to be 290–300k (v/s ~217k in CY20). The current backlog in US Class 8 trucks is equivalent to 10 months of production, with strong demand and infrastructure stimulus expected to further boost demand.
- **EV strategy:** It has a comprehensive EV strategy covering power electronics, control electronics, motors, etc. for all Auto sub-segments (from 2W to Buses). It is winning business in EV components such as axles, chassis, and driveline products for CVs, with supply likely to commence from FY24.
- **India Non-Auto:** All sectors barring the Defense space were impacted by COVID in 1QFY22. It expects the Industrial business to grow meaningfully over the medium to long term, driven by the revival of the capex cycle in India, potential opportunities from various PLI schemes, and defense manufacturing in India.
- **Export PVs:** 1QFY22 was at all-time high levels for the PV segment as it has continued to witness strong momentum across geographies. While BHFC continues to increase its market share in ICE Powertrain, it is also engaging with customers on solutions for BEV and other technologies.
- **Oil & Gas recovery:** Oil & Gas segment revenues recovered to INR1.5b in 1QFY22 (v/s INR450m in 1QFY21). While it is not seeing much of an increase in fracking activity, BHFC plans to grow on the back of new products in this segment.
- **Sanghvi Forgings:** It completed the acquisition of Sanghvi Forgings for INR0.8b. It expects it to achieve breakeven from 2QFY22 and turn profitable from 3Q. It has the capability to make slightly bigger products and would enable BHFC to expand its product portfolio in the Industrial segment, especially in the Wind sector. It has good scope to expand capacity at the Sanghvi Forgings plant, as it can debottleneck capacity (by optimizing workflow) and has excess land (15 acres of land, of which 5 acres has been utilized). With the current capacity (post the debottlenecking), it could do revenues of INR5–6b. It would have taken 2.5 years and INR3b to create such an asset.
- **Aluminum forging** continues to see a good ramp-up (1QFY22 revenues at INR1.8b or ~29% of overseas subs revenues). It has the capacity to grow for the next 2–3 years, with scope to double revenues as well. Currently, it has more orders than capacity and would look to add capacities through the brownfield route. Revenues for the US subsidiary (in alu forgings) in FY22 are expected to be USD8–10m, with a full ramp-up expected in FY24, with revenue potential of USD80–85m.
- **Aerospace:** It has received new orders in Aerospace and expects revenues of USD20m over the next two years (forged and machined parts for jet engines) from USD5–7m currently.
- **Margins:** For the standalone business, it expects margins to sustain at current levels. International subs achieved 11.7% EBITDA margins in 1QFY22 owing to mix improvement and cost optimization. However, the coming quarter would see lower margins due to RM cost inflation.
- **FY22 capex** for standalone is expected to be INR2–2.5b. Subsidiaries would not need any growth capex after the recent commissioning of the US plant.

Click below for
Detailed Concall Transcript &
Results Update

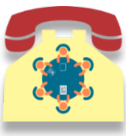


CEAT — Buy

Current Price INR 1,298

- **Demand:** Demand recovered to 2HFY21 levels in Jun'21. PCR and 2W are seeing strong momentum, but the T&B segment is yet to catch up. The revenue breakup for 1QFY21 stood at 55%/25%/20% for replacements/OEMs/exports.
- **PCR growth:** It is seeing good traction and targets share gains through a higher OEM presence, new products, and increasing reach.
- **Volume growth:** Volumes declined 21% sequentially. On a QoQ basis, OEM/replacement volumes declined 30%/20% across product segments, while exports grew in the mid-single digits.
- **Outlook for 2HF22:** While high single-digit growth is difficult to achieve, value growth would be higher owing to price increases.
- RM cost inflation: RM cost increased 12% sequentially and is expected to increase further by ~4% in 2QFY22.
- **Price hikes:** The increases taken in 1QFY22 stood at ~4%. It has already taken a 1–2% price hike in Jul'21 and expects to take a further 2–3% hike by end-Jul'21. It would need to take another 3% hike to reach normal margins of 10–12%. Price hikes in the export markets were better than in the replacement markets.
- **Debt and working capital:** Gross debt grew INR3.67b to INR17.85b in 1QFY22 on an increase in working capital by INR2.36b, with decline in payables.
- **Capex:** The FY22 spend would be around INR11.5b (INR10b for project capex + INR1.5b for maintenance capex). This includes the balance capex for the Chennai plant, debottlenecking at the Halol plant, and expansion in the OTR segment. Capex for FY23 and FY24 is estimated to be INR7–8b/year, if no major growth project is initiated.
- It commissioned a solar power plant of 10MW for the Bhandup plant as a part of its commitment to power all its plants with solar energy. It targets 50% of power from renewables by FY23.

Click below for
Detailed Concall Transcript &
Results Update



Eicher Motors — Buy

Current Price INR 2,600

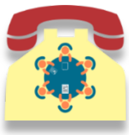
- While demand remains good, supply-side issues have impacted ramp-up in production and new product launches. Though it is seeing a step-by-step improvement in supply-chain issues, it expects the semi-conductor shortage to continue to impact over the next few months.
- Product launches have been delayed due to supply-side issues. The management said it would launch once it had visibility of a reasonable supply of new products to meet demand. It reiterated that the products are fully ready.
- 1QFY22 saw the best ever exports (+28% QoQ, 83% growth over 1QFY20).International network expansion continues with the addition of eight exclusive stores (to 140) and 19 new multi-brand outlets (to 650) in 1QFY22. It targets to take the exclusive store count to 175 by FY22-end.
- The Retail network spans over 2,000 stores, covering 1,750 cities (~1,033 main stores and 1,038 Studio stores), with the addition of eight/seven main/Studio stores in 1QFY22.
- All 2,000 outlets are now enabled for the 'Make it Yours' configurator, and over80% of sales of key models is accruing through these stores. This is helping

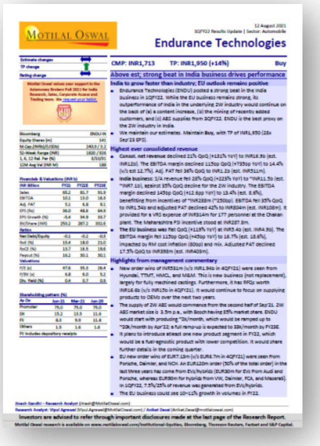
drive accessory sales and clock a higher average order value. It is looking to increase the share of non-Motorcycle revenue to 20% (from 12.5% in FY21).

- EVs: It expects premium motorcycles (>350cc) to move towards EVs in 5-7 years. It has been working on EVs for three years now, and the management said it will be ready on-time.
- Cost inflation: After the price hike in Jul'21, it has largely covered the entire cost inflation till Jun'21. Going forward, it expects relatively lower cost inflation.

ENDURANCE Complete Solutions

Click below for Detailed Concall Transcript & Results Update





Endurance Technologies — Buy

Current Price INR 1,593

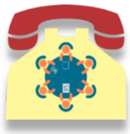
India business

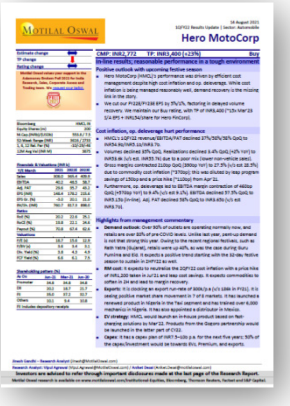
- New order wins of INR531m (v/s INR1.94b in 4QFY21) were seen from Hyundai, TTMT, HMCL, and M&M. This is new business (not replacement), largely for fully machined castings. Furthermore, it has RFQs worth INR16.6b (v/s INR15b in 4QFY21). It would continue to focus on supplying products to OEMs over the next two years.
- The supply of 2W ABS would commence from the second half of Sep'21. 2W ABS market size is 3.5m p.a., with Bosch having 85% market share. ENDU would start with producing ~2k/month, which would be ramped up to ~20k/month by Apr'22; a full ramp-up is expected to 33k/month by FY23E.
- It plans to introduce at least one new product segment in FY22, which would be a fuel-agnostic product with lower competition. It would share further details in the coming quarter.
- EVs: It already supplies to Bajaj Chetak, Greaves e-3Ws (brake systems), and Aptiv (battery housing). It also does business with Ola, Ather, Ampere, Hero, etc.
- In aluminium die-casting in India, it is looking to expand in adjacency such as the tractor and non-auto categories.
- The Disc Brake Assemblies business is growing robustly; it is increasing capacity in assemblies from 285k/month to 570k/month and in discs from 375k to 675k by the end of the month.
- Aftermarket revenues came in at 5.4% of standalone sales in 1QFY22; the target is to take this to 10% of S/A sales. Export revenues in 1Q stood at INR361m, and the target is to take this to INR2.5b in FY22.

EU business

- Order wins: It received orders worth EUR7.13m (v/s EUR6.7m in 4QFY21) from Porsche, Daimler, and NCH. An EUR120m order (50% of the total order) in the last three years has come from EVs/hybrids (EUR30m for EVs from Audi and Porsche, whereas EUR90m for hybrids from VW, Daimler, FCA, and Maserati). In 1QFY22, 7.5%/25% of revenue was generated from EVs/hybrids.
- The 200cc Motorcycle Brake and Clutch Assemblies business would commence from Sep'21 (brake assemblies) and Apr'22 (clutch assemblies).
- The EU business could see 10–11% growth in volumes in FY22.

Click below for Detailed Concall Transcript & Results Update





Hero MotoCorp — Buy

Current Price INR 2,700

- Demand outlook: Recently, amid regional festivals such as Rath Yatra (in Gujarat), retails were up 40% as was the case during Guru Purnima and Eid. It expects the positive trend starting with the 32-day festive season to sustain in 2HFY22 as well.
- RM cost inflation: With leap program savings of 150bp, along with a price hike of INR600/unit (110bp) from Apr'21, it was able to partially offset the cost inflation of INR2,000/unit (370bp) in 1QFY22.
- It expects commodities to soften in 2H and lead to margin recovery. Also, it expects to neutralize the cost effect in 2QFY22 with cost savings and the price hike of INR1,200 taken in Jul'21.
- EV strategy: HMCL would launch an in-house product based on fast-charging solutions by Mar'22. Products from the Gogoro partnership would be launched in the latter part of CY22.
- With the launch of its EV models, HMCL would be much better placed and have lower cash burn due to its existing ecosystem of vendors, financiers, and dealers.
- The main drivers for charging infrastructure would be scalability, viability, capital efficiency and customer convenience
- Exports: It has a much higher target than the current run-rate of 300k units/p.a. It is seeing positive market share movement in 7 of 8 markets. It has tied up with a distributor in Mexico, launched a renewed product in Nigeria in the Taxi segment, and trained 6,000 mechanics in Nigeria.
- Spare Parts revenue stood at INR4.6b (8% of revenues v/s INR10.5b or 12% of revenues in 4QFY21). It is expected to return to 10% of revenues in the coming quarters as the company has made some fundamental changes in the Spare Parts business.
- Inventory is at the optimum level considering the upcoming festive season. The semi-conductor shortage issue is not impacting HMCL.
- Premiumization: Along with focusing on 150cc & above, it is also targeting the premium variant in all segments. XPulse is creating waves and there is good traction for the model.
- Harley Davidson tie-up: It has commenced distribution and has 30 touch points. It would launch a bike in the Retro segment, which should account for a 60–70% profit pool.
- Financing penetration in FY21 was 41%, and Hero FinCorp had ~40% share in financing. Hero FinCorp's GNPAs increased in 1QFY22 due to one-off provisioning. It expects GNPAs to normalize in 2HFY22.
- Capex: It has a capex plan of INR7.5–10b over the next five years; 50% of the capex/investment would be towards EVs, Premium, and exports.

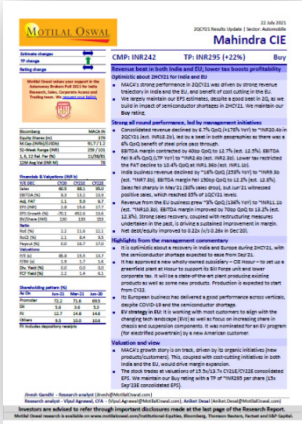
Click below for Results Update

Mahindra CIE — Buy

Current Price INR 229

Growth outlook: It is optimistic about a recovery in India and Europe during 2HCY21, with the semiconductor shortage expected to ease from Sep'21.

India business


22 July 2021

2QCY21 Results Update | Sector: Automobile

Mahindra CIE

CMP: INR242 TP: INR295 (+22%) Buy

- The sales drop was concentrated in May'21 (30% sales drop) due to the official lockdown, movement restrictions, and customer plant closures. Positive sales evolution during Jun'21 touched 85% of 1QCY21 levels.
- It has approved a new wholly-owned subsidiary – CIE Hosur – to set up a Greenfield plant at Hosur to support its Bill Forge unit and lower corporate tax. It will be a state-of-the-art plant producing existing products as well as some new products. Production is expected to start from CY22.
- India would be a key contributor of growth for the parent and for export. Capex and investments in India will support this.
- Recent order wins in India have helped to dilute the impact of semiconductor shortages.
- Revenue includes 6% QoQ benefit of steel price increase as pass through in India.

European business

- Its European business has delivered a good performance across verticals, despite COVID-19 and the semiconductor shortage, resulting in stable revenue in EUR terms.
- Good margin performance was a result of restructuring actions taken in CY20.
- Semiconductor shortages: 1HCY21 was affected, particularly May-Jun'21. The situation will start easing from Sep'21 and will be a minor issue in 4QCY21.
- The German (MFE) business is the most complicated and less profitable. It has decided to reduce turnover by eliminating non-profitable products. The focus is on efficiency and not on growth, with a target of sustainable positive PBT (already PBT positive).
- EV strategy: It is working with most customers to align with the changing tech landscape (EVs) as well as focus on increasing share in chassis and suspension components. It was nominated for an EV program (for electrified powertrain) by a new American customer. This is an existing product with different characteristics (shafts and gears).
- Aluminum forging won't require high investment as it would try to shift some presses from steel forging, though it will need to completely change the line and have different heat treatment facilities.
- Metalcastello: The key customers are American off-highway players. Demand is good, and it is adding additional capacities and machineries. It should be back to CY18 levels.
- Revenue includes 6% QoQ benefit of a steel price increase as pass through in the EU.

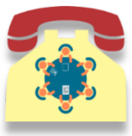
Others

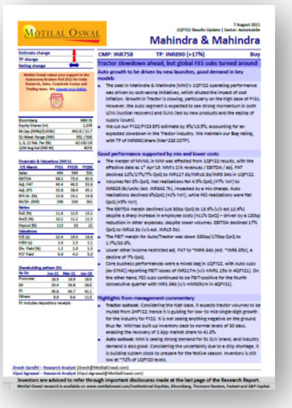
- Net financial debt declined to INR11b (INR12.75b in Dec'20).
- RoNA improved to 11.8% (v/s 3.7% for CY20), while RoE (operational) improved to 11.2% (v/s 2.2% for CY20).
- Capex to remain at 5-6% of sales in CY21, with the entire growth capex to be located in India.
- It is focused on aligning MCIE's EBIDTA margin with CIE's margin of 18-20% over the next few years.
- At present, the focus is on organic growth. However, once the pandemic ends, it would evaluate inorganic growth opportunities.

Mahindra & Mahindra — Buy

Current Price INR 786

Click below for
Detailed Concall Transcript &
Results Update




MOTILAL OSWAL

Mahindra & Mahindra

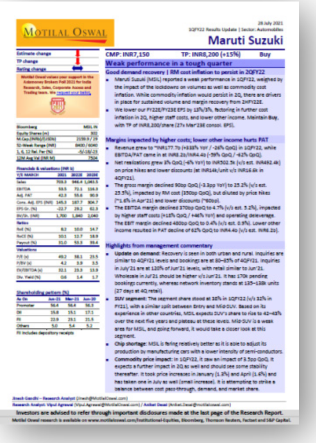
- **Tractor outlook:** Considering the high base, it expects tractor volumes to be muted from 2HFY22; hence it is guiding for low- to mid-single-digit growth for the industry for FY22. It is not seeing anything negative on the ground thus far.MM has built up inventory back to normal levels of 30 days, enabling the recovery of 2.6pp market share to 41.8%.
- **Autos outlook:** MM is seeing strong demand for its SUV brand, and industry demand is also good. Considering the uncertainty due to a chip shortage, it is building system stock to prepare for the festive season. Inventory is still low at~72% of 1QFY20 levels.
- **Strong booking pipeline in key brands:** It has open bookings for its key brands, viz Thar (39k units; 10 months waiting), XUV300 (10k units; 2 months waiting), Scorpio (6k units; 1.5 months waiting), and Bolero (4k units; 1 month waiting).The recently launched Bolero Neo has opened up a new segment for MM and has already received 5.5k bookings (30k inquiries). The upcoming XUV700already has 40k inquiries even before the showcasing of the product (the launch is scheduled in 2QFY22 and deliveries would begin from 3QFY22).
- **Drivers for Auto margin recovery:** MM has enlisted the following levers to improve profitability in the Auto business – through a) several projects to reduce RM cost through 'Value Addition and Value Engineering (VAVE)', as new products present a higher opportunity, b) a fixed cost reduction in FY21 through a complete relook at G&A (INR8b reduction in fixed cost in the Auto business), and c) the return of operating leverage.
- **Tractor international subsidiaries:** All international subsidiaries were profitable in 1QFY22, with the highest ever overall PBIT. This was the fourth consecutive quarter of positive PBIT (v/s INR8.8b loss in FY19 and INR6.5b in FY20).
- The chip shortage may persist over the near term as Malaysia (key supplier of chips) has announced a COVID lockdown from end-Jul'21.
- Despite increasing NPAs in the system, it is not seeing any issues with the availability of finance in either Auto or Tractor.
- **E-3Ws:** It is seeing good traction from e-commerce in the e-3W Cargo segment. It is now expanding its network for Treo Zor. The Passenger segment is currently highly subdued due to COVID. It is introducing a long-term strategy to drive growth.
- **SsangYong:** The court process is underway, and lots of buyers are interested in the business. It would take a few more months for the process to get completed. The management believes it has adequately provided for potential impairment and does not see any further material write-offs.

Maruti Suzuki — Buy

Current Price INR 6,848

Click below for
Results Update

- Update on demand: All states, except two in NE, are open. An uptick is seen in inquiries and bookings. Inquiries are similar to 4QFY21 levels and bookings are at 80–85% of 4QFY21. Inquiries in July'21 are at 120% of Jun'21 levels and retail is similar to Jun'21. Recovery is led by both urban and rural. Wholesale in Jul'21 should be higher v/s Jun-21. It has 170k pending bookings currently, whereas network inventory stands at 135–138k units (27 days at 4Q retail).



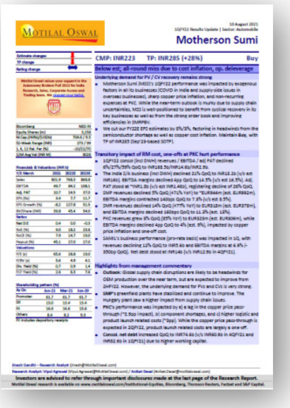
- Customer profile: The share of first-time buyers declined to 45.4% in 1QFY22 (from 46.9% in 1QFY21). It expects replacement demand to recover and normalize to 25–26% levels (from 18% in FY21).
- SUV segment: The segment share stood at 38% in 1QFY22 (v/s 32% in FY21), with a similar split between Entry and Mid-SUV. Based on its experience in other countries, MSIL expects SUV's share to rise to 42–43% over the next five years and plateau at these levels. Mid-SUV is a weak area for MSIL, and going forward, it would take a closer look at this segment.
- Retail market share: Share was lower at 40% v/s wholesale share of 46% in 1QFY22 due to a) CNG availability being impacted for MSIL (impacted 5.1% of market share), b) faster growth in the SUV biz, and c) lower stock levels impacting retail in Apr–May'21.
- Margins: 1QFY22 EBITDA margins were impacted by a) commodity costs (~350bp QoQ) and b) operating deleverage (~400bp). Additionally, COVID-related costs impacted staff costs by ~20bp (~INR0.3b). The start of a 250k capacity in Gujarat had a further impact on 1QFY22 margins.
- Commodity price impact: In 1QFY22, it saw an impact of 3.5pp QoQ. It expects a further impact in 2Q as well and should see some stability thereafter. Precious metals have seen a sharp cost increase; it is already working on lowering the consumption of the same.
- Price increase: It took price increases in January (1.3%) and April (1.6%) and has taken one in July as well (small increase). It is attempting to strike a balance between cost pass-through, demand, and market share.
- Chip shortage: MSIL is faring relatively better as it is able to adjust its production by manufacturing cars with a lower intensity of semi-conductors.
- Fuel-agnostic strategy: It is focusing on the following areas: i) improving the ICE engine, ii) manufacturing products that utilize gas/bio-fuels, and iii) manufacturing hybrids and EVs – as different PV segments would have a different approach to lowering emissions. It believes hybrids would play a key role in electrification until EV charging infrastructure is developed in India.

Motherson Sumi — Buy

Current Price INR 204

motherson sumi systems limited

Click below for Results Update



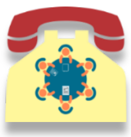
- Outlook: Global supply chain disruptions are likely to be headwinds for OEM production over the near term, but are expected to improve from 2HFY22. However, the underlying demand for PVs and CVs is very strong.
- SMP's Greenfield plants have stabilized and continue to improve. The Hungary plant saw a higher impact from supply chain issues.
- PKC's performance was impacted by a) a lag in the copper price pass-through (~2.9pp impact), b) component shortages, and c) higher logistic and product launch related costs (~3pp). While copper prices usually see six months' lag and a pass-through is expected in 2QFY22, product launch related costs are largely a one-off.
- PKC has a strong order book, with a robust outlook. However, a hurricane in Texas and flooding in the EU are causing disruption. It is working with OEM customers on electric trucks.
- Consol. net debt increased QoQ to INR74.6b (v/s INR60.9b in 4QFY21 and INR82.6b in 1QFY21), weighed by an increase in working capital due to irregular

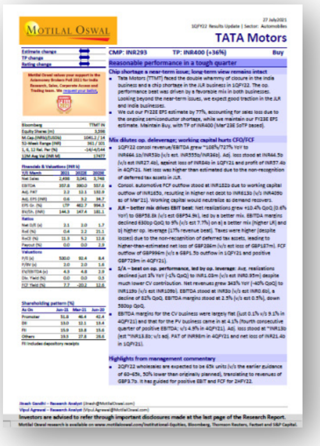
production. SMRPBV's gross debt decreased by EUR71m QoQ to EUR911m. Net debt increased by EUR87m QoQ to EUR564m on higher working cap.

- Consol capex for FY22 would be INR20b. Capex for SMRPBV in 1QFY22 stood at EUR39m. It has invested to support new programs, productivity improvements, vertical integration, and capacity expansion in China, Serbia, Hungary and USA.

TATA MOTORS

Click below for
Detailed Concall Transcript &
Results Update



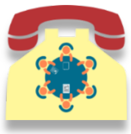

MOTILAL OSWAL
TATA Motors
CMP: INR293
TP: INR400 (+36%)
Buy

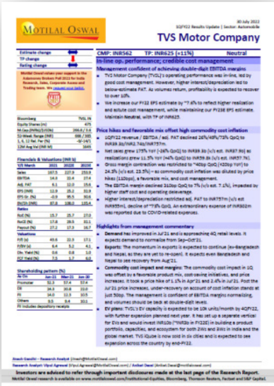
Tata Motors **Buy**

Current Price INR 283

- Outlook: 2QFY22 wholesales are expected to be 65k units (v/s the earlier guidance of 60–65k, 50% lower than originally planned), translating to revenues of GBP3.7b. It would prioritize higher priced and margin products, which would reflect in the P&L by end-3QFY21. As of Jun'21, the retrofitting of semi-conductors is underway in 7k cars (v/s normal WIP of 2–3k). It has guided for positive EBIT and FCF for 2HFY22.
- The launch of the Refocus transformation program is now complete, with the delivery of a) GBP150m in savings in 1QFY22 through lower VME (GBP100mattributable to this program) by means of an improved demand and finance mix,) GBP25m by improving the mix through leveraging In Digital to deliver the right product at the right time, and c) GBP20m by improving aftermarket performance. It targets 10% cost savings per average car, with efficiencies embedded in new products. This should contribute significantly towards achieving GBP1b in value through Refocus in FY22.
- The issue of semiconductor shortage is impacting its ability to meet emission compliance. To achieve compliance, it would need volumes of 12% from BEV +PHEVs (8.5% in 1QFY22). The order book mix supports this desired level of electrification to meet emission norms.
- The BEP stood at 90k/qtr in 1QFY22. While BEP in 2QFY22 would be slightly lower, 2HFY22 would be at ~80k/qtr, benefitting from the maximization of the mix.
- Upcoming product launches have not been delayed due to the semi-conductor shortage. The new RR is expected to be launched by end-FY22 and the new RR Sport by mid-FY23.
- It has an order book of ~110k (ex-China and the US), representing three months of sales cover, with five months in Europe and four months in the UK. Orders for the Defender alone total +29k, representing over four months of demand. Inventory with retailers is down to 42k units (from 70k units in 4QFY21).
- The China JV has also been impacted by the semi-conductor shortage. It has taken several initiatives to turn around the JV viz a) lowering BEP from 70k units p.a. to 65k units, b) focusing on the quality and health of sales, c) lowering discounts (from 30% to 26%), and d) reducing inventory (from 2.5 months to 1.3months).
- VME would remain below 4% until supply-side issues are fully addressed. On steady state basis, VME is targeted to be below 6% (from 3.1% currently and underlying levels of 4.1% in 1QFY22). Warranty cost is expected to remain below3.5% (3.3% in 1QFY22).

Click below for
Detailed Concall Transcript &
Results Update




MOTILAL OSWAL

TVS Motor Company

Neutral

TVS Motors — Neutral

Current Price INR 511

- **Demand outlook:** Retail has improved in Jul'21 and is approaching 4Q retail levels. It expects demand to normalize from Sep–Oct'21 on the back of vaccination drives, good monsoons, and rural recovery.
- **Exports:** The momentum in exports is expected to continue (ex-Bangladesh and Nepal, as they are yet to re-open). Global market prospects remain strong on account of premiumization, the stabilization of crude prices, and currency availability.
- **Commodity cost impact and margins:** The commodity cost impact in 1Q was offset by a favorable product mix, cost-saving initiatives, and price increases. It took a price hike of 1.1% in Apr'21 and 2.4% in Jul'21. Post the Jul'21 price increases, under-recovery on account of cost inflation stands at just 50bp. The management is confident of EBITDA margins normalizing, and volumes should be back at double-digit levels.
- **EV plans:** The EV biz got a boost from favorable government policies. Current production is impacted by supply chain issues. TVSL's EV capacity is expected to be 10k units/month by 4QFY22, with further expansion planned next year. It has set up a separate vertical for EVs and would invest INR10b (~INR3b in FY22E) in building a product portfolio, capacities, and ecosystem for both 2Ws and 3Ws in India and the global market. TVS iQube is now sold in six cities and is expected to see expansion across the country by end-FY22.
- **Semi-conductor shortage:** The production of Apache has been impacted; the company is resolving this issue.
- **TVS Credit Services:** The book size stood at INR106.5b as of Jun'21, with growth in disbursals. It disbursed loans worth INR17.2b (v/s 12.2b in 4QFY21) and incurred loss of INR250m due to collection-related stress. Although, GNPA at 5.2% was stable QoQ (v/s 5% in 4QFY21). However, collections are seen improving in July.
- **TVS Singapore –** It has thus far invested INR1.6b in start-ups focused on digital / IoT / connected factories.
- **Capex:** FY22 capex is expected to be ~INR8b (including ~INR3b for EVs). It plans to invest INR1.5–1.75b in TVS Credit (incl. INR0.5b in 1Q) and INR0.74b in TVS Singapore. It is yet to finalize investments in Norton Motorcycles for capacity creation.

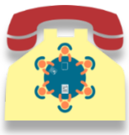
CAPITAL GOODS

- **In Capital Goods, the managements have indicated that although the intensity of execution has been much higher vis-à-vis last year, most of the companies lost 3–4 weeks of productivity due to the second COVID-19 wave disruption. The L&T management has indicated the order pipeline is up YoY, implying a positive outlook. While order inflows (OI) across most of the companies have been robust, Thermax's management remains cautious; it attributes the higher OI to the pent-up demand effect post the lockdown. In Consumer Electricals, the managements of Havells and Crompton have indicated that eastern and southern India continue to witness muted demand, while northern and western India have rebounded. They have further indicated that minor price increases would be needed to entirely cover the commodity cost inflation. In Durables, commodity price inflation has weighed on margins, with the Blue Star management has hinted at the need to evaluate further price hikes post the festive season. Inventory in the channel is normal, while that with the company is marginally higher.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY22	Impact of 2nd wave
ABB	▪ The Systems and Services business saw strong growth in orders after a couple of quarters, with further orders expected in FY22. ▪ Order inflows across various end-markets grew at similar levels, with recovery visible in the Automotive segment.	▪ While the demand recovery was strong in Jun'21, it lost 3–3.5 weeks of operations – reflected in its performance. Capacity utilization has now scaled up to 80–85% across the various manufacturing locations.
Cummins	▪ The demand outlook remains positive, although the total market recovery outlook is limited by the possibility of a third COVID wave. ▪ Exports rebounded strongly in China. Other markets have also recovered. The management expects a good opportunity in exports due to the global consolidation of supply chains at the client end.	▪ Sequential improvement is seen in various markets post the re-opening. Most of the markets are yet to scale back to pre-COVID-level demand.
Havells	▪ Some improvement is seen in the Real Estate segment, but whether this is sustainable remains to be seen. If sustainable, it may prove a big opportunity for Havells as the majority of its projects are home-driven.	▪ Geographical trends are varying due to the lockdowns. East and South were weak in 1Q, while North did well. East has started improving, but South continues to be impacted.
Larsen and Toubro	▪ The bid pipeline continues to be strong at ~INR9.0t for the remainder of 9MFY22. This suggests improved prospects v/s the previous quarter on account of hydrocarbon prospects in the Middle East. ▪ The management aims to maintain FY22 working capital as a percentage of sales at FY21 levels (22.3%).	▪ L&T was operating with ~170k laborers in April and May, which rose to ~235k in June. The peak requirement is for ~250k laborers; hence, labor availability does not appear to pose a challenge.
Voltas	▪ The ordering intake/outlook for the Projects business remained subdued with clients delaying their capex spends. AC sales volumes may fall short of FY20 levels, with no sign of pent-up demand this time around during a lean summer. ▪ The company has taken an 8–10% price increase in 1HCY21. The commodity price inflation has not been entirely passed on to the consumer. Higher inventory at the company level may turn out to be a blessing in disguise if commodity prices continue to rise.	▪ Unlike last time, channel inventory is not high, although brands have higher inventory this time around.

Click below for
Detailed Concall Transcript &
Results Update



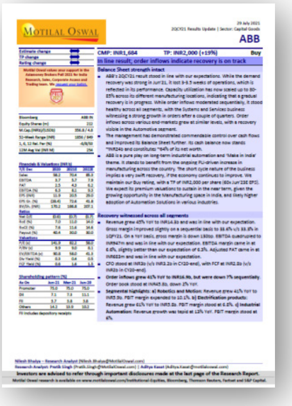


ABB India — Buy

Current Price INR 1,708

Business update

- ABB posted a strong recovery in Jun'21. It lost 3-3.5 weeks of working time, which is reflected in revenue.
- Improved capacity utilization (80-85% at the blended level) led to better performance.

Orders

- Orders for Systems and Services saw an uptick. The management expects additional orders.
- Green shoots are visible in the automotive segment, especially among OEMs.

Exports and services:

- Export orders constitute 16%/12% of total order inflows/2QCY21 revenue.
- Services: Orders are better, but with muted revenues. It contributed ~18% to 2QCY21 revenue (1HCY21: ~18.5%).

Robotics and Motion

- Higher revenue was seen in low voltage Motors, Drives, and Services business.
- Automotive segments are showing early signs of a recovery. It is seeing good order intake from the Two-Wheeler segment.

Electrification

- Low-voltage business saw strong growth. Healthy order inflow was seen in Utility and Data Centers.
- Lower volumes and commodity prices impacted margin.

Industrial Automation

- Most legacy orders are now complete. ABB could take a couple of more quarters to completely exit these projects. However, scale up of the Services business augurs well.

Outlook across end-markets

- Double-digit exposure to revenue and orders: Data Centers, F&B, Pharma, Renewables, Electronics, Power distribution, and Automobile.
- Higher double-digit exposure: Railways and Metro, Cement, Steel, Oil and Gas, Metals and Mining, Water and Waste Water, and Chemicals and Fertilizer.
- Low single-digit exposure: Building and Infra, and Pulp and Paper.
- **Pricing power accrues via:** a) market share in the segment, and b) customer requirement. For instance, in end-markets like Data Center, Food and Beverages, and Power distribution, customers require best-in-class products and are ready to pay a premium. However, segments like Railways have no pricing power, owing to tendering, but offer healthy volumes.

Other key takeaways

- It has received nod from the parent to look at organic and inorganic opportunities in the country.
- **Capex:** Improvement in Steel and Oil and Gas segment, with projects announcements taking place. It needs to monitor the pace of order awarding, which could decide the timeline of ordering for ABB.

Click below for
Results Update

Bharat Electronics — Buy

Current Price INR 171

Order book and order inflows

- Order inflows stood at INR25.7b, of which EVM/VVPAT was INR12.5b. The company also received an order for oxygen concentrators.
- The order outlook is strong as large orders are expected (Himshakti – during the next quarter). Medium-range/Quick-reaction surface-to-air missile (MRSAM/QRSAM) orders are expected over the next financial year. Overall, order inflows are expected to be >INR150b.
- Medical electronics: In addition to ventilators and oxygen concentrators, the company is working on a dialysis system.
- The lithium ion technology is not a new area for BHE as the company has been using it in defense applications for over a decade. It has initiated discussions with OLA and could begin manufacturing lithium ion batteries if the discussion materializes. In this case, BHE would apply for the PLI scheme too.
- Lithium ion is not a new technology for BHE as it has been using this technology in defense applications for over a decade. The company aims to begin with batteries for the automotive industry and eventually extend the whole range of electronic solutions to auto manufacturers, including control systems.
- The Metro business would garner INR10–15b every year from FY23.

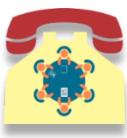
Execution update

- BHE has maintained guidance at 15–17% growth and EBITDA margin guidance at 22%. The company is very confident of achieving this as 3Q and 4Q are generally higher in terms of deliverables.
- Services contributed INR2b during the quarter.
- Over the next few years, BHE could clock 15–17% growth. Various emergency orders are planned. Many follow-up orders are expected to come in, such as MRSAM/QRSAM. BHE is also entering newer areas such as Metros and Traffic Management Systems.

Other takeaways

- Supply chain: It has not experienced a shortage in semiconductors or any other materials.
- BHE has shifted to the new corporate tax regime.
- A new CMD is yet to be appointed.
- Other expenses are down YoY as the base year involved the execution of ventilator orders on a ToT project. With over a year now since those orders have been supplied, the related provisions have been withdrawn on the project, which is reflected in other income.
- Cash reserves continue to be strong.

Click below for
Detailed Concall Transcript &
Results Update



Blue Star — Sell

Current Price INR 811

EMP segment

- Order inflow was INR6.5b in 1QFY22 (v/s INR2.7b in 1QFY21). The order book stood at INR31.5b at 1QFY22-end (v/s INR29.2b in 1QFY21; +8% YoY). Major orders were received from Ola Electric and Netmagic IT services.
- Electromechanical projects – The pace of execution of projects was slower, affecting material movement and labor availability on site. Muted government expenditure continued to impact order inflow. Order inquiries from factories

and the Light Industrial sector continued to be encouraging. Blue Star focuses on executing projects with cash flow visibility. Metro rails, electrical substations, water discharge facilities, factories, data centers, and warehouses are some of the avenues where encouraging inquiries were seen.

- Commercial refrigeration: Blue Star is the market leader in ducted ACs, second in VRF, and third in chillers. The major orders received during the quarter were from MMRDA COVID Hospital, Reliance, and Kalinga Institute.
- International business: Revenue was up on account of the normalization of activity in markets where the company operates. The Projects business in Qatar showed encouraging recovery, while the Malaysian business remained subdued due to COVID restrictions.

UCP segment

RAC

- A severe summer in the Northern region supported growth in RAC – it grew +58% YoY in 1QFY22 (market grew by ~55%).
- RAC formed 60% of segmental revenues in 1QFY22.
- A 3% price increase was taken in 1QFY22 (5% in 4QFY21).
- Northern India: The strategy to penetrate the market has played out well, with Blue Star realizing the benefit in 1QFY22 – as northern India witnessed an extended summer. Northern accounted for ~40% of overall RAC sales in 1QFY22 and has fared better than southern (northern constituted 30–35% of the total sales in 1QFY21).
- Inventory: The situation is not alarming at the moment, with the management expecting liquidation over the next 2–3 months.
- Post Diwali, it would take a view on the possibility of a further price hike.
- The RAC market should be flat v/s FY20 (as per estimates). Blue Star targets ~10% growth v/s FY20 levels (+25–30% over FY21).
- The mix of inverter RACs is 58% (mix for the market is ~65%). Fixed-speed RACs constitute ~42% (1QFY22) of the total RAC sales.

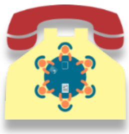
- Margin – 1Q (Apr–Jun) tends to influence the margin profile for the full year. However, with the disruption, margins are expected to increase to ~8% (4QFY21 levels) by 4QFY22. FY22 blended margins should be 6–6.5%.
- E-commerce: For the industry, e-com forms ~15% of total RAC sales, while this is 13–14% for Blue Star.
- In-house v/s outsourcing: ~70% of RACs are manufactured in-house, while the remaining ~30% is outsourced to Indian suppliers.
- Southern market: Early excessive rainfall and the pandemic disruption led to lower off-take.
- Commercial refrigeration: Traditional customers (ice cream manufacturers, QSRs, etc.) have yet to see operations normalizing. However, there is good traction from the Pharma, Healthcare, and Government sectors. The vaccine supply chain continues to offer a good opportunity (cold rooms, storage, and transporters). This segment forms ~40% of UCP segment sales.

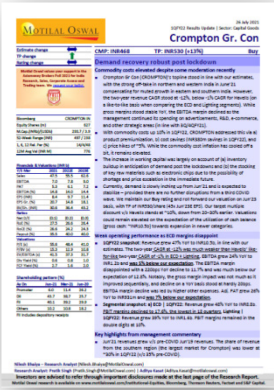
Other takeaways

- Blue star would continue to focus on cost structure and working capital management.
- Net borrowings decreased to INR685m. Gross debt stood at INR4.5b, and Blue Star continues to maintain excess liquidity.

Crompton

Click below for
Detailed Concall Transcript &
Results Update




Crompton Gr. Con

Crompton Greaves Consumer Electrical — Buy

Current Price INR 446

Business update

- Northern and western India commenced operations first, while the eastern and southern regions were slower in resuming operations. Some parts of southern India are still under lockdown.
- Jun'21 revenue grew v/s pre-COVID Jun'19 revenue. Revenue from the southern region was lower (~30% contribution v/s 35% earlier).
- The cost savings program 'Unnati' led to INR380m in savings in a truncated quarter.
- It has selectively used hedging and pre-bought raw materials where there is the possibility of a shortage.
- It continues to invest in advertisements, e-com, R&D, and other investments (in line with the investment levels in 3Q/4QFY21).
- It consciously decided to build up its inventory given the global shortage of materials such as chips.
- Demand normalization was witnessed in Jun'21. Recovery from the second COVID wave happened a bit faster v/s the first wave last year.

Impact of commodity price inflation

- Going by the June off-take, the price hikes taken in May were accepted by the market.
- Commodity costs continued their uptrend in 1QFY22, with some stabilization in prices now likely. However, it is too early to comment on this.
- Commodity costs rose by a further ~10% between 4QFY21 and 1QFY22. CROMPTON took a ~5% price hike in 1QFY22.

Electrical Consumer Durables

- Fans was up 63% YoY – growth was particularly seen in the Premium Fans (+122% YoY) and Super Premium Fans (+258% YoY) categories.
- Pumps stood at 17% YoY, with Residential Pumps at +26%. Growth was impacted by the slower opening up of the eastern region – the biggest market for CROMPTON.
- Appliances stood at +99% YoY (Water Heaters: +205% value growth), Air Coolers at +90% YoY, and Iron at +55% YoY.
- Growing the Agricultural Pumps category is a key strategic initiative. In Solar Pumps, CROMPTON aims for more energy efficiency, which could lower the cost of a solar setup.
- 20–25% of Fans and Pumps sales came via economy products.

Fans

- Market share gains in Fans stood at 1% on a YTD basis.
- The mix of Premium Fans was ~11% last year, which rose to ~16% in 1QFY22.

Lighting

- The B2C-led business grew 48% YoY.
- It is confident of achieving double-digit margins in this segment – the impact of the LED price erosion is largely behind.
- Lighting margins are not affected on a gross margin basis. The sequential decline is largely attributable to lower operating leverage.
- The revenue share is a 50% split between the B2B+B2G and B2C businesses.

Working capital
- WC was elevated due to stocking on account of the anticipation of demand build-up and the pre-buying of certain raw materials from a strategic point of view.
- It has locked in ~INR500m for the pre-buying of commodities.

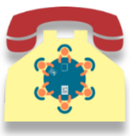
Supply chain
- GTM: Its reach in Fans was up 4.7% (up to Apr'21, on a rolling 12M basis).
- Rural sales grew 195% in 1QFY22. It continues to gain share in the rural channel. The share in overall sales increased by 1.6%.
- The e-commerce and modern retail channels stood at +149% YoY. The contribution to overall sales was up 1.8%.
- Rural + e-commerce sales stood at 9% of total revenues in 1QFY22 (3–4% last year).

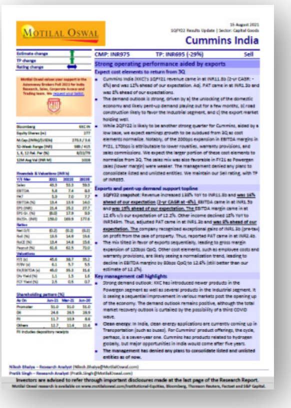
Others
- Of late, primary sales are in line with secondary sales; hence, it is incorrect to infer that there is lower stocking by dealers.
- It generated~10% of revenue from newly launched products last year, and ~50% of revenue came from products launched in the last three years.
- Capex guidance for FY22 stood at INR300–500m.

Cummins India — Sell

Current Price INR 992

Click below for
Detailed Concall Transcript &
Results Update





Demand outlook
- The demand outlook remains positive, although the total market recovery outlook is curtailed by the possibility of a third COVID wave.
- It is seeing a sequential improvement in various markets post the opening up of the economy.

Margin outlook
- It aims to improve margins by 100bps every year through a) better products and pricing, b) improved operating leverage, and c) cost control; newer pollution control norms should also help. Potential margin improvement is intent and not guidance.
- Royalties: Royalties depend on the product mix; they would form 0.6–1% of sales in FY22.

Exports
- It saw a strong rebound in China. Other markets have also recovered.
- It is seeing good opportunity owing to the global consolidation of supply chains at the client end.
- 1Q exports (INR3.1b) breakup: Asia-Pacific stood at INR900m, LATAM at INR680m, ME at INR480m, Europe at INR470m, and Africa at INR320m, and Others at INR270m.
- Currently, North America contributes just 5% to sales; however, this should go up to 10–15% in the coming years.

Product offerings
- KKC has introduced newer products in the Powergen segment as well as several products in the Industrial segment.
- QSK-60: Some parts are made by CTIL and some portions by CIL. Marketing is done by CIL.

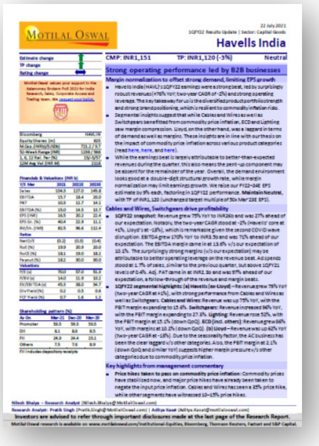
Corporate development

- There are no plans to consolidate listed and unlisted entities as of now. Cummins continues to evaluate all opportunities.

Other key takeaways

- Many global construction OEMs have started using India as an export base. Cummins has long-standing global relationships with these OEMs and remains bullish on the Construction segment, driven by road construction.
- Clean energy: In India, clean energy applications are currently coming up in Transportation (such as buses). For Cummins' product offerings, the cycle, perhaps, is a seven-year one. Cummins has products related to hydrogen globally. It believes India needs to see strong investments over the next 5–10 years. Hence, long-term opportunities exist, but they would take time to start fructifying.
- CPCB emission norms change – The industry would need a year to see a full transition.

Click below for Detailed Concall Transcript & Results Update



Havells India — Neutral

Current Price INR 1,236

Demand

- Recovery in the Projects and Institutional segments augurs well for demand.
- **In FY21, pent-up demand was strong on the consumer side as markets were completely closed in the beginning, but B2B was weak. This year, there is no pent-up demand as markets have remained open, albeit for fewer hours. In the last few weeks, it is seeing growth v/s last year.**
- Real Estate is now showing some traction in new launches. Some improvement is seen in this segment, but whether this is sustainable remains to be seen. If sustainable, it may prove a big opportunity for Havells as the majority of its projects are home-driven.
- **Geographical trends are varying due to the lockdowns. East and South were weak in 1Q, while North did well. East has started improving, but South continues to be impacted.**

Segmental comments

- Cables and Wires – It had better pricing during the quarter owing to rising commodity price inflation. Over the next 1–2 quarters, margins should normalize once again. The 35% revenue growth may be attributable to price hikes.
- Switchgears – Demand has been better as operations continued in the Projects business. This helped maintain margins. Some benefit was also seen from exports.
- Lloyd – Inventory levels are high in the system at the end of the quarter – largely at the company level, but not at the trade level. Hence, secondary sales are currently faring better than primary sales. North India saw a good pickup in sales when the lockdown was lifted, but with the monsoons setting in, sales have now returned to normal levels.

Margins

- Ad spends would increase in due course. They may not return to normal levels over the next 2–3 quarters, but over a longer period. The company is also in wait-and-watch mode as markets are not fully open yet.

- Commodities have now stabilized, and major price hikes have already been taken to negate the input price inflation.
- ECD margins should partly rebound as the entire price hike is yet to be announced. Minor price hikes would need to be taken, and operating leverage should aid margins as demand recovers.
- Ex-Cables and Wires, price hikes of 10–15% have been taken.
- Margins would be back at normal levels over the next few quarters.

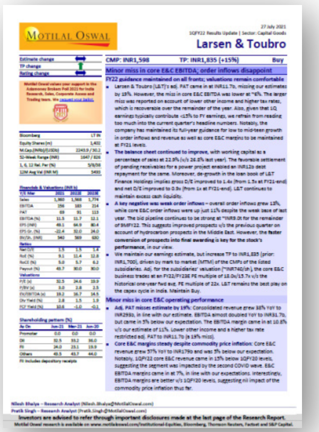
Other takeaways

- Operating cash flows were negative during the quarter as dues were paid to vendors as well as due to seasonality. These should normalize over the next 1–2 quarters.
- Market share gains from unorganized to organize continue.
- Multiple measures have been undertaken on the distribution front, which has also helped the company capture market share.
- It is very bullish on the exports opportunity – Switchgears and ACs, though, may take a couple of years to play out.
- It now has 14,500 distributors and a retail reach of 185k touch points.
- Capex guidance – Guidance is maintained at INR5b each for FY22/FY23E. However, there may be some spill over from FY22 to FY23.
- The BEE rating change on Fans and ACs would likely be implemented in CY22. It does not see any further delays.
- Havells is always open to inorganic opportunities, but any acquisition has to be rightly priced, which poses a challenge in the Indian market. However, the company is not dependent on inorganic opportunities presently. Organic growth is quite strong for the entire portfolio.

Larsen & Toubro — Buy

Current Price INR 1,594

Click below for Detailed Concall Transcript & Results Update



Order book and inflow outlook

- Prospects for the remaining 9MFY22 are strong at INR8.96t (higher than last quarter, adjusted for already won orders). Infra prospects stand at INR6.4t (+33% YoY), Hydrocarbon at INR1.8t (of which 70% is overseas), and Power T&D at INR1.2t (of which 60% is overseas). Compared with 4QFY21, prospects have improved for the Hydrocarbon segment and dipped a bit for the Infrastructure sector.
- Core order inflows of ~INR150b imply growth of 11%. Order inflows were weak in 1Q due to the pandemic.
- The order book as of 1QFY22 stood at INR3.2t, with an average execution period of 27 months.
- The international order book is 20% of the total, while domestic is 80%. The domestic order book is split by clientele: central government at 9%, state governments at 31%, central PSUs at 43%, and the private sector at 16%.

Segmental highlights

- **Infrastructure –** The order prospects pipeline remains healthy at INR6.4t (up 33% v/s June'20). The major portion of the orders is variable price contracts. A better mix and improved overhead recovery are aiding margins despite the rise in commodity prices.
- **Power –** The prospective order pipeline stands at INR1.07t, with 60% of prospects from outside of India (largely the Middle East and Africa).

- **Heavy Engineering –** It had multiple order wins in the Refinery and Oil & Gas verticals. Improved execution led to better margins.
- **Defense –** The management hopes that the government's various policy announcements might improve the outlook over the medium to long term. Margin contribution came from cost savings / contingency releases in certain jobs.
- **Hydrocarbon –** Order inflows were subdued in 1QFY22. The order prospects pipeline stands at INR1.8t, with 70% of prospects from outside of India. 1QFY22 margins were aided by cost savings and a one-time claim settlement of INR900m.
- **Development Projects –** Revenue was largely contributed by the Power Development Business. Consequent to strong power demand, Nabha operates at 90% PLF, whereas ridership in the metro is reflective of the ongoing pandemic.

Balance sheet

- The working capital cycle improved to 22.9% v/s 26.8% last year, largely a function of the base. However, collections were also better YoY.
- The management aims to maintain FY22 working capital as a percentage of sales at FY21 levels (22.3%).
- At the group level, the objective is to reduce the debt level sequentially.

Margin outlook

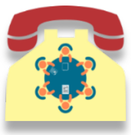
- It endeavors to maintain the core business margin at FY21 levels.

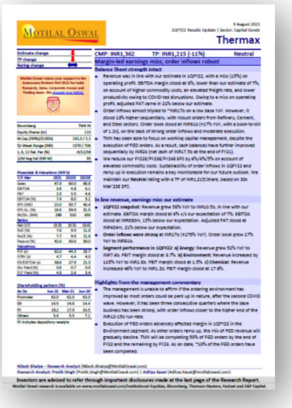
Other key takeaways

- Hyderabad Metro – Metro services were partially impacted in 1QFY22 due to the lockdowns. Ridership stood at ~55k passengers per day in 1QFY22, while it has improved to 120–130k passengers per day in July. The company provided INR5b as cash support in 1QFY22. Efforts are underway to refinance debt, monetizing the asset, and requesting claims from the government.
- Labor availability – It was operating with ~170k laborers in April and May, which rose to ~235k in June. The peak requirement is for ~250k laborers; hence, labor availability does not appear to pose a challenge. International execution is near normal at pre-COVID levels (intermittent supply-side constraints persist, but are not material).
- High-Speed Rail update – The deadline is of four years starting Jan'21. Meaningful revenue bookings would happen in FY23E.
- Asset monetization – The management seeks to divest Nabha Power and the Purvanchal power plant as well as the remaining 51% stake in L&T IDPL. It is also looking for an investor for the Hyderabad Metro as well as acquiring claims from the government. It further seeks to refinance the debt.
- External debt for the development project declined by (a) INR12b in the power project, as favorable receivables were realized from the client, and (b) INR6b in the Hyderabad Metro – but this was replaced by debt from the standalone entity.
- The next five-year plan would be finalized by end-CY21.

THERMAX

Click below for
Detailed Concall Transcript
& Results Update





Thermax — Neutral

Current Price INR 1,376

Business update

- Productivity was low in 1QFY22 owing to the impact from COVID-19 pandemic.
- Due to lack of availability of containers, TMX were not able to deliver two high margin orders worth INR200m each.

Order book and inflow

- Order inflow stood robust, even after excluding a single large order of INR2.5b.
- Ordering from the Cement sector has been steady, with no bump up in opportunity.
- The company continues to focus on newer and greener businesses, and new technologies.
- The management is unable to affirm if the ordering environment has improved as most orders could be pent up in nature. It has been three consecutive quarters where the base business has been strong, with order inflows closer to the higher end of the INR12-15b run-rate.

Energy segment

- TBWES bagged an order worth INR2.5b for a Greenfield refinery in Latin America. A major Electronics giant in South India recently ordered a 1,000KW closed-loop tower for precision cooling of an ammonia compressor.

Chemical segment

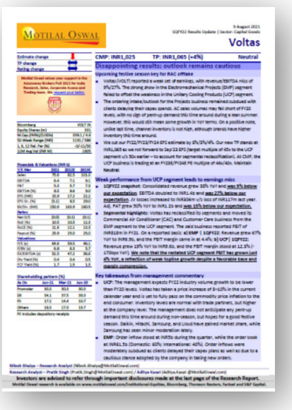
- Revenue is trending in the right direction, while margin has moderated (v/s last year). The highest order inflow (1QFY22) is a step in the right direction, which will be equal or better from here onwards.
- TMX is yet to scale up to 100% capacity utilization.

Subsidiaries

- Danstoker reported a marginal profit in 1QFY22. The same is expected to improve gradually.
- Its Indonesian subsidiary is still incurring losses owing to the COVID-19 impact. Lower execution and delayed payments have also impacted financials.

VOLTAS

Click below for
Results Update



Voltas — Neutral

Current Price INR 977

Unitary Cooling Products

- Invertor AC sales growth stood at 18% in 1QFY22. Overall, in RAC, market share stood at 26.7% at June-end.
- VOLT has restructured the CAC and Customer Care business from EMP to UCP. With this restructuring, all products sales would now be reported under the UCP segment.
- The company has taken an 8–10% price increase in 1HCY21. The commodity price inflation has not been entirely passed on to the consumer. Higher inventory at the company level may turn out to be a blessing in disguise if commodity prices continue to rise. Depending on the demand situation and competitive intensity, the management would take a call on further price hikes.
- Inventory at the trade level is normal, but moderately higher at the company level. Although, most of the company-level inventory is in the form of raw materials.
- The BEE rating change has been deferred to Jan'22 from the earlier timeline of Jan'21. With the current pandemic situation continuing to be disruptive,

manufacturers have requested to postpone the rating change to a later date. The cost increase due to the rating change would be only 3–4% (on the cost base).

- The RAC industry de-grew 30% by volume in FY21. VOLT expects some growth in FY22 (v/s FY21), but meeting FY20 levels may be challenging.
- As per the management, there are concerns in the market over a potential third COVID wave; hence, demand may not be as strong as last year.
- Daikin, Hitachi, and Lloyd have gained market share. Samsung was gaining earlier, but has seen marginal moderation lately.
- In Jun'21, industry growth has been down 1–2% YoY in volume terms.

Electromechanical Projects and Services

- Construction activity was allowed in 1QFY22, leading to better execution.
- The order book stood at INR61.5b (Domestic: INR37b, International: INR24.5b).
- Order inflows were moderately subdued as capex plans were delayed. New ordering is also subdued, with VOLT being extra cautious in taking orders.

Voltbek

- The Sanand factory has produced more than 500k units since its inception.
- YTD market share in Refrigerators stood at 3.1%, while that in Washing

Other takeaways

- VOLT aims to continue to focus on strong cash flow management and maintain control over the working capital cycle.

.

- **Most companies in their post-earnings management calls have reported steady recovery in demand since June, led by the gradual easing of the lockdowns; pent-up demand would kick in once the monsoon recedes. In the near term, rural demand is expected to see strong recovery on the back of a good monsoon season and an increase in MSP. Government infra projects are continuing at a good pace across regions despite the COVID-led lockdowns. Prices remained stable across regions in July, but are expected to soften due to heavy rains. Prices are expected to see an upward correction in Sep'21, driven by a demand uptick on account of retreating monsoons. Over the near term, companies expect higher fuel costs to impact margins; however, this should be offset by better pricing and fixed cost absorption. Managements have also enhanced their focus on achieving carbon reduction and are cutting their dependence on coal-based power sources by establishing waste heat recovery systems (WHRS) and renewable energy plants.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	1QFY22 insights and FY22 outlook	Capacity expansions
UltraTech	■ Other expenses rose in 1QFY22 on an increase in packaging costs and fixed cost normalization. It also expedited some of its maintenance activity to 1QFY22. ■ The company remains committed to turning net cash by FY24, while funding ongoing capex through internal accruals. It has also prepaid long-term loans of INR50.0b in Jul'21.	■ The 19.5mt expansion is progressing as per schedule, with the commissioning likely to happen in phases by FY23. It has also received the Stage 1 clearance for Dalla Super (a 2.3mt clinker unit) from MoEF; this should get commissioned by Mar'22. ■ Work has commenced on a putty expansion project in Rajasthan, and it is expected to be commissioned in 2QFY23.
JK Lakshmi	■ Raw material costs were higher due to clinker purchases (194kt in 1QFY22) and a rise in fly ash and gypsum prices. ■ The upcoming WHRS at Sirohi would reduce power cost. It is also focused on rationalizing logistics costs.	■ The FY22 capex guidance stands at INR1.7b for JKLC (including INR1.4b for the Sirohi WHRS and other projects). ■ At UCWL, the capacity debottlenecking of clinker/cement to 1.5mt/2.2mt (from 1.2mt/1.6mt) has been completed. It would now begin work on the expansion project, which should get commissioned over the next 2–3 years.
Dalmia Bharat	■ DBEL would use up to 10% of the operating cash flow towards shareholder returns, another 10% towards an Innovation and Green Energy Fund, and the balance to fund growth and maintenance capex. ■ It aims to be a pan-India pure-play cement company with a significant presence in its operating geographies; it plans to grow capacity at a 14–15% CAGR to 110–130mt by CY31.	■ Around INR50b has been allocated towards its new expansion plan, of which INR13b would be spent on clinker debottlenecking. About INR20b would be spent on ongoing capacity expansions at Murli Industries (to be commissioned in Dec'21), the Cuttack grinding unit (to be commissioned in Sep'21), and Bihar grinding unit (with an outlay of INR7.8b; expected to be commissioned in Mar'24). ■ Planned capex for FY22 is INR40b, of which INR3b was spent in 1QFY22.
Ramco	■ It mitigated petcoke cost inflation through a reduction in the petcoke mix and higher usage of alternate fuel, while the Jayanthipuram WHRS operations kept power costs in check. ■ The clinker expansion at Jayanthipuram (1.5mt) was commissioned on 28th Jun and is ramping up well.	■ The clinker unit at Kurnool (2.25mt) is expected to be commissioned in 2QFY22. The 1.0mt grinding unit at Kurnool (along with railway sidings), 18MW TPP, and 12MW WHRS would be commissioned in FY23. ■ It incurred capex of INR4.0b in 1QFY22 and has guided for total capex of INR8.0b in FY22 (excluding any outlay on the RR Nagar clinker modernization).

Click below for
Detailed Concall Transcript &
Results Update

Dalmia Bharat — Buy

Current Price INR 1,954

Capital allocation framework

- It will use up to 10% of the operating cash flow towards shareholders' return, which would include a mix of both dividend and share buybacks.
- It will use up to 10% of operating cash flow towards an Innovation and Green Energy Fund, which would be channelized towards focused R&D in the areas of climate change and technology advancements.
- The balance funds will be used to fund growth as well as maintenance capex.
- It targets to maintain a net debt/EBITDA below 2x, and will deviate only in exceptional cases for large inorganic opportunities.
- It will deploy over 85% of its treasury in AAA-rated instruments, while the balance will be deployed in AA-rated instruments.
- It targets to achieve a RoCE of 14-15% over the next few years.

Long-term strategy

- It aims to be a pan India pure play Cement company and is in the process of divesting its Construction Retail and Refractory businesses. Till Jun'21, it had invested INR1b in the Construction Retail business. The board has set aside INR300m for this business till the completion of divestment (expected to occur over the next 3-4 months).
- It is also eyeing a significant presence in its operating geographies and has plans to enter into the North Indian market.
- It plans to grow capacity by 14-15% CAGR over the next decade to reach 110-130mt by CY31. Most of this will be organic in nature because of the predictable nature of organic expansions.

Demand and pricing outlook

- Consolidation in the Indian Cement industry will drive pricing power and aid growth of large players.
- The management expects Cement demand to be 2-3% higher than GDP growth over the next 10 years, led by commercial capex, the government's infrastructure spending, and housing demand (driven by a rising middle class and urbanization).
- In the near term, rural demand is expected to witness a strong recovery on the back of good monsoons and increase in MSP.
- In 1Q, it lost market share in East India during Apr-May'21 due to lockdowns at plant locations, but is back on track to gain market share in 2QFY22.

Cost insights

- Blended Cement accounted for 87% of sales volumes in FY21. It aims to achieve 100% level over next five years, which will reduce its carbon footprint and also improve the clinker factor.
- Sharp increase in slag prices was mitigated through a change in product mix, while pet coke accounted for 46% of fuel mix in 1QFY22.
- Green fuel accounted for 14% of fuel requirements in 1QFY22. It targets 21% level by Mar'22.

Capex plan

- Roadmap for growth in grinding capacity to 48.5mt by FY24 from 30.8mt at present: 1) ongoing projects (7.8mt; 3mt/4.8mt in West/East India), 2) greenfield projects (3mt in South India; two split grinding units of 1.5mt each in Tamil Nadu to cater to the state and Kerala), 3) Brownfield expansions (1.7mt at the Bokaro plant in East India), 4) Upgradation (5.2mt; 1.2mt/1mt/0.9mt/2.1mt in the North East/West/South/East India).

- Clinker production capacity to be enhanced through debottlenecking to 23.40mt from 18.68mt. South/East/North East/West India has a current clinker capacity of 7.8mt/6.6mt/2.3mt/2mt, which will increase to 9.4mt/8.3mt/3.3mt/2.4mt.
- Around INR50b has been allocated for announced capacity expansions, of which INR13b will be spent on clinker debottlenecking.
- About INR20b will be spent on ongoing capacity expansions at Murli Industries (to be commissioned in Dec'21), Cuttack grinding unit (to be commissioned in Sep'21), and Bihar grinding unit (having an outlay of INR7.8b and expected to be commissioned in FY24).

Debt

- The net debt stands at INR2.3b v/s INR1b in Mar'21. The gross debt stands at INR32.7b v/s 37.4b in Mar'21.
- In 1QFY22, the average cost of borrowing stood at 5.7% p.a. v/s 7.4% p.a. in 1QFY21.
- Net debt/EBITDA stood at 0.08x v/s 0.04x in Mar'21.

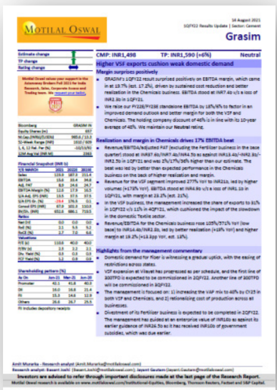
Other key highlights

- Divested 4.5% stake in IEX in 1QFY22.
- Clinker production stood at 12.6mt in FY21.
- EY has been appointed as internal auditor with effect from 1st May'21.
- The board has recommended appointment of Walker Chandiok (a member firm of Grant Thornton) as auditors. Approval for the same from shareholders will be taken at the AGM.

Grasim Industries — Neutral

Current Price INR 1,483

Click below for Detailed Concall Transcript & Results Update



Viscose business

- The share of value-added products in the overall sales mix improved to 26% in 1QFY22 v/s 22% in FY21.
- It brought forward the Harihar plant maintenance shutdown to May'21 (earlier scheduled for Sep'21).
- Domestic demand for Fiber is witnessing a gradual uptick, with the easing of restrictions across states.
- In China, VSF prices have stabilized at RMB13,000 after moderating to RMB12,871 in Jun'21 from RMB15,805 in Mar'21. Inventory at the plants has risen to 24 days in Jun'21 from 13 days in Mar'21, which led to a readjustment of production levels by Chinese VSF players.
- Deceleration in restocking during 4QFY21 and seasonal factors led to a lower VSF demand in China, resulting in a moderation in prices in 1QFY22.
- Revenue/EBITDA for VFY stood at INR3.4b/INR0.4b.

Chemicals business

- In India, the Chemicals business was impacted due to the second COVID wave as demand for Chlorine value added products from MSMEs remained subdued in 1QFY22. Weak demand from Textiles and Organic Chemicals and excess supply capped the rise in domestic Caustic Soda prices.
- In 1QFY22, international Caustic Soda prices remained strong, driven by supply outages due to supply constraints/maintenance activities and modest improvement in demand.

- Caustic Soda capacity utilization stood at 85% in 1QFY22, while Chlorine consumption in VAPs stood at 28%.

Capex

- VSF expansion at Vilayat has progressed as per schedule, and the first line of 300TPD is expected to be commissioned in 2QFY22. Another line of 300TPD will be commissioned in 3QFY22.
- In the Chlor-Alkali business, the Rehla plant/CMS plant/BB Puram (Phase I)/Vilayat (Phase I) is expected to be commissioned in 2Q/2Q/2H/2HFY22 and will have a capacity of 91kt/54.8kt/73kt/73kt. Vilayat (Phase II)/BB Puram (Phase II) is expected to be commissioned in FY23, and will have a capacity of 73kt/73kt.

Debt

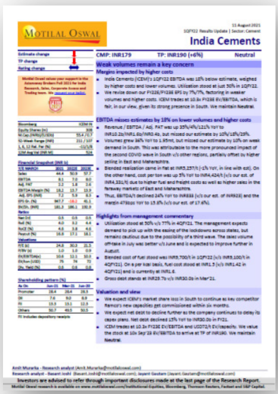
- Standalone gross debt stood at INR48.6b and net debt stood at INR18.2b v/s INR9.1b in Mar'21.
- Consolidated gross debt stood at INR254.3b and net debt stood at INR89.8b v/s INR86.3b in Mar'21.

Other highlights

- The management is focused on: 1) increasing the VAP mix to 40% by CY25 in both VSF and Chemicals, and 2) rationalizing cost of production across all businesses.
- Divestment of its Fertilizer business is expected to be completed in 2QFY22. The management has guided at an enterprise value of INR16b as against its earlier guidance of INR26.5b as it has received INR10b of government subsidies, which was due earlier.
- The Paint business is progressing as planned. Land acquisition for setting up plants in different states is in process and so are its project engineering plans.
- Freight has emerged as a major challenge across the globe, while raw material prices have gone up across businesses.

THE INDIA CEMENTS LTD

Click below for Results Update



India Cement — Neutral

Current Price INR 168

Operational highlights

- Cement production stood at 1.89mt v/s 1.34mt in 1QFY21, while sales volumes stood at 1.95mt (including 94kt of clinker sales) v/s 1.43mt in 1QFY21.
- Clinker production stood at 1.55mt v/s 2.1mt in 4QFY21 and 0.85mt in 1QFY21.
- Utilization stood at 50% v/s 33% in 1QFY21 and 77% in 4QFY21.
- Revenue for Shipping/Windmill/RMC stood at INR83m/INR47m/INR220m v/s INR70m/INR4m/INR280m in 4QFY21.
- EBITDA for Shipping/Windmill/RMC stood at INR45m/INR37m/INR45m v/s INR25m / loss of INR7m / INR33m in 4QFY21.
- In 1QFY22, blended cement accounted for 55% of sales volumes and trade sales accounted for 55%.
- Net plant realization has decreased to INR3,942 in 1QFY22 (from INR4,235 in 1QFY21) on the back of higher lead distance. This, coupled with higher diesel prices, led to higher freight costs per ton.

Cost insights

- Petcoke accounted for 15% of the fuel mix (v/s 45% in 1QFY21); the lead distance went up to 450km in 1QFY22 (from 350km in 1QFY21) as the company sold higher volumes in Maharashtra and East to improve utilization.

- Blended cost of fuel stood at INR9,700/t in 1QFY22 (v/s INR9,100/t in 4QFY21), whereas on a per kcal basis, it stood at INR1.5 (v/s INR1.42 in 4QFY21) and is currently at INR1.6.
- The company has managed to reduce the fixed cost per quarter to INR1.5b in FY22 from INR3.0b in FY21.

Demand and pricing

- In 2QFY22, prices have remained stable QoQ in South, while they have softened marginally in East.
- The management expects a demand uptick with the easing of the lockdowns across states, but remains cautious on third wave concerns.
- The sales volume off-take in July was better v/s June and is expected to improve further in August.

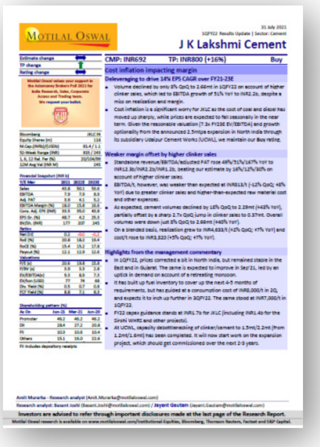
Other highlights

- Gross debt stands at INR29.7b v/s INR30.0b in Mar'21.
- In 1QFY22, Maharashtra/East accounted for 21%/11% of sales volumes v/s 11%/4% in 1QFY21 and 18%/12% in 4QFY21.

JK Lakshmi Cement — Buy

Current Price INR 697

Click below for Detailed Concall Transcript & Results Update



Operational highlights

- Clinker/cement production volumes stood at 1.75mt/2.09mt, while sales volumes stood at 0.37mt/2.29mt in 1QFY22.
- Sales volume for UCWL stood at 0.59mt in 1QFY22 v/s 0.58mt in 4QFY21, while net consolidated volumes for JKLC stood at 2.83mt, inclusive of 2.42mt of cement sales.
- Revenue from value-added products (AAC block, Putty, and RMC) stood at INR780m v/s INR950m in 4QFY21. Revenue from RMC sales stood at INR330m v/s INR410m in 4QFY21. Revenue from the AAC block stood at INR330m.
- Trade sales mix stood at 53% v/s 50% in 4QFY21, while Blended Cement accounted for 58% of sales volume.
- Premium Cement accounted for 25% of trade sales volumes in 1QFY22 v/s 32% in 4QFY21.
- Clinker utilization stood at 100% in 1QFY22.

Demand and pricing

- North India witnessed pricing pressure, but prices remained stable in the East and in Gujarat in 1QFY22.
- It sold higher clinker in 1QFY22 due to demand uncertainty on account of the lockdown in its operating geographies.
- The management expects upward correction in prices in Sep'21, which will be driven by an uptick in demand on account of a retreating monsoon.
- With a gradual easing of restrictions, demand started picking up from the second week of Jun'21 and stayed strong till the first week of Jul'21. Since then, it has been impacted by the monsoon, but is expected to pick up again from Sep'21 onwards.

Cost insights

- Petcoke/coal/alternative fuel accounted for 40%/54%/6% of the fuel mix.
- Fuel consumption cost stood at INR7,000/t in 1QFY22 v/s INR6,800/INR6,600 per tonne in 1Q/4QFY21.

- It has built up fuel inventory to cover up the next 4-5 months of requirements, but has guided at a consumption cost of INR8,000/t in 2QFY22. The same will inch up further in 3QFY22.
- Other expenses per tonne have gone up due to rise in packaging costs.
- Upcoming WHRS at Sirohi will reduce Power cost. It is also focused on rationalization of logistics cost.
- Raw material costs were higher due to clinker purchases (194kt in 1QFY22) and rise in fly ash and gypsum prices.

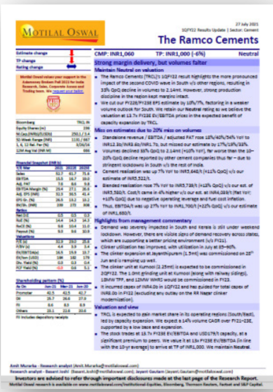
Capex and merger plan for UCWL

- The company will have a clinker/cement capacity of 1.5mt/2.5mt, along with a WHRS, a solar Power plant, and a railway siding. The management is yet to take a call on the location of the two split grinding units.
- It has guided at a completion of expansion projects over the next 24 months, while the split grinding units will take another 12 months thereafter.

The Ramco Cements — Neutral

Current Price INR 959

Click below for Detailed Concall Transcript & Results Update


Motilal Oswal
The Ramco Cements

Outlook

- In the medium term, the management expects demand to be driven by the revival of rural housing, the PMAY Scheme, commercial and industrial construction, and infrastructure development by private and government entities.
- South demand was impacted over May–June and Kerala is still under weekend lockdown. However, there are visible signs of demand recovery across states, led by an uptick in infra projects and commercial capex, coupled with a better pricing environment (v/s FY21). Individual housing witnessed marginal de-growth in 1QFY22.
- East demand saw strong recovery, led by individual housing, infra projects, and commercial capex; demand recovery is expected to sustain over the near term.

Operational highlights

- Clinker utilization was at 71% (v/s 53% in 1QFY21). Capacity utilization in July stands at 85–90%.
- Purchased clinker consumption stood at 400kt (v/s 820kt in 1QFY21).
- Lead distance stood at 346km (v/s 315km in 1QFY21), while Rail accounted for 12% of sales volume transportation. An increase in diesel prices has pushed up the cost of inbound and outbound logistics.
- Petcoke / Imported coal / Alternate fuel accounted for 33%/39%/28% of the fuel mix (v/s 56%/33%/11% in 1QFY21).
- Thermal power/ Green power / Grid power accounted for 67%/14%/19% of the power requirement (v/s 80%/5%/15% in 1QFY21).
- The consumption cost for petcoke stood at USD110/t in 1QFY22 and was up USD15/t QoQ. Petcoke is currently trading at USD160/t.
- It mitigated petcoke cost inflation through a reduction in the petcoke mix and higher usage of alternate fuel, while Jayanthipuram's WHRS operations kept power cost in check.
- The trade mix stood at 75%, while blended cement accounted for 77% of sales volumes.

Project update

- It commissioned Line 3 of the clinkerization unit of 1.5mt at Jayanthipuram in Jun'21, while 9MW of WHRS would be commissioned later in FY22.
- The clinker unit at Kurnool (2.25mt) is expected to be commissioned in 2QFY22. The 1.0mt grinding unit at Kurnool (along with railway sidings), 18MW TPP, and 12MW WHRS would be commissioned in FY23.

- t plans to set up four dry mortar mix plants (two in Tamil Nadu, one in Odisha, and one in Andhra Pradesh) with estimated project cost of INR1.6b (INR400m for each plant). The proposed capacity for each unit is 30TPH and each unit would produce high-value products (including waterproofing and repair products and flooring screeds).
- It incurred capex of INR4.0b in 1QFY22 and has guided for total capex of INR8.0b in FY22 (excluding any outlay on the RR Nagar clinker modernization).

Modernization of RR Nagar clinker unit

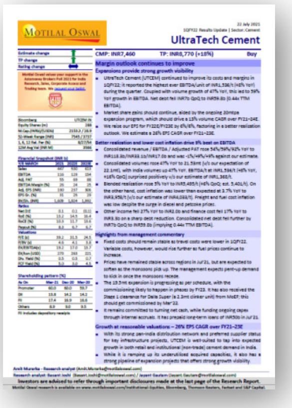
- It plans to decommission an old kiln (capacity – 1,450TPD) and install a new one with 3,000TPD capacity. This would enhance the current capacity of 1.09mt to 1.44mt and lead to annual cost savings of INR500m on account of better energy efficiencies.
- It has already placed orders for the main machinery. INR4.8b is the estimated outlay for the project.
- The management expects to receive environmental clearance (EC) by Sep'21 and expects to commission the unit 15 months from the receipt of the EC.

Other highlights

- Gross debt stands at INR37.0b (v/s INR31.0b in Mar'21). It has gone up due to an increase of INR4.0b in working capital, which the management expects to bring down to normal levels in 2QFY22.
- EBITDA for wind power stood at INR137.8m (v/s INR111.5m in 1QFY21).

UltraTech CEMENT The Engineer's Choice

Click below for Detailed Concall Transcript & Results Update



Ultratech Cement **Buy**

Current Price INR 7,491

Operational highlights

- Capacity utilization improved 26pp YoY to 73%, while utilization for Jun'21 stood at 74%.
- In 1QFY22, its capacity in North/Central/West/East/South operated at a 75%/>70%/>70%/95%/50% utilization level.
- RMC revenue stood at INR 5.1b (up 291% YoY), and the combined revenue for white cement and putty came in at INR3.6b (up 47% YoY).

Cost insights

- It mitigated the increase in fuel cost through effective fuel source management. On the other hand, raw material cost per tonne was higher due to an increase in inbound transportation cost on account of a price hike in diesel.
- Other expenses rose in 1QFY22 due to an increase in packaging costs and fixed cost normalization. It also expedited some of its maintenance activity to 1QFY22.
- The management expects to maintain fixed costs at current levels and does not foresee any increase going forward; it would also continue to maintain 45 days of fuel inventory.
- Consumption cost for petcoke stood at USD123/t v/s USD109/t in 4QFY21. The lead distance was 430km in 1QFY22.
- Petcoke is currently trading at USD163/t v/s USD150/t in Jun'21. Imported coal was trading at USD120/t in Jun'21.
- Green power accounted for 15.5% of the total power requirements.

Market/Fuel mix

- Trade sales accounted for 70% of volumes (v/s 67% in 4QFY21), while rural sales accounted for 65% of trade sales.
- The petcoke mix stood at 17% (v/s 28% in 4QFY21), while captive power accounted for 80% of the power requirements.
- Blended cement accounted for 72% of sales volumes.

Demand and pricing outlook

- The second COVID wave impacted rural as well as urban demand over Apr–May’21. However, demand has steadily recovered since Jun’21, led by the gradual easing of the lockdowns. Moreover, a good rabi harvest and higher MSP for kharif crops have supported rural housing demand.
- IHB demand picked up across regions in Jun’21, whereas infrastructure demand posted an uptick in East, South, and Maharashtra. Urban real estate demand remained strong on the back of lower interest rates and government subsidies.
- Prices have remained stable across regions in July’21, but are expected to soften due to heavy rains. In 1QFY22, East and South witnessed a 10% QoQ increase in prices, West an 8% QoQ increase, and North and Central a 3–6% QoQ increase.
- The management expects pent-up demand to kick in once the monsoon recedes. It is of the view that utilization would improve only in the long run due to longer gestation periods for setting up plants post the acquisition of the limestone mines, coupled with an increase in land acquisition costs.

Capex

- The 19.5mt expansion is progressing as per schedule despite some delays due to labor shortages and lockdowns in 1QFY22 – it has guided for a commissioning timeline of 2QFY22/1QFY23/2QFY23/3QFY23/4QFY23 for 3.2mt/3.5mt/0.6mt/9.4mt/2.8mt. Capex for 1QFY22 stood at INR10.0b.
- It received the Stage 1 clearance for Dalla Super (a 2.3mt clinker unit) from MoEF; this is expected to be commissioned in Mar’22.
- Work has commenced on a putty expansion project in Rajasthan and is expected to be commissioned in 2QFY23.

Debt

- Net debt stands at INR59.8b (v/s INR67.2b in Mar’21) and net debt to EBITDA has improved further to 0.44x of TTM EBITDA (v/s 0.55x in Mar’21). Gross debt stood at INR190.0b in Jun’21.
- The company remains committed to turning net cash by FY24, while funding ongoing capex through internal accruals. It has also prepaid long-term loans of INR50.0b in Jul’21.
- Working capital was up INR7.0b (including an INR4.9b increase in inventory) due to inventory build-up for the monsoons, which has been an industry-wide tradition. If not for the increase in working capital, deleveraging would have been higher than INR7.3b in 1QFY22.
- The excess capital generation post deleveraging would be utilized for growth capex and allocated to shareholders.
- The company expects to complete the divestment of its overseas assets by Mar’22.

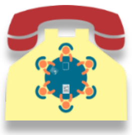
- **The widespread impact of the second COVID wave in 1QFY22 resulted in a slowdown in the demand momentum seen in 4QFY21. Although companies have been better prepared to tackle supply chain disruptions (v/s last year), the lockdowns and local restrictions imposed by most state governments have impacted retail operations and consumer mobility. This has affected the sales of most companies. Staples and essentials continue to see strong demand, but discretionary demand has remained muted in 1QFY22. Nevertheless, managements have been optimistic on the back of consistent vaccination drives and gradual unlocks happening across the country. Sharp commodity inflation has impacted the gross margins of several companies, necessitating pricing actions and cost rationalization. While the inflation has abated, to some extent, managements have guided for further price hikes if the inflation resumes. Although the number of COVID cases has been on the decline, companies remain watchful of a potential third COVID wave and cautiously optimistic about the festive season.**

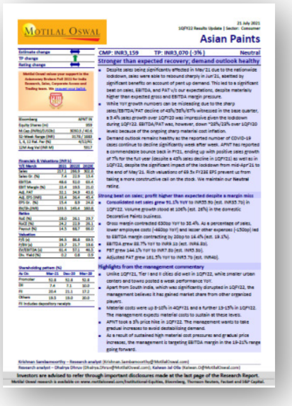
KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY22	Demand environment post unlock
Asian Paints	■ The demand outlook is strong with the second wave abating. ■ It expects RM prices to remain at current levels for some time. ■ APNT took a 3% price increase in 1QFY22. The company had the elasticity to take further price hikes during the quarter, but considered gradual hikes to maintain demand; it would take more hikes in the future. ■ Gains from unorganized continue to be growth drivers.	■ Unlike last year, projects and large institutional demand did well in April'21 and June'21, but were affected in May'21 in both the Consumer and B2B businesses. ■ The company worked on sourcing and formulation efficiencies to cope with material cost pressures. ■ There has been some impact on working capital due to the lockdowns.
Britannia	■ BRIT continued to gain market share in 1QFY22 as migration towards trusted brands continued. ■ BRIT was cautious on price increases in a volatile environment, but did good work on cost efficiencies. It is now starting to take price increases. Continuous improvement in margins would continue going ahead. ■ ICDs are much lower v/s the past at INR4.7b, below INR7.9b in March 2021. ■ Capex could be higher than INR1.3 in FY22.	■ The backend was not affected, but the frontend (in terms of distributor employees' reach to outlets) was affected; it is now 90% back at normal levels. ■ In-home consumption did well, and the performance of on-the-go products was affected in 1QFY22. ■ It did not see higher large pack consumption, unlike 1QFY21. ■ Wheat and sugar costs were flattish / declined. Sharp inflation in milk, palm oil, and packaging costs led to an inflationary trend of 6–7% on RM costs.
Dabur	■ The Healthcare portfolio saw 20% sales growth for the fifth consecutive quarter. It would deliver mid- to high-single-digit sales growth despite a high base for the remaining quarters. ■ DABUR witnessed 9–10% RM cost inflation. It expects inflation to remain high in 2QFY22 as well and moderate in 2HFY22. ■ The management is confident of delivering double-digit sales growth in FY22 if there is no impact from a third wave. ■ Its food brand Dabur Homemade is likely to cross INR1b in sales in FY22; it targets INR4–5b over the next 4–5 years. ■ Cost savings of INR1b are targeted for FY22 as a part of Project Samriddhi. It already saved around INR0.5b last year in the first year of the program.	■ DABUR was better prepared v/s last year to ensure low supply chain disruption. Factories continue to operate on a near-normal basis. ■ Notably, the Healthcare portfolio is seeing an uptick since the second half of April; this should make up for any loss in the discretionary business going forward. ■ DABUR has been able to manage EBITDA margins well. It has taken a 3% MRP increase and saw INR200m in cost savings during the quarter, plus some reduction. ■ It saw market share gains in HO from unorganized/regional players and national players. The share in coconut oil grew to 6% v/s 4.5% a year ago.
Godrej Cons.	■ GCPL's management expects RM inflation to remain at high levels for some time. It would continue to take calibrated price hikes going forward as well. ■ It remains confident and on track to achieve margins in the high teens in Africa over the next 4–5 years. ■ The Hygiene portfolio remains in focus, led by hand washes and home cleaning products. It is positive about the performance of the non-mosquito HI, Aer pockets, and car fragrance products going ahead.	■ It had a strong start to the year, led by broad-based growth in the Home Care and Personal Care categories. ■ Key domestic categories HI and Personal Wash saw 2-year CAGR in the double digits. ■ July seems to have been better for Indonesia, the only market/category that underperformed in 1QFY22. Hygiene products are doing well because of the second wave. ■ A 4–5% basket price increase was seen in 1QFY22, with some categories seeing price increases in the high single digits or double digits.

Hindustan Unilever	■ With mobility improving, demand for FMCG products would grow, especially in the discretionary categories, and lead to better operating margins in subsequent quarters. ■ Cost synergies from GSK are tracking ahead of expectations. Manufacturing synergies are yet to be realized. Target sales were lower due to restrictions in marketing activity. The management is confident of getting back its sales targets as well. ■ Nutrition: GSKCH's direct reach increased 1.4x over last year's levels (targeting 2x). ■ It added 50,000 new stores on the Shikhar app, with a total outstanding reach of 550,000 outlets.	■ FMCG sector demand was impacted significantly by localized lockdowns; however, demand rebounded to March'21 levels in June'21. Low mobility impacted the normalization of discretionary and OOH demand. ■ Urban demand is yet to reach March levels, whereas rural demand remains resilient. ■ 80% category is seeing increased penetration even over 1QFY20 numbers, and 75% of the portfolio has gained share as well. ■ Tea RM costs remain inflated. It has taken further price increases on soaps, tea, and detergents (3% for the quarter).
Marico	■ The management believes gross margins have bottomed out in 1Q and ought to recover in 2QFY22; performance is likely to be much better in 2HFY22, but lower than FY21 levels. ■ It would see aggressive cost rationalization in FY22 as well (savings of INR1.5–2b in FY21). Better analytics, inventory efficiencies, and a hybrid way of working would lead to some structural cost savings in both the domestic and international businesses. ■ VAHO could deliver double-digit growth, whereas Saffola Edible Oil could deliver high-single- to double-digit volume growth over the near to medium term. ■ Foods are targeted to reach INR5b sales in FY22, and the management targets INR8.5–10b in sales by FY24. It is also targeting 4–5 exclusively digital brands with total sales of INR4.5–5b by FY24.	■ 1QFY22 began on a good note until COVID impacted the business towards the latter part of April. The supply chain was resilient, unlike last year. ■ 21% volume growth was reported for the quarter in the domestic business, despite the southern market (key for Marico) being more affected by COVID. ■ 90% of the portfolio gained market share in India. ■ Rural growth still exceeded urban growth.
Pidilite	■ PIDI is likely to gain share in the fast-growing Waterproofing category. ■ Global chemical prices are seeing huge volatility, so it is difficult to state the outlook for certain. However, it expects gross margins to get back to more normalized levels from4QFY22. ■ The current VAM price of USD1610 would sustain in 2QFY22 and is likely to soften in 2HFY22. ■ Capex would remain at the higher end of the usual 4–6% sales range.	■ Demand recovery is seen from mid-June, with most markets achieving normalcy; rural and semi-urban are sustaining growth. Recovery in the Industrial business has also been healthy. ■ The international business is growing faster v/s India growth. ■ It is cautiously optimistic going forward, unless there is a third wave. ■ The sharp RM escalation has been mitigated, to some extent, by a 4–6% price increase, covering 75% of the material cost inflation.
UBL	■ Key RMs such as barley were up 15% in the last crop, whereas bottle cost inflation is expected to be offset by the comeback of market bottles. Overall mid-single-digit inflation is expected ahead. ■ Super-premium brands are largely on trade; hence, recovery would take longer. ■ FY22 capex stands at INR2.5b, as guided earlier. It would increase to past high levels once the company sees the volume outlook improving.	■ June'21 volumes were half of June'19 levels. ■ Limitations and weekend lockdowns continued for most markets in July, in addition to affecting the on-trade business. ■ High-realization markets contributed lower during the quarter, leading to slower sales growth v/s volume growth. ■ Price hikes have been lower than usual. ■ Recovery was seen post the first COVID wave; the management expects recovery post the second wave as well.
UNSP	■ USNP's ongoing strategic review of the Popular segment is on track and likely to be concluded by Dec'21. ■ The management has guided for capex within the historical range. ■ Strategy comments under the new CEO: Both topline and margins are a priority going forward, with innovation and renovation certainly the focus areas. It aims to unlock new engines of growth through alliances and partnerships. ■ Innovation and renovation – the Black Dog renovation is aimed at building brand strength among the young population.	■ UNSP was back to near full operations by the end of the quarter on off-trade. Off-trade remained resilient given the constraints. ■ On-trade remains subdued even towards the end of the quarter, given restrictions on the opening up or timings of bars/restaurants/pubs across states. ■ The company exited the Hip Bar acquisition as it did not believe the business model was amenable to its targets.

Click below for
Detailed Concall Transcript
& Results Update





Asian Paints — Neutral

Current Price INR 3,113

Demand environment

- Demand was normal until 20th Apr'21 after which there was an impact, with May'21 being drastically affected. Jun'21 benefited from pent up demand owing to loss in sales from the preceding month. As a result, overall sales in 1QFY22 did not see much of an impact.
- Going forward, the demand outlook looks promising as COVID-19 cases decline.
- Gaining share from unorganized players continues to be a driver for growth, though the extent is difficult to quantify.
- Pan India unorganized players have struggled with their supply chain. Regional players are doing fine.
- There was a 106% volume growth in 1QFY22 on a 38% decline in 1QFY21. Three-year volume CAGR is ~15%.

Segments, geographies, and market share

- Unlike 1QFY21, Tier I and II cities did well in 1QFY22, while smaller urban centers and towns posted a weak performance YoY.
- The demand for large institutional projects was good, especially in Apr'21 and Jun'21, while both Consumer and B2B businesses were affected in May'21.
- The Economy and Luxury ranges led growth, especially the former. It is the Premium and mid-segment where demand is weak. The management said there could be some down trading going forward.
- Since the COVID environment leads to some irregularity in terms of demand, the management is not really concerned about the ongoing mix deterioration.
- The South India market was the most impacted in 1QFY22.
- Apart from South India, which was significantly disrupted in 1QFY22, the management believes it has gained market share from other organized players.
- APNT's Safe Painting campaign continues to do well.
- The international business did very well in 1QFY22. Margin for the business was affected more than that of the domestic segment on a sequential basis, despite a 10% price increase.

Sharp material cost inflation

- There was a sharp RM inflation post 3QFY21, 8-10% in 4Q, and a further 13-15% in 1QFY22.
- A 3% price hike was taken in 1QFY22. While the management had the elasticity to take sharper price increases, it chose to do it gradually to avoid destabilizing demand. There will be more price increases going forward.
- The management continued to work on sourcing and formulation efficiencies in the meantime to cope with material cost pressures.
- It expects RM cost to remain at current levels for some time.
- The management targets EBITDA margin in the 19-21% range.

New products

- The Waterproofing segment continues to do well across the Retail and Project segments. The category also supports top coat sales as the application of waterproofing is usually in foundation layers.
- Adhesives, new products, and Wood Finish segments of APNT are doing well.
- APNT launched ALL Protek, India's first fire retardant paint, which has seen good traction so far.
- It also launched tile grouts.

- The company has also forayed into designer tiles. Designer furniture and lighting offerings will also be launched.

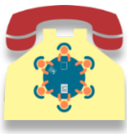
Other points

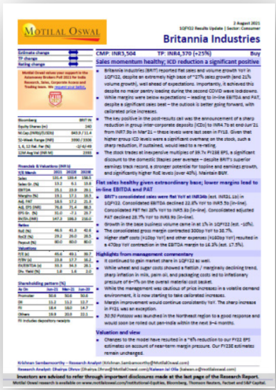
- Capacity utilization stands at 70-75%. The management said there is no need for any major capex.
- There has been some impact on working capital due to the lockdown.

Britannia Inds — Buy

Current Price INR 3,896

Click below for Detailed Concall Transcript & Results Update





Performance and outlook

- Volume growth stood at 1% for the quarter. Realization was down YoY due to unusually sharp mix improvement in 1QFY21, when existing capacity was being utilized for premium products.
- In-home consumption did well, but the performance of on-the-go products was affected in 1QFY22.
- It did not report higher consumption of large packs, unlike in 1QFY21.
- It continued to gain market share in 1QFY22 as well.
- The hinterland is faring well and outpacing overall growth (1.33x of overall growth since 1QFY18).
- Exports were impacted by container availability issues during the quarter.
- Migration towards trusted brands continued.
- The pandemic has weighed on direct reach, which reduced by about 15%, but has now returned to normal.
- The backend was not affected, but the frontend was impacted in terms of distributors / employees reaching outlets. However, this is now 90% back to normal.
- Performance was stable in Jul'21.

Costs and margins

- While wheat and sugar costs showed a flattish / marginally declining trend, sharp inflation in milk, palm oil, and packaging costs led to inflationary pressure of 6–7% on the overall material cost basket.
- While the management was cautious of price increases in a volatile demand environment, it is now starting to take calibrated increases.
- For the moment, it does not want to grow the value segment very sharply given the lack of profitability on the back of some inflation.
- Margin improvement would continue YoY. The sharp increase seen in FY21 was an exception.

New launches/Re-launches

- The GoodDay Chocochip re-launch is faring well.
- 50:50 Potazos was launched in the Northeast region to a good response and would soon be rolled out pan-India within the next 3–4 months.
- Milk Bikis – The rest of India is now faring well in terms of performance, in line with the Hindi belt. It has maintained a high advertising intensity in this category and is gaining share from Glucose category peers.
- The rolls plant would commence operations in a couple of months.
- Wafer sticks and Milk Bikis Classic would also be launched shortly.
- Many of the new launches are in the premium to medium range.
- The size of the adjacency business, including Dairy, is now INR25b.

- Croissants – It has worked to improve the product as disruption has impacted the scale-up. It may take six months for the launch with an improved product.

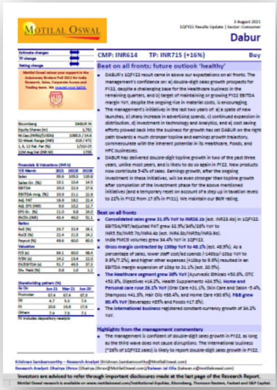
Other points

- ICDs are much lower than in the past at INR4.7b (INR 7.9b in Mar'21).
- The Ranjangaon factory is now generating revenues of INR12b. These could go up to INR16b on the existing investment.
- It is undertaking expansion at the Khurda plant. It has established new plants in Tamil Nadu and Uttar Pradesh.
- Planned capex stands at INR1.3 for the year. This could be higher in FY23.
- E-commerce now accounts for 2% of sales. This could potentially reach as high as 5%.
- It has applied for incentives under the PLI scheme in the 'Ready to Eat' category. Incentives may be 10% of total sales depending on the government outlay for the same.

Dabur — Buy

Current Price INR 612

Click below for
Detailed Concall Transcript
& Results Update



Performance highlights and outlook

- Greater agility and flexibility (a key cultural change in recent years) enabled DABUR to adapt to a tough operating environment.
- Healthcare posted its fifth consecutive quarter of over 20% sales growth. It aims to deliver mid-to-high single-digit sales growth in Healthcare, despite a high base in the remaining quarters.
- Lifting of restrictions on the supply chain, along with longer working hours for shops, is a positive development.
- On a CAGR basis, rural continues to do well, outpacing urban with a very attractive outlook.
- The management is confident of double-digit sales growth in FY22, as long as the third wave does not cause disruptions.
- The International business (~26% of 1QFY22 sales) is likely to report double-digit sales growth in FY22.
- On an overall basis, the current pipeline inventory of 15 days has been the lowest ever (down from 17 days earlier).

Market share increase continues in key categories

- It strongly gained market share in both Chyawanprash and Honey.
- It gained a 160bp market share in Hair Oils. The Hair Oil market grew 22% YoY, while DABUR saw category growth of ~40%.
- DABUR currently commands a 6% share in Coconut Oil from 4.5% a year ago.
- Hair Oils gained share from unorganized/regional players as well national players.
- It clocked ~21% sales growth in Toothpastes (which was clearly industry leading), with all of DABUR's brands growing at double-digits. It gained 100bp YoY market share, which is currently at 16.6%. In terms of Toothpaste market share, DABUR is only slightly behind HUVR. It is hopeful of surpassing it by the end of FY22.
- Foods under Dabur Home made are likely to cross INR1b in sales in FY22. The management is targeting INR4-5b in sales over the next 4-5 years.

Costs and margin

- RM cost inflation of 9-10% is being witnessed currently. The management expects inflation to continue to remain high in 2Q and moderate in 2HFY22.
- The mix in 1QFY22 was inferior to last year as the lower margin Beverage business posted a strong recovery in 1QFY22, but the biggest factor impacting gross margin is cost inflation.
- DABUR has been able to manage EBITDA margin well in 1QFY22. It hiked prices by 3% and undertook INR200m in cost savings in 1QFY22.

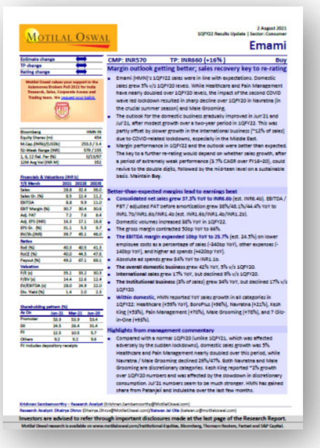
Other points

- E-commerce sales doubled YoY.
- NPD constitute 5-6% of overall sales and 8-10% of Foods. Apart from Foods, Healthcare launches are doing very well. Within HPC, new launches in some categories like Oral Care are performing well. Baby Care products are performing well in the e-commerce channel.
- Despite 10% of Beverage sales accruing from lower priced drinks, it has been able to maintain segmental margin due to several Premium segment launches.
- Cost savings of INR1b are targeted in FY22 as part of Project Samriddhi. DABUR had saved ~INR0.5b in FY21 – the first year of this program.
- DABUR is aiming to enter the liquid vaporizer Household Insecticides market in the future under the Odomos brand. It will not enter Coils as the category affects health, and DABUR is positioned as a healthcare company.
- It has begun work on the Indore plant, which will entail an investment of ~INR5.5b over the next few years.
- The consolidated tax rate will be 22-23% in each of the next 2-3 years.
- IT and Automation initiatives are being driven by a former senior level employee from Unilever.

Emami — Buy

Current Price INR 586

Click below for Detailed Concall Transcript & Results Update



Performance and outlook

- Demand in the initial weeks of Apr'21 was very good, but the second wave affected demand in the key summer season for HMN.
- For HMN, rural was also significantly affected in 1QFY22 (v/s 1QFY21). Demand is now improving.
- The Healthcare segment has fared well once again.
- The management is hopeful of achieving a steady performance going forward with the COVID cases declining.

Segments

- Compared with a normal 1QFY20 (unlike 1QFY21, which was affected adversely by the sudden lockdowns), domestic sales growth was 5%. Healthcare and Pain Management nearly doubled over this period, while Navratna / Male Grooming declined 29%/47%. Both Navratna and Male Grooming are discretionary categories. Kesh King reported ~2% growth over 1QFY20 numbers and was affected by the slowdown in discretionary consumption.
- Healthcare segment sales have not grown as strongly as they did after the first wave. The company is still looking to post a double-digit CAGR over the medium term in this segment.
- Kesh King reported ~2% growth over 1QFY20 numbers. It was also affected by the discretionary consumption slowdown. Jul'21 numbers seem to be much

stronger. HMN has gained share from Patanjali and Indulekha over the last few months.

- Some recovery in momentum was seen in Jul'21 for the Male Grooming segment as well.
- Over the last two months, the International business has, however, seen some slowdown due to lockdowns on account of the second wave. The management is uncertain about when the International business (12% of sales in 1QFY22) would recover.

Costs and margins

- It is unlikely to take more than the 3.5% price increase already taken YTD.
- Material cost inflation now seems to have stabilized.
- The management has stated that the company is likely to have better gross margins v/s the earlier guidance of 66.5–67% for FY22, perhaps even reaching the same levels as last year. However, it further hinted that higher advertising spends in 2HFY22 could check EBITDA margin expansion.
- Advertising spends would remain at 17–18% of sales on a steady-state basis.

Other points

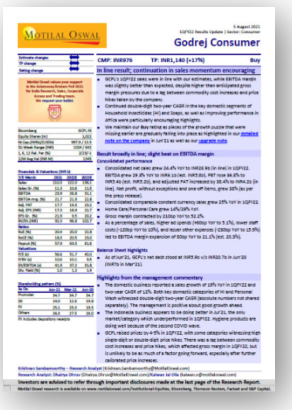
- New launches contributed 3% to sales in 1QFY22.
- E-commerce contributed 5% to domestic revenues from 1% a year ago. The management stated it would be very aggressive on this front, targeting 7–7.5% of sales over the next year.
- The Zandu Portal is doing very well and is expected to be a strong channel for growth. 1% of the above-mentioned 5% e-commerce sales came from its own portal. It has hired a young team to expand the portal.
- For key brands, it is selling much larger packs exclusively via e-commerce.
- ~INR600m would be amortized on Kesh King for four more quarters.
- Project Khoj (a rural initiative) has been rolled out in four states. 1,300 sub-stockists have been added.

Godrej Consumer — Buy

Current Price INR 1,033

| CONSUMER PRODUCTS

Click below for Detailed Concall Transcript & Results Update



Performance and outlook

- It was a strong start to the year, led by broad based growth in the Home Care and Personal Care categories.
- The domestic business reported a sales growth of 19% YoY in 1QFY22 and two-year CAGR of 12%. Both key domestic categories of HI and Personal Wash witnessed double-digit two-year CAGR (absolute numbers not shared separately).
- The management is positive about good growth ahead.
- The Indonesia business appears to be doing better in Jul'21, the only market/category which underperformed in 1QFY22. Hygiene products are doing well because of the second COVID wave.

Costs and margin

- Palm oil and crude prices are up.
- GCPL raised prices by 4-5% in 1QFY22, with some categories witnessing high single-digit or double-digit price hikes.
- There was a lag between commodity cost increases and price hikes, which affected gross margin in 1QFY22, but is unlikely to be as much of a factor going forward, especially after further calibrated price increases.

- RM inflation is expected to remain high for some time. GCPL will continue to take calibrated price hikes going forward as well. The management is confident that such increases will not dent growth in market share.
- Sequential margin dip in Africa is because of higher marketing spends. Some raw material inflation pressure is being mitigated by pricing and cost savings. The management remains confident of achieving high-teen margin in Africa over the next 4-5 years.

New launches and growth opportunities

- It launched Jumbo Fast Card in Maharashtra to compete against incense sticks and drive category penetration.
- While the current fast card versions burn for three minutes, the Jumbo Fast Card burns for 40 minutes and is effective for four hours similar to incense sticks.
- Pricing of the Jumbo Fast Card is similar to its own incense sticks.
- The Hygiene portfolio continues to remain in focus, led by Hand Wash and Home Cleaning products.
- 'Non-mosquito' HI performance continues to remain robust.
- Air Care penetration is less than 5% and is bouncing back gradually.
- The management is excited about the re-launch of Aer pockets. It also has car Fragrances lined up in the future as people start commuting more.
- It has seen a very good response to the HI category launch in Nigeria.

Other points

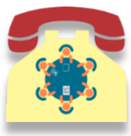
- Inventory days reportedly rose YoY because of accumulation of raw materials in an inflationary environment. Despite this, core NWC days were 4-5 lower YoY. NWC days, including other current liabilities, rose YoY because of curtailed vendor financing, which were part of other current liabilities earlier.

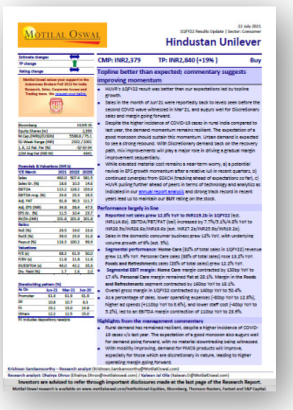
Hindustan Unilever — Buy

Current Price INR 2,618

Hindustan Unilever Limited

Click below for Detailed Concall Transcript & Results Update





Demand environment

- **FMCG sector demand:** May'21 was impacted significantly due to localized lockdowns. However, demand rebounded to Mar'21 levels in Jun'21.
- Urban demand is yet to return to Mar'21 levels. Sales have improved significantly in Jun'21 compared to mid-Apr'21 to May'21 levels, which was impacted by a dip in mobility as cases peaked.
- Rural demand has remained resilient, despite a higher incidence of COVID-19 cases v/s last year. The expectation of a good monsoon also augurs well for demand going forward, with no material down-trading being witnessed.
- Premium grew twice as fast as the rest of the portfolio in 1QFY22.
- More than 80% of HUVR's businesses are seeing increased penetration, even over 1QFY20 numbers, and 75% of the portfolio gained share as well.
- With mobility improving, demand for FMCG products will improve, especially for those which are discretionary in nature.

Raw materials

- **Tea prices remain inflated.**
- HUVR raised prices further in Soaps, Tea, and Detergents (3% in 1QFY22).
- Price increases appear to be lower in 1QFY22 because of low trade spends (deducted from sales) in the base quarter. This will normalize in 2QFY22.

- As mobility improves, the improvement in mix going forward will lead to better operating margin in subsequent quarters.
- Cost synergies from GSKCH are tracking ahead of expectations. It is investing these back into the business. Media buying and procurement synergies have come through to some extent. Manufacturing synergies are yet to be realized.
- Due to the COVID-19 outbreak, HUVR was not able to carry out market development in GSKCH as required. While margin is tracking ahead of expectations, sales are currently lower than targeted. As the impact of the pandemic abates, the management is confident of getting back on track with respect to sales targets as well.

Segmental highlights

- HUVR is gaining market share in all of its three large categories – Skin Cleansing, Laundry, and Tea.
- Health, Hygiene, and Nutrition (85% of sales in 1QFY22) grew 8% YoY despite a high base and rose 16% v/s 1QFY20 levels.
- The Discretionary portfolio (12% of sales) grew 39% YoY, but was still 24% lower than 1QFY20 levels.
- Out-of-Home (3% of sales) grew 91% YoY but was still 40% lower v/s 1QFY20 levels.
- Lower mobility in 1QFY22 impacted normalization of Discretionary and OOH demand.
- **Nutrition:** GSKCH's direct reach rose 1.4x over FY21 levels. It is targeting 2x going forward.
- **Home care –** Household Care and Fabric Care did well.
- **Beauty and Personal Care –** Soaps saw another strong quarter of growth, with market share gains. Oral Care did well. Hair Care reported double-digit growth. Skin Care did well YoY on a weak base, but is yet to return to normal levels.
- **Food –** The pipeline correction impacted Nutrition sales. HUVR gained market share in Tea.

Launches and tech initiatives

- **Surf Excel** – Launched smart 3-in-1 shots – a single use soluble capsule.
- **Lakme** has introduced refill packs.
- **Shikhar app –** HUVR recently on-boarded 50,000 retailers, with a total reach of 550,000 now. Sales through the app in Jun'21 were 6x that of Jun'20 levels.
- The future-ready sales platform (including e-commerce) is now 10% of total sales.

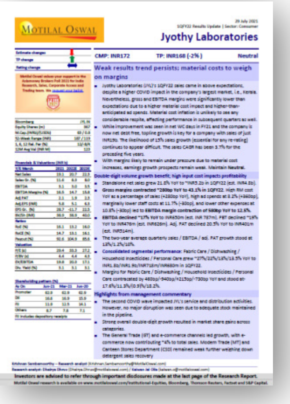
Jyothy Labs — Neutral

Current Price INR 162

Click below for
Detailed Concall Transcript
&
Results Update

Operating environment

- The second COVID wave impacted JYL's service and distribution activities. However, no major disruption was seen due to adequate stock maintained in the pipeline.
- In 1QFY22, the company achieved volume growth of 16.6% and value growth of 5% (via an MRP increase and a reduction in trade schemes).
- Strong overall double-digit growth resulted in market share gains across categories.


Jyothy Laboratories

- GT and e-commerce led growth during the quarter, with e-commerce now contributing ~4% to total sales. MT and CSD remained weak, impacting Detergent sales.
- The Fabric Care category (Ujala / Detergent / Crisp & Shine) picked up sequentially, but is yet to reach pre-COVID levels.

Financial highlights

- GM was impacted due to a sharp rise in key input prices (palm oil, HDP, and paper costs). Weighted inflation for the RM basket was ~10%.
- It passed on 50% of the inflation (i.e., 5% of inflation) through an MRP increase and a reduction in trade schemes. Furthermore, 2% gains were achieved by enhancing manufacturing efficiencies; the balance 3% impacted gross margins.
- Ad spends were higher YoY and would remain at 7–8% of sales annually.
- It expects to achieve EBITDA margins of 17–18% post normalcy.
- The effective tax rate would be around 18% within the next two years.
- Maintenance capex would be INR250–300m per annum in FY22 and FY23.

Other points

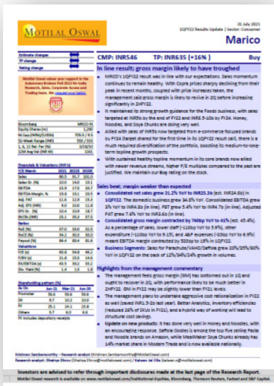
- Further price hikes would depend on consumers and market dynamics.
- It is working on further enhancing manufacturing efficiencies to bring down costs.
- JYL would focus on achieving growth over margins in the short term, and it would continue to focus on its existing high margin businesses over NPD.

Marico — Buy

Current Price INR 538

marico

Click below for
Detailed Concall Transcript
&
Results Update


Marico

Performance and outlook

- 1QFY22 started off on a good note until the second COVID wave affected business towards the latter part of Apr'21.
- The supply chain was not as affected unlike last year.
- 21% volume growth was reported in 1QFY22 in the domestic business, despite South India (a key market for MRCO) being more affected by COVID-19.
- Bangladesh and Vietnam, however, saw a surge in COVID-19 cases towards the end of 1QFY22. South Africa did well YoY in 1QFY22, but there has been some impact from the recent political unrest. The management remains hopeful of double-digit sales growth in FY22 from the international business, despite the likely impact in 2Q.
- Around 90% of the portfolio gained market share in India.
- Rural growth continued to exceed urban growth and the outlook remains positive.

Material cost and margin

- Unprecedented increases in material costs was witnessed in 1QFY22.
- The management feels GM has bottomed out in 1Q and ought to recover in 2Q, with performance likely to be much better in 2HFY22.
- GM in FY22 may be slightly lower than FY21 levels.
- The management plans to undertake aggressive cost rationalization in FY22 as well. It saved INR1.5-2b last year.
- Better Analytics, inventory efficiencies (reduced 26% of SKUs in FY21), and a hybrid way of working will lead to structural cost savings.
- It is also rolling out a cost rationalization exercise in the international business.

Comments on key segments

- VAHO can deliver double-digit growth for the remaining three quarters, despite being flattish on a two-year basis in 1QFY22.
- Saffola's Edible Oil business can deliver higher single-digit volume growth over the medium term.
- Livon and Set Wet are likely to recover in FY22 and the targeted growth for these brands are over 20% going forward. Livon's growth path is clearer, while Set Wet's growth depends on people's mobility. e-commerce is a significant incremental opportunity, but MT and GT also provide large opportunities for growth as penetration is low. Sachets of Livon Serum could help.

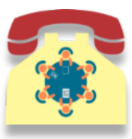
New product performance

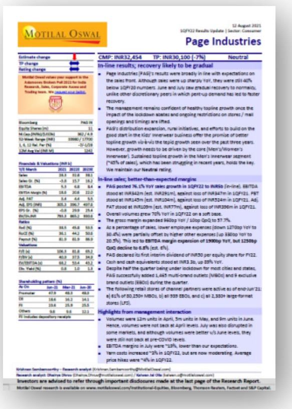
- MRCO has done very well in Honey and Noodles, with an encouraging response. Saffola Oodles is among the top five selling Pasta and Noodle brands on Amazon, while MealMaker Soya Chunks already has 14% market share in Modern Trade and is now available nationally.
- Honey, Noodles, and Soya Chunks are products that can achieve INR1b in sales.
- Chyawanprash has not performed to its expectations, and the management is hopeful of success with some tweaks over the next 2-3 months.
- It expects the Foods business to clock INR5b/INR8.5-10b in sales by FY22/FY24.
- The management is targeting 4-5 exclusively digital brands, with total sales of INR4.5-5b by FY24. This will be driven by organic and inorganic growth. Apart from 'Beardo' (which is likely to achieve INR1b sales in FY22) that they acquired a few years ago, it acquired 'Just Herbs' earlier in Jul'21. Margin could be significantly higher on this platform.

Page Inds — Neutral

Current Price INR 31,083

Click below for Detailed Concall Transcript & Results Update




MOTILAL OSWAL
Page Industries

Performance and outlook

- Volume growth stood at 70% YoY, with 76% YoY growth in sales. However, sales were down 40% v/s 1QFY20 levels.
- Volumes stood at 12m units in April, 5m units in May, and 9m units in June. Hence, volumes are not back at April levels.
- July was also disrupted in some markets. Although it was better v/s June, it was still not back at pre-COVID levels.
- PAG lost around half its 1QFY22 sales due to the lockdowns.
- Manufacturing and most EBO outlets are now fully operational. 61% of 80,250 MBOs are operational.
- The outlook remains good. Barring a couple of states, most have re-opened.
- Athleisure continues to increase as a proportion of sales. Women's Innerwear is also doing well.

Costs and margins

- Yarn costs increased ~3% in 1QFY22, but are now moderating.
- Average price hikes of 4% were taken in 1QFY22.
- July EBITDA margins were ~19%.

New products/channel/outsourcing

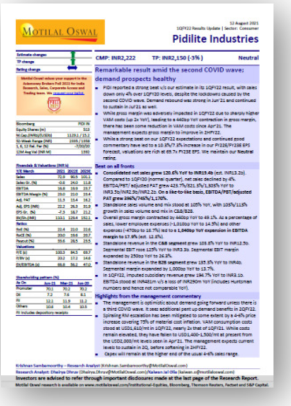
- Kids' Innerwear continues to receive a good response.
- Rural, tier 3, and tier 4 opportunities remain high; the company is expanding in these regions.

- 50% of stores adds are seen in tier 2/3 cities and lower towns. The main states where PAG has expanded in smaller centers are Maharashtra, UP, West Bengal, and Rajasthan.
- Outsourcing is now around one-third of sales.
- FY21 e-commerce stood at 7.4% of sales, but contribution was inflated due to overall sales being impacted by COVID. The share of e-commerce is expected to steadily increase, adjusted for a more normalized proportion to sales.

Pidilite Industries — Neutral

Current Price INR 2,268

Click below for
Detailed Concall Transcript &
Results Update



Performance and outlook

- Demand recovered from mid-Jun'21, with most market reaching normalcy.
- Rural and semi-urban markets are sustaining growth.
- The management is optimistic about demand going forward unless there is a third COVID wave. It sees additional pent up demand benefits in 2QFY22.
- Recovery in the Industrial business has also been healthy.
- Real Estate: There has been a substantial reduction in inventory, but a full-blown recovery has not yet happened.
- The international business is growing at a faster pace than the domestic business.

Material costs and margin

- Spiraling RM escalation has been mitigated to some extent by a 4-6% price increase covering 75% of material cost inflation.
- VAM consumption costs stood at USD1,610/mt in 1QFY22, nearly 2x that of 1QFY21. While costs remain elevated, they have fallen to USD1,400-1,500/mt present from the USD2,000/mt levels seen in Apr'21. The management expects current levels to sustain in 2Q, before softening in 2HFY22.
- Given the huge volatility in Global Chemical prices, the management said it is difficult to provide an outlook. It expects gross margin to return to normalized levels by 4QFY22.

Other points

- Capex will remain at the higher end of the usual 4-6% sales range.
- Waterproofing: PIDI is certainly not losing market share and is likely to gain share in this fast growing category.
- E-commerce sales in some consumer brands have risen sharply. Currently, monthly e-commerce sales are similar to that of FY20 levels.
- In Bihar, PIDI is using HUVR's 'Shakti Amma' network to sell its consumer products.

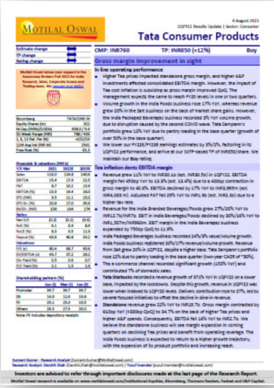
Tata Consumer Products — Buy

Current Price INR 848

Click below for
Detailed Concall Transcript &
Results Update

India Beverages

- Tea prices have fallen to INR215/kg as compared to the peak of INR272/kg in 2QFY21. However, prices are still high due to the drought scare in Assam and lockdown restrictions, which led to an increase in Tea prices.
- With a surge in Tea prices, TCP has taken a price hike across certain geographies. However, the entire cost increase was not transferred through an increase in realizations. With falling Tea prices and lower cost, margin is expected to improve.



Tata Consumer Products

Gross margin improvement in sight

- TCP has designed a strategy to gain market share across the domestic market. It has implemented different strategies for the northern and southern states.
- The India Beverages business recorded 24%/3% value/volume growth in 1QFY22, impacted by disruption caused by the second COVID wave.
- EBIT margin for the segment improved QoQ. It contracted YoY, led by cost inflation in Tea and increased A&P.
- In addition to recording overall market share gains, the branded Tea business achieved market share leadership in the e-commerce channel.
- The India business faced challenges in May'21 and Jun'21 with respect to last mile logistics. Volumes were affected due to lower out-of-home consumption of Tea. However, with the easing of COVID-related restrictions, demand is expected to bounce back sharply.

International Beverages

- In 1QFY22, growth rate in the International Beverages business was impacted owing to pantry loading in the base quarter last year.
- Tetley continued to grow its share in the Fruit and Herbal category in the UK, with its Herbals range.

Tata Salt

- TCP launched Tata Salt Super Lite. This is India's first specially formulated 30% lower sodium salt, adding to the company's Premium Salt offerings.
- Revenue grew 20% in 1QFY22, despite a higher base.
- It continued to drive premiumization with its Premium Salts portfolio, which grew 34% in 1QFY22.

Tata Coffee

- The India Coffee market is largely driven by the Instant Coffee segment. TCP has launched Tata Coffee Grand to cater to the INR25b Instant Coffee market. Tata Coffee's 'Sonnet' and 'Eight O'Clock' Coffee brands aim to target the premium customers in the domestic market.
- Revenue grew by 5% in 1QFY22, led by the Extractions business, which helped offset the decline in Coffee plantations.
- The quarter also saw value growth in Tea (better realization), while Coffee revenue declined YoY on a higher base.
- The Extraction business grew 21%, with growth seen in both Vietnam and the domestic business, which was impacted by the nationwide lockdown last year
- The Vietnam business recorded the highest ever EBIT, driven by increased volumes and a higher proportion of premium blends.

NourishCo

- NourishCo sustained its strong growth momentum in 1QFY22, with a standalone revenue growth of 91%, albeit on a low base. It was impacted by the nationwide lockdown last year.
- Tata Water Plus delivered exceptional growth. Himalayan Natural Mineral Water saw good traction in e-commerce and Modern Trade channels. Outlook on the NourishCo business continues to remain positive, and TCP aims to achieve multi-fold growth from this business segment.

India Foods business

- Tata Sampann: TCP is targeting aggressive growth in Tata Sampann. It is witnessing huge traction in Poha, Pulses, and the Spices segment. There is a gradual pickup in the Mixes category.

- Brand recall and customer stickiness are very high in Tata Sampann. TCP is working on which Pulses/products to increase focus on to improve its regional sales.
- The India Foods business recorded 20% YoY growth in 1QFY22, with 17% volume growth.
- Tata Sampann's portfolio grew at 12% due to pantry loading in the base quarter, bringing the two-year CAGR to ~30%.

JV: Starbucks

- Tata Starbucks recorded a revenue growth of 371% in 1QFY22 on a depressed base of last year that was impacted by the nationwide lockdown. Despite this growth, revenue in 1QFY22 was lower when indexed to the same period in FY20.
- Apr-May'21 was impacted by localized lockdowns, while Jun'21 saw a V-shaped recovery, with the gradual easing of restrictions on store operations. Delivery contribution increased to 27%, driven by several focused initiatives to offset the decline in dine-in.

US business

- Revenue declined by 15% (constant currency) in 1QFY22 due to pantry loading that led to 26% growth in the base quarter last year.
- The Coffee business declined in the US in 1QFY22 owning to an elevated base last year. The decline seen in K-Cup was much lower than that seen in bags.

UK business

- Revenue declined by 11% (constant currency) in 1QFY22 owing to pantry up-stocking that led to 12% growth in the base quarter last year.
- Tetley continued to grow its share in the Fruit and Herbal segment, with a new Herbals range.

Other highlights

- Ad spends increased by 53% YoY in 1QFY22. With an increase in profitability, A&P expenses are expected to increase going forward.
- Market share in Tea/Salt rose 170bp/370bp. Growth in Salt was driven by higher volume as compared to value growth.
- Direct reach: TCP ended 1QFY22 with a direct reach of 820,000 outlets (v/s 500,000 outlets in Sep'20). It is looking at 1m outlets by Sep'21. It added 3,000 distributors and is looking to triple its field force to expand its rural footprint.
- E-commerce recorded significant growth (153% YoY) and contributed 7.3% of domestic sales.
- Digital transformation: The management is laying out ERP and other systems to gather data across different business units, and design and execute a strategy to improve overall performance.
- The company is on course to achieve its targeted synergies of INR1,000-1,500m.
- TCP overseas Tea: Revenue declined by 2% to INR5b, with EBITDA down 24% YoY to INR353m.

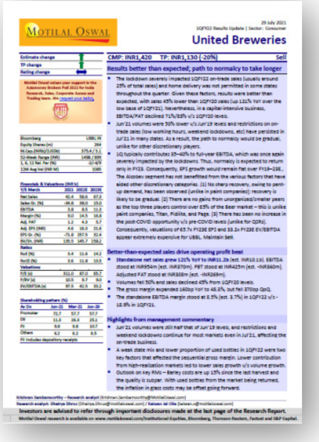
United Breweries — Sell

Current Price INR 1,454

Click below for
Detailed Concall Transcript &
Results Update

Environment and outlook

- Jun'21 volumes were still half that of Jun'19 levels.
- Restrictions and lockdowns over the weekends continue for most markets in Jul'21, affecting the on-trade business.



United Breweries

- Similar to the recovery seen after the first wave, the management expects recovery after the second wave as well.

Costs, margins, and mix

- An unfavorable state mix was one of the factors that led to sequential decline in the gross margin. A lower proportion of used bottles in 1QFY22 further impacted the sequential gross margin.
- Lower contribution from high-realization markets during the quarter led to lower sales growth v/s volume growth.
- Outlook on key RMs – Barley costs are up 15% since the last harvest and the quality is subpar. With used bottles from the market being returned, the inflation in glass costs may be offset going forward.
- There were no one-offs on material costs in 1QFY22 from write-offs (due to the perishable nature of the product and its ingredients) due to lockdowns, unlike last year.
- Overall mid-sithus far have been lower than usual.
- Super-premium brands are largely on-trade; hence, recovery would take longer.
- The Witbier scale-up would also resume once sentiment improves.

Changes post Heineken increasing stake

- No major changes are expected as India was already an important market.
- Current royalties – 5% on the Heineken brand and 7% on Amstel.

Capex

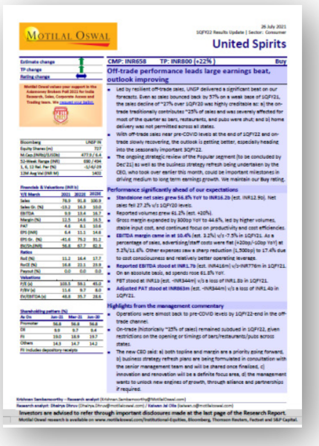
- It is targeting INR2.5b for FY22, as guided earlier. This would increase to earlier (higher) levels if the volume outlook begins to improve.

United Spirits — Buy

Current Price INR 704

UNITED SPIRITS

Click below for Detailed Concall Transcript & Results Update



United Spirits

Operating environment

- Operations were almost back to pre-COVID levels by 1QFY22-end in the off-trade channel.
- Off-trade remained resilient given the constraints.
- On-trade (historically ~25% of sales) remained subdued in 1QFY22, given restrictions on the opening or timings of bars/restaurants/pubs across states.

Strategy under the new CEO

- The new CEO said both topline and margin are a priority going forward.
- Business strategy refresh plans under the new CEO are being formulated and will be shared once finalized.
- Innovation and renovation will be a definite focus area.
- The management wants to unlock new engines of growth, through alliance and partnerships if required.
- Ongoing strategic review of the popular segment is on track and will be concluded by Dec'21.
- Over the next 9-12 markets, there will be initiatives in White Spirits as well. India is a dominant Whisky (brown spirit) market.

How is India similar and different to Africa?

- Compared to Africa (where the new CEO was the continent head before taking over the India role), India is a larger Spirits market, with higher premiumization, yet offering better affordability.
- The similarities to Africa are favourable demographics and volatility in government regulation.

Costs and margin

- Price mix was unfavourable in 1QFY22. North India, which is a traditionally a large Scotch market, was impacted by the second COVID wave. Unlike last year, North India was far less affected.
- Commodity prices are stable and are aiding margin. However, some inflation in glass costs is being witnessed. ENA costs are stable for now.
- Impact from the new ethanol policy: As capacities come up over the medium term, there will be no demand-supply mismatch and no impact on prices.
- A&P was lower than usual due to an uncertain environment.
- Staff costs included a VRS cost of INR170m at one facility.

Innovation and renovation

- Black Dog renovation is aimed at showcasing its brand strengths to the youth. Renovation includes content and packaging changes. It also launched a 14-year variant. The roll out in Punjab, Haryana, and Telangana has received a very good response, and will be subsequently rolled out to the rest of the country.
- UNSP forayed into craft whisky recently.
- It exited the Hip Bar acquisition as the business model was not amenable to its targets.

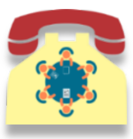
Other points

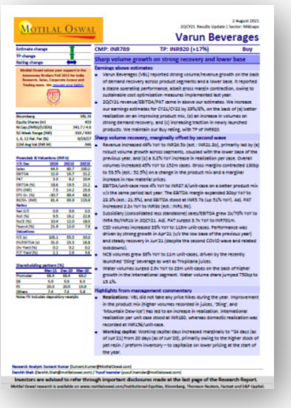
- The management said capex will be in its historical range.
- It said alliances will be used for some expansions, including in ENA spirits.

Varun Beverages — Buy

Current Price INR 805

Click below for
Detailed Concall Transcript &
Results Update




Varun Beverages

- **Robust volume growth:** Total sales volume increased 45% YoY to 152m cases in 2QCY21, strong growth in Apr'21 (v/s the low base of the same month in the previous year) and steady recovery in Jun'21 (despite the second COVID wave and related lockdowns, which led to de-growth in May'21).
- **Volumes:** India recorded volumes at 127m cases in 2QCY21, whereas International volumes stood at 25.3m cases. In India, the northern and eastern regions account for two-thirds of overall volumes, whereas the remaining volumes come from the southern and western regions.
- **Performance:** VBL reported a strong performance despite the soft opening in 2QCY21. Apr'21 and Jun'21 performances were good, whereas May'21 performance was moderate due to lockdown and associated restrictions.
- **Realizations:** VBL did not take any price hikes during the year. Improvement in the product mix (higher volumes recorded in juices, 'Sting', and 'Mountain Dew-Ice') has led to an increase in realization. International realization per unit case stood at INR180, whereas domestic realization was recorded at INR156/unit-case.
- **Gross margins:** An increase in freight costs (supplying RMs to various plants) contributed to the increase in RM cost.
- **Working capital:** Working capital days increased marginally to ~24 days (as of Jun'21) from 20 days (as of Jun'20), primarily owing to the higher stock of pet resin / preform inventory – to capitalize on lower pricing at the start of the year.
- **Southwest region:** Post the acquisition of new territories, the company has not seen one full year of uninterrupted/normal operations. CY20 operations were affected by the onset of COVID-19, whereas 1Q and 2QCY21 performances were affected by the second wave.

- **Margins:** With the gradual resumption of operations to pre-COVID levels, margins are expected to return to CY19 levels.
- **Sting:** The 'Sting' product has seen strong demand traction and is gradually improving the overall mix. VBL has already crossed the 10m-unit mark in this segment. Sting is expected to post strong volume growth over the next 6–12 months.
- **Zimbabwe:** USD15m is outstanding with the Reserve Bank of Zimbabwe. Every quarter, USD2–3m is expected to be repaid until the final payment is complete.
- **Dairy products:** VBL has resumed the sale of dairy products and currently focuses only on the northern region. The current capacity is sufficient to meet increasing demand. Products are expected to be launched in the southern region over the next few quarters.
- **International business:** Nepal and Sri Lanka operations were affected by COVID-19 and related lockdowns. The impact on Morocco and Zimbabwe was low comparatively.
- **Demand dynamics:** In-home consumption volumes are steady and doing well. In CY20, the majority of demand was driven by the rural areas, whereas in CY21, the urban region has showcased strong growth.
- Other highlights
- No new stores would be added during the year.
- **Capex:** Capex is expected to be in the range of depreciation for the next few years. In 1HCY21, VBL's capex stood at ~INR1,900m, including forex adjustments – this was primarily utilized for expansions in India, Morocco, and Zimbabwe.
- **Mount Dew-Ice:** This reported a strong uptick in sales and is quickly gaining traction.
- **Current liabilities:** The increase in current liabilities is majorly due to the current portion of its long-term debt, which is payable during the year.

- **Most banks' managements have indicated sharp recovery in momentum from July'21; they expect loan growth to revive in the Retail/SME segment, assuming there is no adverse impact of a potential third COVID wave. Also, certain banks such as KMB have highlighted the opportunity to grow in the unsecured segment as well. Deposit growth remains healthy. On the asset quality front, most banks have reported higher slippage, driven by Retail – AXSB/IIB/ICICBC saw ~84%/85%/94% slippage from the Retail segment. Banks have thus reported sequential deterioration in their asset quality ratios. PCR remains healthy, with banks continuing to carry additional provision buffers, while the restructuring book has increased. Large banks have indicated the slippage trend is likely to subside meaningfully from 2HFY22.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY22	Asset Quality & Collection Efficiency
Axis Bank	▪ The bank has gained market share in the Mid-Corporate segment.	▪ Collections saw a quick recovery in Jul'21; it expects slippage to moderate meaningfully over 2HFY22. ▪ Around 99% of the restructuring is backed by security, where the LTV is 40–60%.
Federal Bank	▪ The near-term focus is on the Retail, Gold Loans, and Business Banking portfolios. ▪ The bank's operating efficiency would continue to improve; it targets a C/I ratio of ~48% in FY22. ▪ It does not expect any material drop in the cost of funds, but expects NIM to reach ~3.2%.	▪ The SMA (0/1/2) portfolio is broadly similar to 4QFY21 levels (~5%). This has improved in Jul'21. ▪ It expects slippage for FY22 to remain at a similar trajectory as the last two years. ▪ Overall, it expects LGDs to remain significantly low on its stressed portfolio.
ICICI Bank	▪ The focus remains on risk-calibrated profits, leveraging synergies, and building partnerships. ▪ Overall, the bank is seeing healthy credit card issuances and strong market share gains. ▪ Corporate fees remain muted, while the trend in Retail fees remains robust. ▪ Lending-linked fees remained decent, while third-party distribution fees saw muted trends.	▪ It expects NPA additions to be lower in 2Q and meaningfully decline from 2HFY22. ▪ It remains confident that the COVID-19 provision buffer is sufficient to manage potential provisioning requirements. ▪ Collections could not happen due to COVID-related disruptions, especially in the Jewelry loans portfolio. However, it expects a full recovery from this portfolio.
IndusInd Bank	▪ IIB expects loan growth to be 16–18% over the next two years, with the CD ratio in the 85–90% range. ▪ Deposit mobilization remains strong, primarily led by Retail deposits. The target is to take the Retail deposit mix to 45–50%. ▪ Focus is on the granularization of corporate fees, while traction in retail fees continues to improve. ▪ NIM is expected to be in the 4.15–4.2% range. ▪ Overall, the bank aims to reach ROA of ~1.7%.	▪ Collection efficiency stood at 96% in Jun'21. ▪ Corporate slippage has been range-bound over the past several quarters. ▪ The bank continues to follow a conservative provisioning policy and is fully provided on the delinquent MFI portfolio. ▪ In the MFI portfolio, recovery in Kerala, West Bengal, and Karnataka is happening with a lag. ▪ IIB maintains an additional COVID provision buffer (outside PCR) of INR20.5b.
Kotak Mahindra	▪ KMB has made significant investments in technology and expects loan growth trends to improve, assuming there is no disruption from a potential third COVID wave. ▪ KMB would continue to relentlessly grow its Home Loans portfolio as a competitive advantage in the cost of funds would help it gain market share. ▪ With a proper underwriting strategy, the bank would continue to grow its secured and unsecured books.	▪ The Corporate portfolio showed strong resilience and strong asset quality was maintained in this portfolio. ▪ There was a significant impact on collections over Apr–May'21. The same recovered from mid-Jun'21. It is seeing a healthy recovery momentum in Jul'21. ▪ It would continue to have a measured approach with regard to restructuring and would not use this mechanism to delay the recognition of stress.
SBI	▪ The bank has higher unutilized lines in WCL and term loans. This has affected overall credit growth and suppressed the overall credit/deposit ratio. ▪ Xpress Credit is likely to grow at 25–30% YoY over the medium term. ▪ The management guided at 15% RoE over the medium term.	▪ Collection efficiency in July stood at 93.5% (v/s 92% in Jun'21). ▪ ~43% of corporate advances are towards PSUs / govt. departments. Furthermore, the bank already has ~86% coverage on its Corporate portfolio. ▪ The bank aims to recover ~INR140b from written-off accounts.

AU Small Finance Bank — Buy

Current Price INR 1,306

Click below for
Detailed Concall Transcript &
Results Update


AU Small Finance Bank

Asset quality

- Collection efficiency for Jul'21 stood at 110%.
- Total loans restructured during 1QFY22 stood at INR6.58b. The total restructured book stands at INR12.65b (3.6% of gross advances).
- Around 90% of the restructured book in 1QFY22 was towards Wheels/SBL.
- Total moratorium pool (over four EMIs due) stands at INR49b, of which 45% is standard.
- Total ECLGS disbursements stood at INR8.7b, of which INR3b was made over 1QFY22.
- Total SMA 1/2 stood at 6.7% as of Jun'21.
- The bank has formed a special task force for collections, which has helped in better recoveries. Overall, the bank has ~2k collection agents.
- Around 20% of the ONAN pool has been upgraded, while 50% has slipped.
- The customer activation rate was ~83% in Apr'21.

Balance Sheet and P&L related

- The management's focus would be on continuing to scale the Retail segments both on the asset and liability front. It would continue to make the Balance Sheet granular and towards secured assets.
- The bank has issued ~25k Credit Cards till date on the VISA platform, and is the first Small Finance Bank to launch its own Credit Card.
- AUBANK is still three quarters away from applying for a Universal Bank license. The bank will take an appropriate call closer to the timeline.
- Disbursements during Jun'21 stood at INR10b, which increased to INR13b in Jul'21.
- For Affordable Housing, it has formed a separate team and is present in ~190 locations.
- Cash on Wheels portfolio stood at INR18b.

Key business segments

Wheels

- The management expects the Used Car market is expected to grow faster than the New Car market.
- Demand for Tractors is likely to remain robust in the near term.
- NPAs in this segment stood at 3.2%.
- Average ticket size stood at INR0.15m.

SBL

- NPA in this segment stood at 2.5%.
- Average ticket size stood at INR0.7m.

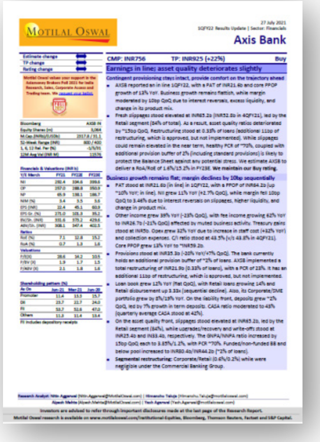
Axis Bank — Buy

Current Price INR 740

Click below for
Detailed Concall Transcript &
Results Update

Balance Sheet related

- Leading high frequency indicators suggests that activity levels have picked up and reached levels seen prior to the second COVID wave by mid-Jul'21.
- The mid-Corporate segment is an area where the bank has gained market share. The management would continue to focus on this segment.



- Technology-led projects are driving growth in SME loans.
- About 1.8m new liability accounts were opened in 1QFY22.
- Digital initiatives are leading growth in terms of customer acquisition and disbursements.
- Around 4m of non-AXSB customers are using the Axis Bank app for transactions.
- About 1.2m users are using WhatsApp banking, which was launched six months back.
- On MasterCard, the management said the ban has impacted the bank's business and it will take time to move to another payment network. Thus, new issuances are likely to be impacted over the near term.
- Total ECLGS disbursements stood at INR121b (97% is under ECLGS 1 and 2, while it was nil under ECLGS 4).
- Surplus excess SLR stands at INR740b in 1QFY21 v/s INR550b in 4QFY21.

P&L related

- Employee expenses were greater due to higher employee additions (~5k), increments for two years, and due to topping up of security benefit provisions.
- IT expenses were higher by ~63% YoY.
- The bank made prudent provisions of INR1.55b on its restructuring book, which is approved, but not implemented.

Asset quality related

- A greater impact is expected on the Retail segment, while Corporate is likely to remain strong.
- The impact would be transitory. It expects to return to normalcy as economic activity picks up.
- Collections were impacted in Apr-May'21, while Jun'21 saw a quick recovery. Recovery in collections has been much better in Jul'21.
- While Retail slippages have been elevated, the bank expects it to moderate meaningfully over 2HFY22.
- About 22% of gross slippages were upgraded in 1QFY22, while an additional 7.5% represents accounts linked to account that continues to remain standard.
- Gross Retail slippages stood ~INR54b (84% of total slippages). Around 55% of Retail slippages came from secured products, where the LTV is 35-55%.
- Demand resolution declined over Apr-May'21. It reached 99.5% of Mar'21 levels in Jun'21. Check bounce rates were higher over 1QFY21, but were similar to Mar'21 levels in Jul'21.
- Recovery from the Retail segment has picked up and stands at 85% of Mar'21 levels in Jul'21.
- Around 99% of restructuring is backed by security, where the LTV is 40-60%.

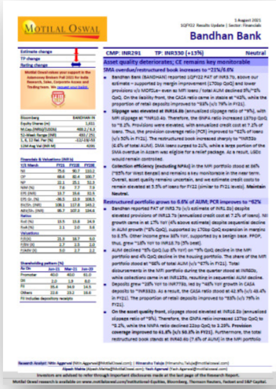
Bandhan Bank — Neutral

Current Price INR 278

Click below for Results Update

Asset quality related

- The total restructured loans stand at ~INR52.7b. Among the states, West Bengal comprises 36%, while Assam forms 22%.
- The Assam relief package includes borrowers with a loan ticket size of up to INR125k. ~INR8.2b loans are thus not eligible as they have a ticket size of >INR125k.



- The cut-off date for eligibility under the Assam relief package was 31st Dec'20. Thus, the loan portfolio of ~INR19b was not eligible as these loans were disbursed post Dec'20.
- The bank carries total provisions of INR8b on the Assam portfolio.
- The bank has availed CGFMU (a guarantee from the central govt) on the total portfolio of INR143b.
- The SMA 0 (30 days overdue) book stands at 8.5%.
- Slippage from the EEB book came in at INR10.36b, while recoveries and upgrades stood at INR5.1b. Total slippage for the bank stood at INR16.82b, while upgrades and recoveries were INR9.99b.
- The NPA book breakup is as follows: part paying (66%), full paying (8%), and not paying (26%).
- **The restructured book comprises the following:** part paying (80%), full paying (4%), and not paying (16%).
- Write-offs of ~INR8b from the Assam region are eligible for the relief package. This is in addition to the current eligible pool of INR35.8b.
- The bank would continue to make provisions to further strengthen its balance sheet.
- The bank carries total provisions of INR48.35b. This includes all of the provisions, including NPA, restructured, and standard asset.
- **Housing portfolio:** Collection trends are improving; the SMA book is reducing in this segment.

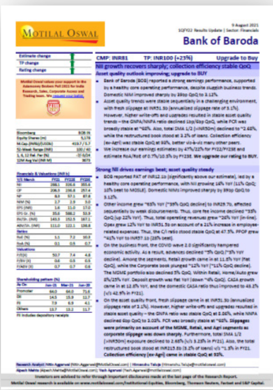
Balance sheet and P&L related

- The bank would continue to make progress on its transformation journey, with a growing focus on the Auto, Personal, and SME portfolios (non-EEB portfolio).
- The share of the EEB book in non-core geographies (ex-West Bengal and Assam) stands at ~43%.
- The bank had nil ECLGS disbursements during the quarter.
- The bank had nil disbursements in the Assam region during the quarter.
- 82–85% of the EEB portfolio has been generated over the past year.
- Growth in the MFI portfolio is not a challenge, and once the situation normalizes, the bank expects growth to pick up faster.
- ~5,471 borrower deaths on account of COVID-19 were reported.

Bank of Baroda — Buy

Current Price INR 74

Click below for Results Update



P&L and Balance Sheet related

- The focus is on growing deposits via CASA deposits
- The bank would aim to ensure adequate liquidity with focus on supporting the NII growth and margins
- There was a recovery from an account which got booked in NII. Though the quantum was not significant
- Core growth is likely to come from Retail side. The bank would maintain adequate risk pricing on the corporate side
- The bank has run down its corporate book which was at sub-par yields. Thereby resulting in improvement in yields and thus the margins
- Fee income is likely to pick up as economy recovers and loan growth picks up in the coming quarters
- LTV for gold loans would be ~60-65%. Maximum that the bank lends is 75%

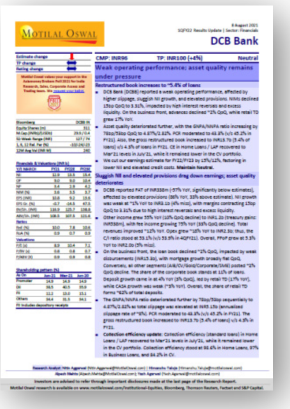
- Board approval for capital raise is just an enabling resolution. The bank does not expect to go for a capital raise in the near term
- Total sanctions under ECLGS stood at INR96b of which ~INR83.5b have been disbursed. ECLGS 1.0 (INR77.53b), ECLGS 2.0 (INR0.3-0.5m), MSME (INR5.42b)
- Overall, the target is to bring RoA to ~1% with a RoE of mid-teens over the medium term

Asset quality

- Stress on MSME and Retail was higher due to the 2nd wave but moderation in corporate stress supported the overall asset quality
- The bank expects it to likely maintain a sustainable and continuous improvement in asset quality led by lower credit cost
- The bank's exposure to Vodafone is small and is Non-fund based. Overall, the bank doesn't see much challenge towards this exposure and seems comfortable in managing these
- The up-gradation includes one Future Retail and one international operations account
- 2 NBFC's having exposure of ~INR21b (already on the watch-list) witnessed a rating downgrade which resulted in an increase in the BB & Below pool within the NBFC
- Restructuring 1.0: Retail (INR10.25b) and Corporate (INR100.25b) of which ~INR30b is non-fund. The bank carries provision of INR12.57b (15% on fund based)
- Restructuring 2.0: Retail (INR38b) and SME (INR5.62b). The bank carries provision of INR6.3b
- Restructuring for MSME stands at ~INR95b
- NARC: The bank does not expect a significant chunk to be transferred to NARC
- The bank endeavours to keep the net slippages for FY22 to be below 2%
- The bank is expecting total recoveries of ~INR140b in FY22

DCB BANK

Click below for Results Update



DCB Bank — Neutral

Current Price INR 86

Asset quality

- Three corporate accounts slipped during the quarter. However, it expects two of these to get resolved over the next three months.
- The net restructured book stands at INR13.7b, largely contributed by Mortgages, CV, and SME/MSME. While it expects the restructured book to increase further, it would be selective and provide to viable projects only.
- Total additional contingent provisions include INR1.08b towards stressed assets and INR1.89b towards restructured standard assets.
- The provision breakup over 1QFY22 is as follows: NPA – INR1.3b; sale to ARC – INR50m; standard assets – INR170m.
- The approximate average LTV on Mortgages NPA is ~40%, while it is 52% on restructured assets.
- Write-offs include those in personal loans, MFI loans, etc.
- Recovery challenges in mortgage loans stand above INR25–30m. However, the proportion of such loans is very low.
- The avg. LTV on gold loans is below 75%; therefore, they should be able to recover fully.

- Among the states, collections are improving in the northern region, Karnataka, and Tamil Nadu, while issues persist in Kerala.
- It has 90% provisions on the MFI portfolio, although the MFI portfolio is very small.
- It expects PCR to improve in the coming quarters.

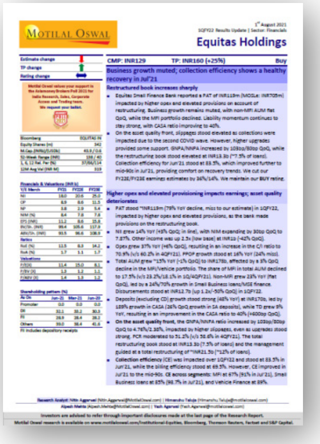
Balance sheet & P&L

- Gold loan growth remains stable.
- Total disbursements of ~INR15b were reported over 1QFY22. It expects loan growth at 11–12% for FY22E (assuming no severe COVID wave 3.0).
- The top 20 depositors are below 7%, and the target is to reach 5% in the coming years.
- There are strong opportunities for disbursements in the Home Loans segment.

Equitas Holdings — Buy

Current Price INR 119

Click below for Results Update



Amalgamation

- The bank expects the amalgamation to get completed in ~12 months.
- The impact on holding discount would be less than the tax impact if the shares are sold. This would result in reduced liquidity in the case of a sale of shares.

Asset quality related

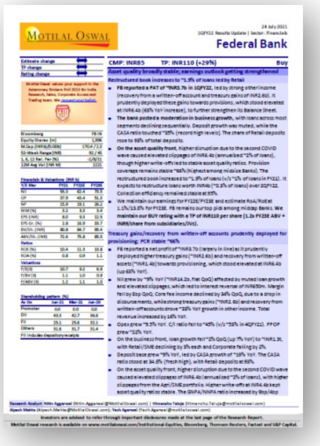
- Most customers exhibited conservative behaviour and hoarded cash, thus resulting in lower collections and higher delinquencies.
- The management expects restructuring worth INR14-17b in FY22. So far, the bank has restructured ~INR9b in 1QFY22.
- Most restructuring would be from the SMA 1-30/30-60 day delinquent book.
- The collection behaviour of SMA 0-1 customers have been different in the second wave v/s that witnessed in the first wave. The management said customers have been upfront about making payments.
- CE for MFI as on 27th Jul'21 stands at 91% v/s 67% in Jun'21.
- CE in the X bucket across states: Tamil Nadu grew to 98.2% in Jul'21 from 64% in Jun'21, Chennai: 99%, Erode: ~96%, and the rest are in the range of 96-99%.
- CE in the X bucket in Tamil Nadu is ~100% in Jul'21.
- CE in Small Business loans stands at 98.7% as of 27th Jul'21.
- Vehicle Finance: CE improved further in Jul'21. Billing efficiency has improved to 75-80% in Jul'21 from 69% in Jun'21.
- Upgrades remains strong, which is an encouraging sign. Of the total upgrades of INR1.6b, ~INR950m were due to collections, while INR640m were restructured.
- Recoveries in the second COVID wave have been much faster than the first wave, both in terms of collections and business disbursements.
- The bank expects to reach normalcy by Sep-Oct'21 in terms of collections.
- Credit cost based on current trends is expected to be ~2.5% for FY22. Credit cost should moderate from 2HFY22.
- NPA accounts, which have been restructured, would get upgraded once 20% is paid in the first year and 10% is paid in the second year.
- Potential restructuring breakup: Vehicle Finance (INR2b), Small Business loans (INR1b), and MSME (INR400m).
- Around 30% of collections, excluding MFI, are done via cash.

P&L and Balance Sheet related

- The MSME business has seen a sharper deterioration and is facing a slower bounce back. Recovery has been slow, but the management expects it to recover at a faster pace.
- Lead generation has been strong, which will result in higher disbursements.
- Fleet capacity utilization has been improving. This has resulted in an improvement in overall collections.
- Demand for Vehicle Finance is expected to continue post the festive season, which will result in lower delinquencies and improved disbursements.
- Disbursements under Small Business loans touched Mar'21 levels in Jul'21.
- The bank continues to focus on the Mass Affluent and HNI segment, which has scaled up well. This is also contributing to TPP income.

FEDERAL BANK

Click below for
Detailed Concall Transcript &
Results Update



Federal Bank — Buy

Current Price INR 80

Asset quality related

- FB's Gold loan portfolio witnessed slippages and restructuring at INR2.75b in 1QFY22.
- Around 60% of Retail slippages came from the Home loan portfolio, with the rest from the LAP segment.
- It has made 15% provisions on restructured advances.
- Total loans restructured in 1QFY22 stood at INR8.5b. It expects to restructure loans worth INR4b in 2QFY22.
- Only one Corporate account has been restructured till date.
- Restructured loans in the Commercial Banking portfolio stood ~INR640m in 1QFY22.
- It expects slippages in FY22 to remain at a similar trajectory as the last two years.
- It saw a strong recovery from written off accounts in 1QFY22 (Kingfisher account).
- Its restructured book is fully secured. The bank expects LGDs to remain low. Most of its Retail restructured book constitutes Home loans, LAP, etc. Collections efficiency in this portfolio stands at 95%, which is in line with its other portfolio.
- SMA (0/1/2) portfolio is broadly similar to 4QFY21 levels (~5%). This has improved in Jul'21.

Balance Sheet related

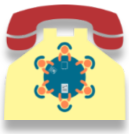
- It launched Credit Cards for its Existing to Bank (ETB) customers.
- In the near term, the focus is on the Retail segment, Gold loans, and the Business Banking portfolio.
- Total disbursements under ECLGS stood ~INR30b (similar to 4QFY21).
- LTV in the Gold loan portfolio is coming down. It expects 30% loan growth in the Gold loan portfolio.

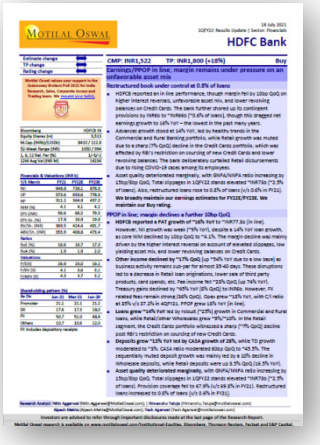
P&L related

- Total interest reversal stood at INR650m in 1QFY21.
- It expects operating efficiency to continue to improve, and targets a C/I ratio of ~48% in FY22.
- It does not expect any material drop in its cost of funds in the current scenario.
- It expects NIM to remain close to 3.2%.

HDFC BANK

Click below for
Detailed Concall Transcript &
Results Update





HDFC Bank — Buy

Current Price INR 1,514

Opening remarks

- Economic activity was impacted in Apr-May'21 by the second COVID wave, with a recovery from Jun'21 onwards. The rural economy was also hit badly.
- Spends per card is 1.4x higher than the industry, which reflects the depth of the bank. In Credit Cards, revolving balances have fallen.
- Nearly 75% of its Credit Card customers hold liability accounts with the bank.
- Wholesale lending is largely driven by PSU entities. It is seeing corporate deleveraging in a few sectors.

P&L and Balance Sheet related

- Around 1.64m new liability relationships were opened during 1QFY22 (a 40% YoY increase).
- NII was impacted due to higher net interest reversal, low yielding asset mix, and lesser revolving balances on Credit Cards.
- Credit Cards contributes 25-33% of total fee income for the bank.
- It added 45 branches in 1QFY22. Another 150 branches are to be opened in coming quarters.
- The bank maintains a medium to long term C/I ratio guidance of ~35%.
- Retail constitutes 82% of the total deposits and 88% of total CASA deposits.
- With regard to RBI's tech audit, the management said it has already submitted its report to the regulator and is awaiting the final outcome.
- ECLGS 1.0 disbursements are slightly above INR300b, while ECLGS 2.0/3.0 together would be ~INR30b.

Asset quality

- The core slippage ratio stood at 2.54% (~INR73b) in 1QFY22. Excluding Agri, the same stands at 2.2%.
- Sale of NPAs in 1QFY22 is INR18b.
- Restructured book increased to 0.8% (v/s 0.6% in FY21). The Retail restructured book constitutes two-third of the unsecured portfolio.
- Core credit cost stood at 1.46% in 1QFY22. Including contingent provisions, the same stood at 1.67%.
- Though 35-40 days of collections had been lost, the management expects healthy recoveries from slippages in 2QFY22.
- Total write-offs in 1QFY22 stood ~INR31b (1.05% of loans).

Business growth/asset quality trends across segments

Corporate/Wholesale Banking

- The Corporate portfolio remains stable and is performing well for the bank. No major slippages were reported from this portfolio in 1QFY22.
- Steel, Textiles, Paper, and Packaging is seeing an expansion in capex.
- Utilization rates are ~70% of total sanctioned limits.
- Growth in the Transportation Finance business remained flat QoQ. However, it is showing a healthy recovery from Jun'21 onwards.

SME portfolio

- The delinquency trend across buckets is improving QoQ. Thus, credit quality remains intact.
- Utilization rates remain between 70% and 75% of sanctioned limits.

- The SME portfolio is extremely granular across sectors.
- Incremental NPA during 1QFY22 stands lower QoQ. Gross NPA in this segment remains range bound.

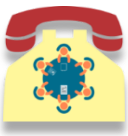
Retail portfolio

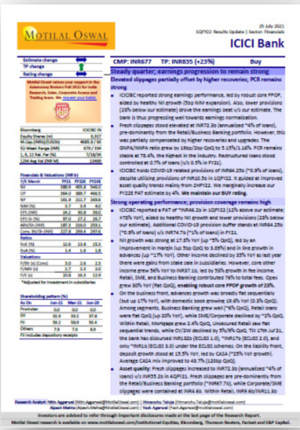
- It deliberately stopped retail disbursements due to rising COVID-19 cases among its employees. However, it re-started the same from Jun'21 onwards.
- In the zero DPD Portfolio, the bounce rate reverted back to pre-COVID levels. At the overall portfolio level, the bounce rate was still higher than Mar'21 levels.
- Collection resolution was hit during 1QFY22. As the situation normalizes, the bank expects a healthy recovery. **Overall, collection recovery would be different across segments.**
- In the unsecured portfolio, the bank has a leadership position with a focus on higher income customers.
- It gained market share in the Car Financing segment in both used and new Cars.
- The bank is seeing improved demand for Home loans.

ICICI Bank — Buy

Current Price INR 680

Click below for
Detailed Concall Transcript &
Results Update





Opening comments

- The bank would continue to strengthen its deposit franchise. The cost of deposits remains the lowest among peers.
- The management's focus remains on building its loan book in a granular manner. Retail disbursements were affected severely in Apr-May'21 due to the second COVID wave, while showing a healthy pick up from Jun'21.
- Business Banking and the SME book would continue to grow on the back on recent digital initiatives such as InstaBIZ, which is performing well.
- In the overseas book, the bank is exiting exposures that are not linked to India.
- Jewelry loans are fully secured, with total slippages from this portfolio at INR11.3b. It expects a complete recovery from this portfolio.
- The management expects gross NPA additions to be lower in 2Q and meaningfully decline from 2HFY22 onwards.

Balance Sheet and P&L related

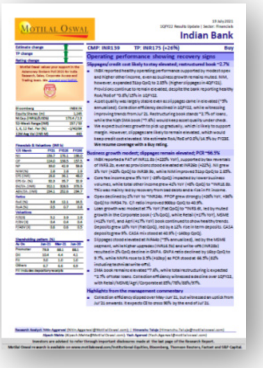
- The domestic Corporate portfolio, excluding the Builder portfolio, grew 15% YoY, driven by disbursements to higher rated corporates and PSU entities.
- The sequential impact on current account growth was due to the implementation of RBI guidelines.
- In the Corporate segment, capacity utilization has improved, and hence the rise in demand for working capital loans. It highlighted that many corporates have raised funds through the bond market as well.
- The private sector has not gone for any major capex expansion, while PSU entities see an expansion in capex.
- Some of the excess liquidity, which was deployed through forex swaps, also aided margin improvement.

Asset quality

- Within Retail/Business Banking (excluding the Rural portfolio), slippages from the Mortgage portfolio was similar to last year, but were relatively higher in the CV segment. Personal loans/Credit Cards witnessed lower slippages.
- Less than 1% of its Corporate portfolio were overdue at the end of Jun'21.

- In the BB & below book, only three accounts (Construction, Power, and Telecom) have an exposure over INR6b, while the rest are smaller accounts.
- It remains confident that its COVID-19 provision buffer is sufficient to manage potential provisioning requirements.
- Collections could not happen due to COVID-related disruptions. This affected Jewelry loans. It expects a full recovery from this portfolio.
- The management expects a meaningful reduction in slippages from 2HFY22. The recovery trend is likely to be better over 2HFY22 if there is no third COVID wave.
- Retail recoveries during 1QFY22 were normal and in line with other quarters (barring last year, which was lower due to the RBI dispensation).
- The business banking portfolio is very well collateralized, and thus the risk remains lower. The SME portfolio is seeing some uptick in stress.

Click below for
Detailed Concall Transcript &
Results Update



Indian Bank — Buy

Current Price INR 122

P&L and Balance Sheet related

- The RAM segment would continue to grow strongly, while Corporate growth is expected to pick up from 2QFY22.
- The bank expects minimum growth (~10% YoY) on the advances front.
- NII is expected to pick up going forward and would support margin. The management is looking to achieve a NIM of 3%.
- Operating profit is likely to sustain in the current range of INR34-35b.

Asset quality

- Slippages were primarily from the MSME segment. It expects further restructuring of INR4-5b in the MSME book.
- Slippages are likely to remain higher over FY22 (10-12bp higher than its normal average).
- The target is to keep the slippage ratio at less than 3% and credit cost below 2%.
- CE dipped over May-Jun'21, but witnessed an uptick from Jul'21 onwards. It expects CE to cross 90% by the end of Jul'21.
- Upgradation and recoveries are expected to improve in coming quarters.
- Disbursements under ECLGS 1/3 stood at INR53.3b/INR160m.
- INBK expect recoveries of INR50b and upgradation of INR25b for FY22.
- NCLT recoveries are expected to be ~INR12b in FY22.
- The bank has provided for 20% of its exposure to SREI Infrastructure Finance.
- Its exposure to DHFL stands at INR13b.

Others

- Synergies of amalgamation have started to kick in and is visible in its 1QFY22 performance.

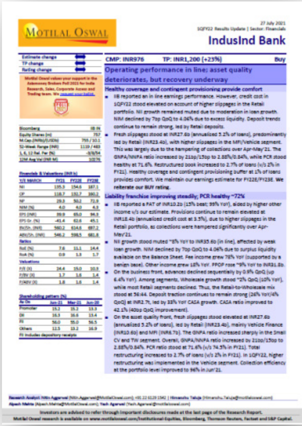
Click below for
Detailed Concall Transcript &
Results Update

IndusInd Bank — Buy

Current Price INR 979

Asset quality

- Slippages: MFI (24%), Vehicle (38%), other Retail (22%), and Corporate (15%).
- Breakup in Retail slippages: Vehicle Finance (INR10.6b), MFI (INR6.7b), unsecured Retail (INR2.7b), and Business Banking/other secured Retail assets (INR3.6b).


IndusInd Bank

- Write-offs: Vehicle Finance (INR3.84b), unsecured Retail (INR1.35b), Corporate (INR1.88), MFI (INR1b), and other Retail/Business Banking (INR1.3b).
- The bulk of the upgrades came from the MFI portfolio.
- Recoveries: Sale to ARC comprised loans worth INR3.64b, while the same from the MFI book was INR790m.
- Restructured portfolio: CFD (INR31b), secured Retail (INR3.3b), unsecured Retail (INR3.8b), MFI (INR700m), and the balance from Corporate.
- Collection efficiency stood at 96% in Jun'21.
- Corporate slippages have been range bound over the past many quarters.
- SMA-2 portfolio stands at 47bp.
- The bank continues to follow a conservative provisioning policy, and is fully provided on the delinquent MFI portfolio.
- IIB maintains an additional COVID provision buffer (outside PCR) of INR20.5b.

Asset quality across business segments

- Vehicle: Volumes dropped over 1QFY22, with disbursements down 45% QoQ. Commercial Vehicle (M&HCV) was the most impacted segment, while LCV, Tractor and Construction Equipment showed better trends. All segments (excluding M&HCV and Passenger Vehicle) have returned to normalcy. Collection efficiency in the Vehicle portfolio improved to 97% in Jun'21.
- Fresh restructuring of INR6b was implemented in this portfolio in 1QFY22.
- Unsecured: Slippages stood ~2.8% (Credit Cards and Personal loans). The bank has gained market share in terms of outstanding Credit Cards, with no impact due to the recent RBI ban on MasterCard.
- MFI: Collection efficiency stood at 89% in Jun'21 and touched the mid-90s in Jul'21. Slippages (net of upgrades) stood at INR2.3b (0.9% of loans). Recovery in Kerala, West Bengal, and Karnataka is happening with a lag, with collection efficiency at 82-83% in Jun'21.
- Other secured Retail assets: Slippages stood at 1.4%. Incremental restructuring was negligible in this segment in 1QFY22.
- Corporate segment: Average rating profile of borrowers has improved, with the focus back on growth. Slippages include one Real Estate account (INR2.7b), while total restructuring in this portfolio stood at INR17-18b.
- Gems and Jewelry are witnessing strong growth, with nil NPAs and restructuring.

Balance Sheet and P&L related

Deposits/Liabilities

- Deposit mobilization remains strong, primarily led by Retail deposits.
- The bank has recently cut its SA and Term deposit rates by 50bp each.
- NRI deposit base stands at 275b, up 40% YoY/7% QoQ.
- Average LCR stands at 143%.

Asset growth

- Realignment of the Corporate book is complete and the focus is back on growth.
- There are no equity raising plans in the near term.
- Total loans disbursed under ECLGS stands at INR46.4b – ECLGS 1.0 (INR30.4) and ECLGS 2.0 (INR16b).
- Around 50% of Personal Loans and Credit Cards are sourced digitally.
- Market share in the LCV/CV segment would be 13-13.5%/~12%.
- IIB's market share in Diamond financing stands ~25%.

Guidance

- The bank expects loan growth between 16% and 18% CAGR over the next two years. CD ratio is likely to remain in the 85-90% range.
- Credit cost: IIB expects credit cost to remain at 160-180bp under a normal scenario.
- It expects NIM to be in the 4.15-4.2% range.
- The bank is targeting a RoA of ~1.7%.
- As per planning cycle 5, the target is to take the Retail deposit mix to ~45-50%.

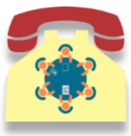
Operating performance

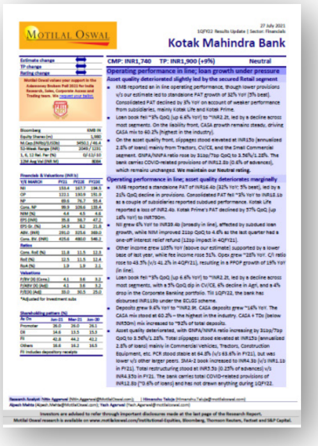
- Fee income: Retail (~49%), Transaction Banking (~31%), and Corporate (~21%).

Kotak Mahindra Bank — Neutral

Current Price INR 1,704

Click below for
Detailed Concall Transcript &
Results Update





Opening comments

- The bank has made significant investment in technology and increased its hiring process. It expects loan growth to improve, subject to a severe third COVID wave.
- KMB sees an opportunity to grow the unsecured business.
- There was a significant impact on collections in Apr-May'21. The same recovered from mid-Jun'21. It is seeing a healthy momentum in Jul'21.
- Slippages in 1QFY22 stood at INR15b (v/s INR44b/INR55b in 4Q/FY21). This was pre-dominantly from the secured portfolio.
- The bank will continue to have a measured approach with respect to restructuring and will not use this mechanism to delay the recognition of stress.

Balance Sheet related

- The focus is on granular customer acquisition.
- The Mortgage business remains a key focus segment, with higher penetration in the Salaried segment. The focus would remain on the LAP segment.
- Unsecured business: The bank has recently made a significant investment in improving technology, revamp the business, and its risk scoring models.
- Commercial Vehicle: Both collections and disbursements were impacted. However, Construction Equipment started picking up from June'21.
- MFI business was highly impacted due to the COVID disruption.
- Incremental disbursement in 1QFY22 under the ECLGS scheme was INR5b.
- SME segment: It witnessed healthy traction in the acquisition of new customers. The bank has launched an analytics-based lending model, which would help in further improvement of TAT
- Corporate: At present, there is no major demand for capex. The focus is mainly on financing working capital requirements. The bank would continue to maintain high asset quality in this segment. The management's focus is on improving transaction banking fees. Among business sectors, the management's rising focus is on financing Real Estate projects and NBFC, with a higher
- emphasis on HFCs. Credit substitute book is mainly built in NBFC/higher Corporate segment.
- A higher management focus would be on mid-Corporates and SMEs due to better yields and risk adjusted profitability.
- Average LCR stood ~160% over 1QFY22.

Digital strategy

- Around 0.5m customers were acquired digitally per month.
- The bank has one of the highest usage of its mobile app with 200 features.
- Data Analytics remain a key enabler to help in early risk detection and improving cross selling for the bank.
- About 97% of new accounts opened in 1QFY22 were through the digital mode.
- The share of digital in Personal loan has grown to 45% from 34% in 4QFY21.
- The goal is to optimize its cross sell journey through its 811 strategy

Asset quality related

- Slippages increased as collections were significantly hampered. Some customers postponed their instalments due to precautionary savings in the second COVID wave. The bulk of slippages came from the Retail/Commercial segment.
- Tractor, Commercial Vehicle, and Construction Equipment have seen a sharp rise in slippages. However, the bounce rate has been improving from Jul'21.
- The health of the ECLGS portfolio has been good.
- About 50% of customers in the Tractor segment paid their instalments in cash.
- There is no sale to an ARC in 1QFY22.
- The SMA-2 book has increased v/s last year.

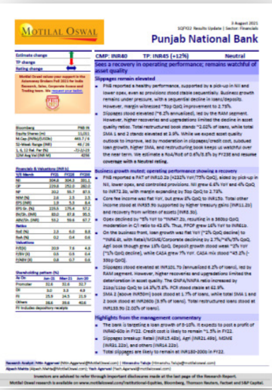
Subsidiaries

- Kotak Life witnessed a higher amount of COVID death claims from Apr'21. The claims were significantly higher than FY21.
- Kotak Mahindra Investments has a NNPA of ~0.6%.

Punjab National Bank — Neutral

Current Price INR 36

Click below for Results Update



Balance Sheet and P&L related

- While Corporate growth remains muted, the management expects it to pick up in coming quarters. The bank has sanctioned loans worth ~INR500b.
- The bank expects CD ratio to inch up to ~69%.
- The management's target is to grow advances at 8-10%.
- The bank expects to post a profit of INR40-60b in FY22.
- Credit cost is likely to moderate over the next three quarters.
- The bank expects credit cost to remain ~1.5% in FY22.

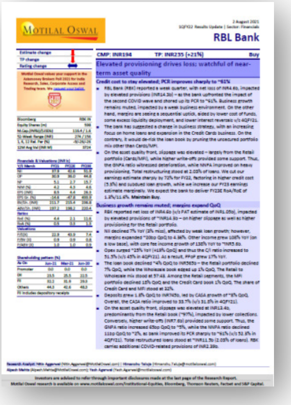
Asset quality related

- Slippages breakup: Retail (INR15.48b), Agri (INR21.49b), MSME (INR31.22b), and others (INR14.22b).
- Collection efficiency has improved from Jun'21 levels.
- The bank expects slippages to subside going forward. Retail/MSME slippages are likely to have peaked out and are expected to moderate going forward.
- The MSME segment is likely to remain stressed and improve by Mar'22.
- Restructuring 2.0 stands at INR66.02b, with Retail/Small business/MSME ~INR33.96b/INR3.2b/INR28.86b. The bank expects additional restructuring of INR15-20b by Sep'21.
- Restructuring 1.0 stands ~INR67.87b, with Retail/Corporate/MSME at INR7.57b/INR49.31b/INR10.99b.
- Total slippages are likely to remain at INR180-200b in FY22.
- Loans worth ~INR7b were upgraded due to restructuring, while one account of INR5b (MMTC) got upgraded in 1QFY22.

- Home loan NPAs are likely to fall meaningfully over the next few quarters as collection efficiency improves.
- Total SMA 1 stands at INR66b, SMA 2 (below INR50m) at INR78b, and SMA 2 (above INR50m) stands at INR125b. Total SMA 1 and 2 book stands at INR260b.
- Reduction in NPAs from NCLT proceedings is expected to be ~INR120b, with cash recoveries of ~INR50b. Usual recoveries of INR30b are expected quarterly. In total, it expects cash recoveries of INR140b, with a total reduction of INR220b in GNPAs.

RBLBANK

Click below for Results Update



RBL Bank — Buy

Current Price INR 163

Asset quality related

- The asset quality impact was higher as collection efficiency in the MFI business has fallen sharply.
- Slippage was higher than earlier anticipated, with 97% of slippage coming from Retail and the balance from Wholesale.
- The slippage breakup across segments is as follows: Credit Cards – INR5.01b, MFI – INR4.45b, other retail secured assets – INR3.46b; the rest is in Wholesale.
- PCR would increase to ~65% in the coming quarters.
- It made 4% additional COVID provisions on the MFI portfolio.
- In terms of collection efficiency (barring the MFI segment), it has reached normalized levels.
- The provision breakup is as follows: loan loss provisions – INR8.08b, additional/ accelerated specific provisions – INR3.65b, and COVID provisions – INR2.39b.
- The total restructured book stood at INR11.5b (v/s INR9.3b in FY21), i.e., 1.98% of advances. Among the segments, Wholesale stood at INR4.35b and Retail at INR7.15b. Overall, the total restructuring between 1.0 & 2.0 was ~INR7.18b.
- The total restructuring in 1QFY22 was mainly in MFI and business loans, while nil restructuring was seen in Credit Cards and Wholesale.
- The Retail restructuring breakup is as follows: Restructuring 1.0 – INR4.58b; Restructuring 2.0 – INR2.6b. Among the segments, restructuring was INR1.11b in the MFI segment and INR1.79b in Cards, while the balance was in secured retail assets.
- Total ECLGS disbursements stand at INR14.78b, with ~INR8.8b in Wholesale and ~INR5.6b in Retail.
- Gross slippage would remain elevated over 2QFY22 – higher in the Micro Banking portfolio.
- SMA-1 and SMA-2 remain elevated, while SMA-0 is declining. Thus, slippages are expected to subside from 2HFY22.

Business/Asset quality trends across segments

Credit Cards

- ~82k cards were issued in July.
- Total write-offs would be around INR11–12b over the last year. Overall, recovery trends would be stronger once the situation normalizes.
- Credit card spends improved sharply in July'21.
- PCR in credit cards stands at around 70–75%.
- The write-off policy for credit cards is 180 days.

- Credit costs in the Credit Cards segment under the normalized scenario would be around 5.5%.

MFI

- PCR in the MFI business stands at 83%.
- 27% of the MFI customers that slipped into NPAs paid their July'21 EMIs.
- The MFI business would scale up with a lag of 2–3 months.
- Normalized credit cost in this segment would be around 2.5%.

MSME / Business Loans

- PCR in Business Loans stands at 45%.
- It has exited the Unsecured Business Loans segment.
- Normalized credit costs are around 100–125bp.

P&L and balance sheet related

- Retail growth would take 1–2 quarters to revive, while Wholesale would support growth.
- The focus is on ramping up retail deposits.
- Home Loans: Higher disbursements were seen towards affordable housing. It is targeting an existing customer base of 4m; the focus is on the salaried customer base. The avg. ticket size is between 2–5m and avg. yield between 7.5–8.5%; the focus market would be tier-II and tier-III cities.
- Tractor Finance: It has launched only last month. Currently, it has disbursed 600 tractors on a pilot project basis. Overall, it aims to finance ~1k tractors per month.
- It has increased focus on the Commercial segment in high-rated corporates.
- Total interest reversal during the quarter was between INR800m–INR1b.
- It aims to improve the Retail to Wholesale mix to around 65%:35% over the next three-year period.
- It expects the C/I ratio to remain slightly higher over the next few quarters (100–200bp increase) as the focus is on ramping up the technology infrastructure.

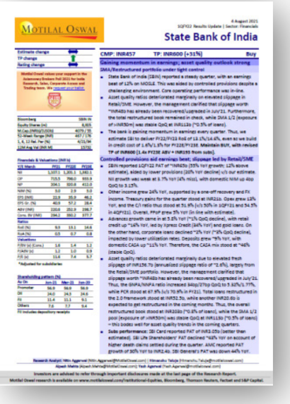
New strategies

- Credit cards – It plans to issue 120–140k new cards per month in FY22, continue to focus on new partnerships to expand reach, ramp up investments in technology, improve profitability to pre-COVID levels from 2HFY22.
- The focus is on increasing cross-sell opportunities in products such as Mutual Funds, Insurance, etc.
- Micro Banking: It would remain cautious in the near term.
- Secured Retail Assets: The focus is on the Housing segment; it operates through 120 branches. It aims to build a ~INR100b Housing portfolio over the next 3–4 years.
- Branch banking: The proportion of retail and small business deposits forms 40%; the aim is to improve to 50% over the next 18 months.
- Project Abacus 2.0 framework: The target is to increase the customer base to 12–14m over the next 3–4 years.

State Bank of India — Buy

Current Price INR 407

Click below for Results Update


State Bank of India

Balance sheet and P&L

- Total slippage in the Home Loan segment stood at INR31.23b.
- The pullback in slippage in Jul'21 was seen across segments, such as Home Loans, Personal Loans, and SME.
- Collection efficiency in July stood at 93.5% (v/s 92% in Jun'21).
- Total ECLGS sanctioned is INR300b, of which ~INR270b has been disbursed. The total ECLGS loans outstanding stands at INR220b.
- Total recoveries in Jul'21 from the current quarter slippage came in at ~INR47.9b. Furthermore, ~INR23b was upgraded in the SME segment.
- The total restructuring book stands at INR202.97b (Restructured 1.0 at INR129.95b; Restructured 2.0 at INR52.46b, and pending applications at INR20.56b). Further restructuring among the segments is as follows: Retail (INR90b), SME (~INR36b), and Corporate (INR78b).
- ~43% of corporate advances are towards PSUs / govt. departments.

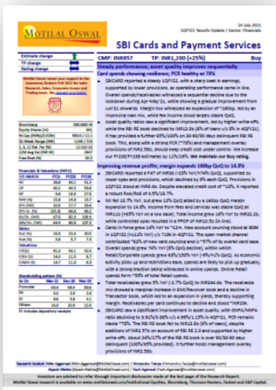
Asset quality

- The overall target is to reach RoE of 15%.
- Total interest reversals during the quarter stood at INR8b.
- Corporate growth was muted due to low utilization of ~INR3t (unutilized limits). However, sanction proposals of INR1.3t are in the pipeline. The infrastructure segment has a heavy pipeline.
- International portfolio: This portfolio is expected to grow over the next few quarters. There is strong opportunity in developed markets such as Hong Kong, the US, and the UK in lending to high-investment-grade companies.
- Xpress Credit: The bank expects this segment to grow 25–30%. Average yield in this portfolio is ~11%.
- The overall target is to recover ~INR140b from written off accounts.
- Other provisions of ~INR29b during the quarter were towards non-fund-based limits on NPAs.

SBI Cards & Payment Services — Buy

Current Price INR 1,002

Click below for Results Update


SBI Cards and Payment Services

Business related

- SBICARD witnessed a revival in business from Jun'21, which is continuing in Jul'21 as well.
- Scope for further reduction in the cost of funds seems difficult, hence rates have bottomed out. The cost of funds is likely to remain low in the near term.
- As it purges its RBI RE book, the mix of Revolver book is likely to improve. Under business as usual (BAU), the target is to keep the loan mix at one-third between Revolver, Transactor, and EMI.
- As the Revolver book inches up, yields are likely to improve, which would result in an expansion in margin, with the cost of funds remaining stable.
- Consumer demand for converting spends into EMI for large ticket products remains strong. The subvention scheme also aids in driving this book.
- Tier III and IV contributed significantly in FY21. In 1QFY22, the Banca channel got impacted, which resulted in lesser sourcing. The sourcing from Tier I and II have increased in 1QFY22.
- Spends per card for the banca customer was slightly lower than open market sourced customers.

- The timeline for a customer to mature (i.e. increase spends and build a book) is relative higher from Tier III/IV as compared to Tier I/II.
- Around 20% of sourcing comes from YONO.
- About 10% of new spends gets converted into the EMI book.
- Duration of the Revolver book stands at 3-4 months.
- Co-branded cards form a significant portion of open market sourcing.
- The acquisition cost of customers sourced from the open market is relatively higher from the Banca channel.

Asset quality related

- SBICARD carries management overlay provisions of INR2.58b as of Jun'21.
- RBI RE book: About 60% of the RBI RE book are less than 30 days delinquent. It has provided 65%/100% on 30-90/over 90 days (17%/24%) delinquent. It overall carries 35% provisions on the RBI RE book.
- Credit filters have been further tightened, which is resulting in the building of a superior book.
- RBI RE under 2.0 stood at INR2.58b (primarily approved in Jun'21).

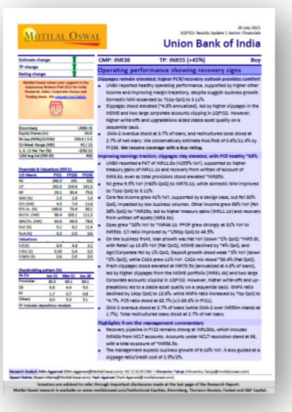
Restructuring requests have come down in Jul'21.

- Of the total reduction of INR7.89b from the RBI RE book, the bulk (INR6.47b) was written off.
- Credit cost is likely to gradually moderate going forward, provided there is no third COVID wave.
- EPP book stands ~INR3b.

Union Bank of India — Buy

Current Price INR 34

Click below for
Detailed Concall Transcript &
Results Update



Asset quality

- Total restructuring implemented in the MSME scheme under Resolution Framework 1.0/2.0 stood ~INR24.3b/~INR9.5b. Another INR25-28b of MSME loans have been restructured in earlier schemes. Total MSME loans restructured would be ~INR61b.
- Total SMA-2 overdue (including those below INR50m) stood ~3.7% of loans.
- Corporate slippages have largely come from two accounts, one from a thermal Power account (~INR9b) and another from a Jewelry account (~INR3b).
- Upgradation includes one large account of INR20b, which got restructured and upgraded as a standard account.
- Slippages of INR2b came from old restructured schemes in 1QFY22.
- Recovery pipeline in FY22 would be INR130b, which includes INR40b from NCLT accounts. Accounts under NCLT resolution stand at 96, with a total exposure of ~INR56.5b.

P&L and Balance Sheet related

- It is seeing some recovery in corporate business activity, and therefore expects loan growth revival in the Corporate segment.
- It is carrying a DTA of INR150b on the Balance Sheet.

Guidance for FY22

- Deposit/advances to grow at 8-10%. Advances growth would be contributed by the Retail/Agri segments.
- NIM to range between 2.9% and 3%.
- On the asset quality front, it expects slippages/credit cost at 2.5%/2%.

FINANCIALS/NBFC

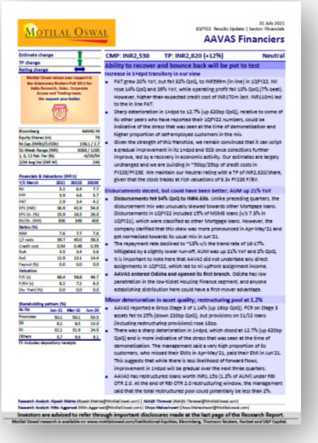
- **NBFCs' commentaries suggest collection efficiency (CE) was impacted during the first two months of the quarter. However, in June/July, CE recovered sharply and is quickly rebounding to pre-COVID levels. Most of the managements believe margins are sustainable at current levels in FY22, despite the benefit on incremental CoB largely having played out. Restructuring across financiers has varied. Vehicle financiers, predominantly in new CV financing (particularly M&HCV), have reported relatively higher restructuring, while restructuring has been lower in used vehicle financing. Barring LICHF, none of the other large HFCs have reported disproportionately high demand for restructuring in the Wholesale Developer Lending segment. Affordable housing financiers have resorted to restructuring under OTR 2.0. However, this has been largely range-bound at 0.7–1.2% for most of the players, except Repco, which reported ~5% restructuring in 1QFY22. Given the uncertainty around the second COVID wave, most companies have continued to maintain excess liquidity on their balance sheets to (a) protect themselves against any potential liquidity squeeze and (b) in anticipation of a robust uptick in the business momentum from 2QFY22. Vehicle financiers have indicated good momentum in collections/demand in Jul'21 and expect a strong demand uptick from September, the start of the festive season in India.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY22	Asset Quality & Others
Bajaj Fin	▪ In the absence of a third wave, BAF expects the quarterly AUM growth rate for the remainder of the year to be at pre-COVID levels. ▪ In the Wallet business, it expects cash burn of INR75–100 per client in warming up a customer to a wallet account. It expects to achieve a 1.6–1.7m customer addition run-rate every month. The business transformation program continues, with Phase 1 on track and expected to go live in Oct'21.	▪ The Auto Finance (AF) segment was the most impacted and contributed to a large portion of the asset quality deterioration during the quarter. ▪ Write-offs stood at INR9.5b. ▪ BAF guided for GNPA of 1.7–1.8% (by end-FY22) and NNPA of 0.7–0.8%. It expects credit costs of INR42–43b for FY22 to deliver the guided GNPA/NNPA.
HDFC	▪ HDFC saw sharp improvement in home loan demand after the lockdowns were relaxed. HDFC guided that it could deliver incrementally lower credit costs in the coming years, driven by provision reversals/write-backs on customer accounts, wherein it has conservatively made provisions. ▪ The management expects ~INR11b in dividend income from HDFC Bank, HDFC Life, and HDFC AMC in 2QFY22. Since dividend income is tax-exempt, this could result in a lower blended tax rate in 2QFY22.	▪ While there was a minor asset quality deterioration in the non-individual loan book, this was also a function of QoQ decline in the respective books. ▪ There is a minimal pipeline of restructuring requests under OTR2.0. Total OTR (1.0 + 2.0) stood at INR9b (~16bp of the AUM).
ICICI Sec.	▪ In the Investment Banking segment, the pipeline of mandates is very strong. It guided that broking revenue would fall below 50% over time. Revenue from equity is getting texturized. In addition to broking, there is allied equity revenue from subscription and service fees.	▪ ISEC wants to ensure that there is customer stickiness in the face of disruption. It endeavors to make revenue as granular as possible. It has guided for an employee cost-to-income ratio of 23–25% for FY22.
Mahindra Finance	▪ The management guided for positive AUM growth from the exit quarter of FY22. ▪ Changes in the product mix could lead to around 15–20bp yield compression. The management does not expect any major incremental benefit on the CoF front in the coming quarters.	▪ Collection efficiency (%) in Apr'21/May'21/Jun'21 stood at 70%/60%/90%. A similar trend as Jun'21 was witnessed in Jul'21. ▪ The management sounded confident about being able to achieve upgrades from Stage 2 / Stage 3 in the coming quarters. ▪ The management guided that there could be provision write-backs in 3Q/4QFY22, led by economic recovery and improving cash flow
Muthoot Fin.	▪ MUTH is seeing improved gold loan demand across both north and southern India. ▪ The management maintained its guidance of ~15% YoY growth in gold loans. Gold holdings and AUM remained sequentially stable even in a difficult quarter (when new customer acquisitions were muted) and auctions were minuscule.	▪ While there was minor deterioration in standalone GS3, this slippage from S1 to S2 and from S2 to S3 in gold loans was largely technical in nature – as customers were unable to visit branches and make repayments. ▪ CE in MFI stood at 94%/89%/71%/66% in Mar'21/Apr'21/May'21/Jun'21.

SAPNE AAPKE, SAATH HAMAARA

Click below for
Results Update



Aavas Financiers — Neutral

Current Price INR 2,385

Business updates

Asset quality

- 1+dpd stood at 12.67%. The management expects it to bounce back and sees a gradual reduction in 1+dpd, based on its experience from last year.
- It intends to maintain the COVID-19 overlay provisions and restructuring provisions on the Balance Sheet (rather than reversing it), if the portfolio behaves better than expected.
- ECL provisions include INR310m of provisions on account of the COVID-19 management overlay and provisions on the restructured pool of advances.
- Rajasthan 1+dpd stood at 13%. The same in Maharashtra would be 2-2.5% higher than Rajasthan.
- The bounce rate in Jun'21 stood at 18-19%.

Restructuring

- AAVAS has restructured loans worth INR1.15b (~1.2% of AUM) under RBI OTR 2.0. Restructuring was done across 1,400 customer accounts.
- It adopted a more prudent policy towards restructured advances and classified it under Stage 2. AAVAS has ~14% PCR on its restructured pool.
- AAVAS was not able to process 100% of the restructuring pipeline because of time constraints. It expects total restructured pool at less than 2% by the end of the restructuring window for OTR 2.0.
- Around 75% of the restructured loan book had a vintage of over two years.

ECLGS

- Total ECLGS outstanding stood at INR146m.

Strategy of branch expansion

- AAVAS looks to enter 3-4 new states in every contiguous period of five year. In the first block, it entered Rajasthan, Gujarat, Maharashtra, and Madhya Pradesh. In the next block of five years, it entered Haryana, Uttar Pradesh, Chhattisgarh, and Uttarakhand. Over the next 4-5 years, AAVAS targets to enter 3-4 new states including Odisha and Karnataka.
- It will be looking to add 30-40 branches every year and 100 branches over the next three years. Around 20% of the new branches will be opened in new states. The remaining new branches will be opened in existing states.

Disbursements

- Disbursements were slightly skewed towards other Mortgage loans in 1QFY22. However, this skew was more pronounced in Apr-May'21 and has since normalized (in Jun'21) to the mix of 72:28 between Home loans and other Mortgage loans.

Yields and margins

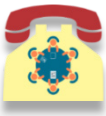
- AAVAS reduced its base rate by 15bp from 1 Apr'21 onwards. There has been some yield decline in the normal course of business as well.

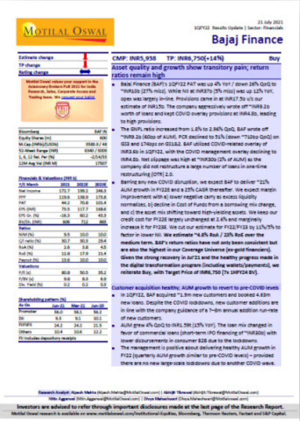
Others

- Live accounts stood at 128K, a growth of 20% YoY
- AAVAS has not undertaken any major top-up loans in 1QFY22. Top-up loans would be less than 1% of total disbursements.
- In FY21, it adopted a prudent interest recognition policy. It does not recognize any interest income on Stage 3 assets.
- For NHB borrowings, which are less than 3%, the spreads are capped at 6-7%.

BAJAJ FINANCE

Click below for
Detailed Concall Transcript &
Results Update





Bajaj Finance — Buy

Current Price INR 6,657

Opening remarks

- BAF was adversely affected by the second wave. The business as well as debt management efficiencies were impacted by strict lockdowns across the country. However, the business transformation program continued, with Phase 1 on track to go live in Oct'21.
- Core AUM growth was ~INR41b in 1QFY22 (excluding INR29.8b of IPO Financing), largely on account of urban and rural B2B businesses dialing down. In the absence of a third wave, BAF expects the quarterly AUM growth rate for the remainder of the year to be at pre-COVID levels.

Asset quality

- The Auto Finance (AF) segment was the most impacted and contributed to the large portion of asset quality deterioration during the quarter. Auto Finance is collateralized lending, wherein the asset can be repossessed. Hence, if there are no more lockdowns, it expects to be able to claw back the asset quality in the AF segment.
- The repossession (ability) of collateral in auto and mortgage loans led to lower PCR despite rising GNPA.
- Secured assets constituted 74% of NNPA, of which auto finance was INR14.2b and mortgages were INR2.9b.
- Even in the AF segment, the bigger stress is seen in the 3W business (30% of the AF business), which has been more severely impacted by COVID – of the INR115b AF book, the 3W business constitutes INR40b. Customers in this segment were impacted during the first wave as well, but this did not reflect as much due to the moratorium.
- Write-offs stood at INR9.5b.
- It has guided to deliver GNPA of 1.7–1.8% (by end-FY22) and NNPA of 0.7–0.8%. It expects credit costs for FY22 at INR42–43b to deliver the guided GNPA/NNPA.
- Bounce rate is indicative of default. Even a Stage 3 customer is banked, and a higher bounce rate in NACH data reflects bounce from an S3 customer as well.
- The GS2 increase in rural/urban sales finance is reasonably high. The fundamental difference between sales finance and other segments is that it churns very rapidly.

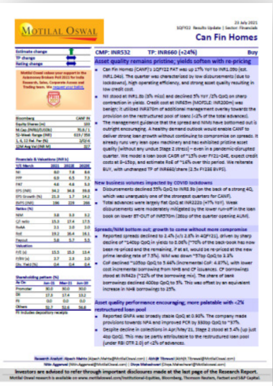
Bounce rates

- The average EMI bounce rate in 1QFY22 was approximately 1.08x 4QFY21.
- The bounce rate for Jul'21 has improved to 0.96x 4QFY21. Jul'21 looks marginally better than even Mar'21.

OTR

- The non-OTR book stood at INR12.9b (v/s INR17.4b QoQ). This was either the result of pay-down or movement to Stage 2 / Stage 3. All OTR loans are classified under Stage 2. The company holds an ECL provision of INR2.35b (18.3%) against the OTR book.
- There have been very few requests for OTR thus far. Bounce rates have gone down, resulting in fewer OTR requests under RBI OTR 2.0.

Click below for
Detailed Concall Transcript &
Results Update



Can Fin Homes — Buy

Current Price INR 501

Business updates

- After the lockdowns in April, it had a tough time managing the book, but witnessed strong recovery in Jun’21.
- To protect its customers and save the loan book, CANF changed its pricing strategy, which lasted up to Mar'21. In 4QFY21, the lowest pricing was 6.95% (and it even went down to 6.7% under certain special schemes). The prime lending rate has now been increased to 7.5%.
- 70% of the loan portfolio is already re-priced, and the remaining 30% of the book is yet to be re-priced; any re-pricing would now happen at a higher prime lending rate. Spreads and NIM have bottomed out and should improve in subsequent quarters.

AUM and disbursements

- Business momentum: From 3QFY21, the market has been robust, barring the second COVID wave disruption. CANF did business for only 45 days in 1QFY22. The business momentum has been very good in Jul’21. Disbursements would be far better v/s disbursements reported in pre-COVID 2QFY20.
- The loan growth story remains intact. It endeavors to grow much faster than the industry. The market is very robust, and it expects a disbursement run-rate of INR18–20b over the next three quarters.
- 1QFY22 BT-OUT stood at INR570m (26bp of the quarter opening AUM), much lower than the historical run-rate.
- In 1QFY22, BT-IN was <10% due to mobility restrictions (historically around 12–13%).

Spreads and margins

- Spreads stood at 2.4% and NIM at 3.31%. Spreads and NIM would improve going forward.
- Incremental yield stood at 7.23% and incremental CoF at 4.87% (could increase to 4.9–5.0% in subsequent quarters in the absence of low-cost NHB borrowings). The incremental spread stood at 2.36%. From the next quarter, spreads and NIM would increase, driven by a) lower cost of funds, b) higher disbursements, and c) higher yield.

Asset quality and credit costs

- Poor collection efficiency was witnessed in April, which improved in May and picked up sharply in Jun’21.
- Assuming there is no third COVID wave, CANF is very comfortable on asset quality.
- Management overlay on account of COVID stood at INR330m. In 1QFY22, it provided INR370m towards the restructured loan pool. CANF expects 12–15% from the restructured pool to slip into NPA and indicated that it has adequately provided for this potential slippage.
- Jun'21 – Stage 2: INR12b | Mar'21 – Stage 2: INR11.84b

Liquidity and funding

- CANF is carrying high liquidity of ~INR30b which will be sufficient for disbursements over the next 5–6 months
- Borrowings stood at INR192.75b. **CP borrowings stood at INR42b (~22% of the borrowing mix).**

- It availed loans from NHB at a much cheaper rate**. It is able to raise money at <5% from both PSUs and private banks.**
- CANF does not usually raise CPs for lending. It raises CPs only in the event of undrawn ODs and sanctioned bank term loans to reduce CoB, but not for lending.

Guidance

- It is still guiding for spreads of 3% and NIM of 2.4**%. While CANF would protect this floor very aggressively, it expects spreads and NIM to improve over the next three quarters.**

Operating expenses

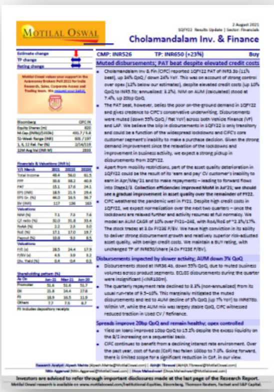
- Opex has declined sharply QoQ. In FY21, CSR spends were skewed towards 3Q and 4Q. C/I of 16.6% in 1QFY22 is indicative of the normalized levels of CANF's cost ratio.

Others

- CANF does 12.5–13k loans every quarter.
- Karnataka forms ~36% of total advances. Within this, Bangalore contributes 80–82% to the Karnataka loan book.

Chola
Enter a better life

Click below for Results Update



Cholamandalam Inv. & Finance — Buy

Current Price INR 485

Financial results

- Disbursements in 1QFY22 were marginally higher than in 1QFY21.
- A significant share of the staff has been impacted by the second COVID wave, and the company has extended support to them.
- There were challenges in terms of health infrastructure in rural areas. This resulted in a setback in disbursements/collections.
- Total restructuring stood at 5.44% of the book and has been classified under Stage 2.
- Post the reversal of INR4b, it now has management overlay of INR7b for any contingencies that may arise due to COVID-19.
- LAP disbursements stood at INR3.86b v/s INR1.19b in 1QFY21.
- ALM is comfortable, and there are no negative mismatches.
- Total ECL provisions stood at 4.37%, with total capital adequacy at 19.08%.

Disbursements

- Disbursements in Jul'21 were higher (relative to Jul'19) across VF, LAP, and HL.
- ECLGS disbursements stood at INR70m in 1QFY22.
- In FY21, it reported ECLGS disbursements of INR20b – INR12b in VF and INR8b in LAP.

Asset quality

- ECL provisions at 4.37% are more than adequate.
- Asset quality normalization has commenced from Jun'21. It is expected to deliver better asset quality in Mar'22 v/s Mar'21.
- LAP GNPA stood at 8.86%.
- Repo losses during the quarter stood at INR700m and were largely seen in the VF segment.
- The Stage 1 to Stage 2 roll-forward is only 1.45, lower than pre-COVID levels. Within Stage 2, 80–85% of customers are paying their current-month dues.
- Within Stage 3, ~80% of customers are paying their current-month dues, with some repossession (albeit not very significant) seen as well. Customers who are not paying have committed to start paying from next month.
- In Stage 1, PD has declined v/s pre-COVID, while in Stage 2, PD has gone up. LGD has actually improved.

- Repossession accounts for just 0.1% of overall assets. Within the Stage 3 book, repossession stands at ~2%.

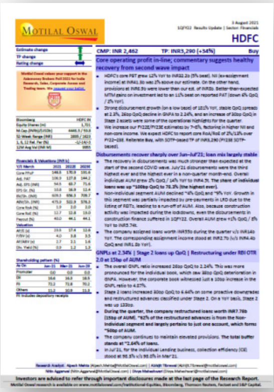
Restructuring

- 1QFY22 restructuring stood at INR36b – INR22.5b in VF and INR13.5b in LAP.
- Restructuring is predominantly extended for 1–2 months. However, in some cases, where the underlying business has been very severely impacted, restructuring of 3–6 months has been extended. In none of the cases has the restructuring/moratorium exceeded 6 months.
- 60% of the restructured book was given one month of restructuring/moratorium. 20% of the restructured book was given a two-month moratorium.

HDFC

WITH YOU, RIGHT THROUGH

Click below for Results Update



HDFC — Buy

Current Price INR 2,723

Business updates

- July disbursements are up 64% YoY / 14% MoM. This is the third highest level of disbursements in the history of HDFC. Individual disbursements in July'21 were up from February'21 levels, but below March'21 levels. July disbursements stood at INR125.18b (March at INR160b).
- The repayment rate stood at 8.0% v/s 10.3% in the previous quarter.
- HDFC has a healthy pipeline in the corporate loan book.
- Higher prepayments in the LRD segment (due to REITs) have led to decline in Non-Individual AUM. HDFC has a strong pipeline in the LRD segment going forward.
- In the total loan book, LRD and Corporate comprise 6% each.
- The management expects ~INR11b in dividend income from HDFC Bank, HDFC Life, and HDFC AMC in 2QFY22. Since dividend income is tax-exempt, this would result in decline in the tax rate in 2Q.
- Pre-COVID LTV was at 67%; during COVID, this declined to ~48%.
- 1Q disbursements stood at INR255.18b (v/s INR90.74b YoY).
- ECLGS disbursements were INR14.55b up to June'21.
- ESOP adjustments and the impact on securities premium are reflected in the networth.
- 81% of new customers are employed and 19% are self-employed. ATS is INR3.09m.
- The geographical mix of new businesses is as follows: North: 26%, South: 33%, West: 37%, and East: 4%.
- The business mix (%) is as follows: 56% from new property sales, 36% from residential sales, and 8% from self-constructions.
- The IHFL partnership is yet to take off. The documentation process is still on. The final sanctioning and credit evaluation would be entirely vested with HDFC.

Asset quality

- Total restructuring requests stood at INR7.78b (~15bp of the book). There are minimal requests in OTR2.0. Total OTR (1 + 2) restructuring stands at 9b of the book.
- Some of the OTR1.0 was not invoked.
- ECLGS requests stand at 5bp of the loan book (INR2.66b).
- HDFC witnessed certain resolutions in some defaulting accounts during the quarter. Hence, the number of Stage 2/3 accounts has reduced marginally during the quarter.
- The EAD breakup for Stage1/2/3 is as follows – 90.8%/6.6%/2.6%.
- ECL/EAD % for Stage 2/3 stood at 18%/48%.
- The management does not see much slippage from Stage 2 going forward.

- Write-offs stood at INR5.3b during the quarter, largely from the Non-Individual segment.
- 62% of the restructuring came from the Non-Individual book, largely on account of one single account.
- The total provisioning on the books stands at INR131.89b (regulatory requirement at INR57.78b); the management intends to carry this excess provision until macro situations normalize.

Liabilities and margins

- NIMs improved during the quarter on the back of lower finance costs.
- HDFC has shifted some liquid fund investments in government securities with better yields.

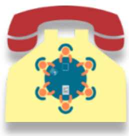
Others

- HDFC is optimistic about delivering growth the soft lockdowns.
- HDFC is positive about reducing credit costs in the coming years, driven by provision reversals/write-backs on customer accounts, where it has conservatively made provisions.
- All collection efforts are now online, and currently, there are restrictions on resorting to legal means through SARFAESI.

HDFC Life — Neutral

Current Price INR 667

Click below for Detailed Concall Transcript & Results Update



Business mix related

- Annuity continues to show robust trends, while calibrated growth is expected in the Protection segment.
- Group claims have higher lag effect v/s individual claims. Therefore, claims remain a key monitorable in the near term. HDFCLIFE has created fresh EMR during the quarter on the current expectation of additional future claims.
- The current claims trend per day reduced from approximately 300 (at the peak of COVID) to near 200. However, this is a key monitorable in the near term.
- Individual Protection: Deterioration was seen on account of a surge in claims across players, with HDFCLIFE also witnessing similar trends. Hence, growth is expected in a calibrated manner, with a cautious stance over the near term.
- COVID claims breakup, by region: Primarily Maharashtra and Gujarat saw higher COVID claims. This was also largely attributable to a higher concentration in these regions.
- The avg. retention in savings products was marginally higher v/s term plans.
- Supply-side constraints are impacting conversions in the Protection business, while demand inquiries remain high.

Operating metrics related

- Higher growth in employee expenses was largely due to the low base effect – as last year, increments/bonuses had not been given to employees.
- Change in operating assumptions in the VNB walk mainly reflects mortality/persistency assumption changes.
- Margins in the Protection segment have improved post the re-insurance hike. Overall, margins are decent in Protection/Non-PAR.
- Dividend payouts: It would continue to maintain an upward curve, with the payout ratio expected to be maintained at around 30%.
- The margin trajectory is similar for Individual/Group Annuity.

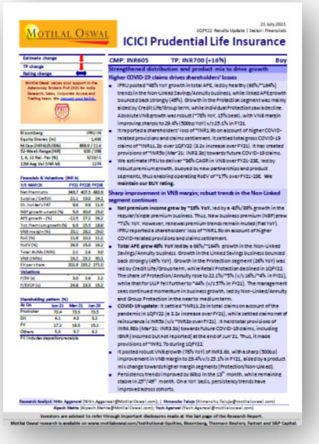
Distribution related

- Robust trends were seen in corporate agency channels during the quarter. Also, branch walk-ins were seen improving.
- It added ICICI Securities and TVS Credit as new distribution partners during the quarter.
- The focus was on diversifying the distribution channel. Strong partnerships were made on the banca front. The agency channel is also showing signs of revival.
- It entered into 58 partnerships with various e-commerce and fintech firms.

ICICI Prudential Life — Buy

Current Price INR 665

Click below for Results Update


MOTILAL OSWAL

ICICI Prudential Life Insurance

Business mix

- Credit Life has returned to pre-COVID levels. The share of Group Protection has increased in the Protection business. Overall, Protection trends improved during 1QFY22, led by Group/Credit Life, while Individual Protection has declined.
- There is a strong opportunity to offer Group term plans to large corporates as vaccination of their employees has improved sharply.
- In the Group Protection business, the focus remains entirely on right pricing and not compensating margin to gain market share.
- IPRU is one of the largest Pension and Annuity providers.
- Business momentum in ULIP has recovered now, and the management expects its share to remain around current levels.

Operating metrics

- The increase in cost ratios is in line with new business premium growth. In 1QFY21, discretionary spends were lower, with no increments to employees. In 1QFY22, advertisig and employee expenses both increased.
- It continues to hold its stated guidance of doubling FY19 VNB over a four-year period (FY23).

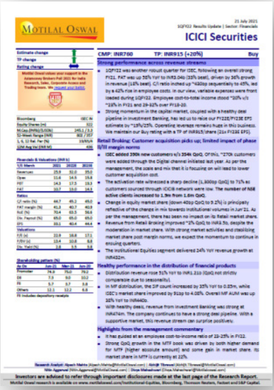
COVID-19 update

- Total gross claims on account of COVID-19 were ~INR11.2b, while the same net of reinsurance is INR5b (claims settled). Total gross claims were ~INR20b, while the same net of reinsurance is ~INR9.5b.
- It held total provisions of INR4.98b (Mar'21: INR3.3b) towards future COVID-19 claims, including IBNR at the end of Jun'21. Thus, it made provisions of ~INR1.7b during 1QFY22.
- Roughly INR9b of contingent provisions – COVID-19 (INR5b) + routine provisions (INR3.8b) – are available for future claim intimations, including IBNR.

Distribution channel

- The focus is on creating new sourcing channels to further strengthen its distribution channel. During 1QFY22, it added 4.5k new agents to further strengthen its Agency channel.
- About 24 new partnerships were added (including web aggregators and e-commerce players).
- The share of non-banca ICICI Bank is ~11% in total APE, while the share of ICICI Bank is ~28%.
- In the Direct channel, there were a higher proportion of ULIP sales, followed by Non-Linked Savings. On the other hand, there was a higher focus on selling Non-Linked and Protection policies in the Partner distribution channel.

Click below for
Detailed Concall Transcript &
Results Update



ICICI Securities — Buy

Current Price INR 682

Opening remarks

- COVID-19 has front-loaded the opportunity in the capital market and Broking industry.
- The market is clearly consolidating in favor of digital and larger players. Pricing is increasingly becoming commoditized.
- Experiences, features, relationship, and UX are aiding the customer in his wealth creation journey.
- The market is segmented, sub-segmented, and micro-segmented. The need of each of these micro sub-segments is very different. ISEC is of the view that these micro-segmented customers need low cost personalization.
- It is seeing a behavioral shift towards digital methods of account opening and transactions.
- Demographic data seems to suggest that the population of this new customer segment is going to remain for multiple years.
- ISEC’s business has demonstrated secular growth over last year when viewed in cohorts of three years.
- It is important for a broker in this industry to not just focus on the visible part of the technology. Companies will need to actively invest in both the visible and hidden aspects of technology. ISEC will continue to focus on all the nuances of technology.
- It will continue to focus on all three products: a) Savings/Investment/Wealth b) Insurance, and c) Distribution of loan products. This will enable it to monetize value across the lifecycle of customer product needs.

Competition from fintech brokers

- The nature of this industry is shifting from a physical presence to digital. ISEC is bracing up to face competition from the digital space going forward. It is important for ISEC to keep differentiating and adding value to the customer's investment journey.

Market share/revenue impact from margin norms

- There has been a negligible impact in Jun’21. Margin norms in the first phase impacted volumes and had a negligible impact on revenue. The trend has been the same in Phase II/III of the margin norms.
- Impact of Phase III margin norms in Jun’21: It is important to understand the impact on market share and on the number of customers. The number of active customers in this segment in Jun'21 (Phase III) exceeded the number of customers in prior months.

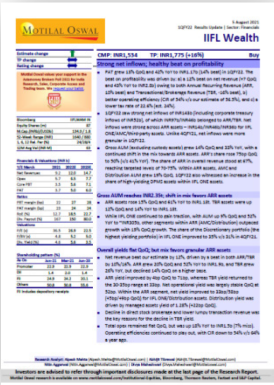
Operating expenses

- C/I ratio: FY20: 31%-32% | FY21: 23% | 1QFY22: 20-21%. Between 1H and 2HFY21, there was a front-loading of employee variable expenses.
- It has guided at a cost-to-income ratio of 23-25% in FY22.

Customer acquisition cost

- ISEC is seeing benefits of scale. The cost of acquisition is coming down. The scale and mix that it is focusing on will lead to the lowering of customer acquisition cost.

Click below for
Detailed Concall Transcript &
Results Update



IIFL Wealth — Buy

Current Price INR 1,510

Business updates

- Around 96% of new flows are ARR (annual recurring revenue) in nature. The management expects this momentum to continue.
- IIFL ONE is yielding over 40bp on a steady state basis.

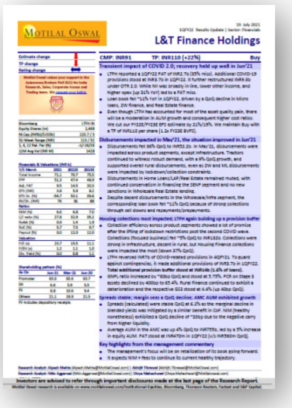
The company is investing significantly in investment teams across verticals.

- As a strategy, IIFLWAM continues to remain sharp and selective in spends.
- The carry income booked in 1QFY22 is with regards to the co-investment with Nazara Technologies.
- If the market remains stable, the management expects good yields across investments in the PE vertical.
- It mentioned that attrition in employees is miniscule. No senior banker has left the firm in 1QFY22.
- On the fixed income side, the company has reduced management fees in 1QFY22, thereby impacting yields.
- As a percentage of revenue, employee cost is currently elevated due to front loading of incentives.
- IIFLWAM has 68-72 senior bankers, each serving around 25-30 families.
- The ratio between senior to junior bankers stands at 3.5:1.

Guidance:

- Dividend payout to be 70-80% of annual PAT going forward.
- NBFC will not grow in proportion to AUM. On a steady state basis, the book should range between INR40b and INR45b.
- Investment book should see an INR2b reduction in ensuing quarters.
- The management is looking to add 10-15 senior bankers by FY22-end.
- Industry wide ETFs could become a larger part of the net new flows going forward. Actively managed equity oriented funds could yield 50-60bp (a huge reduction from historical yields).
- The management expects 12-15% AUM CAGR, with profit CAGR of 18-25% over FY21-26.
- Post FY23, the management expects employee cost as a percentage of revenue to be at 32-35% of revenue (~40% in FY22/FY23).

Click below for
Results Update



L&T Finance — Buy

Current Price INR 79

Business updates

- LTFH saw the least impact on volumes in the Tractor segment.
- The Infra book witnessed prepayments, leading to a decline in the book. Peers are offering loans at competitive rates.
- The company disbursed INR7.19b/INR200m/INR500m in micro loans in Apr'21/May'21/Jun'21.
- It did not finance any new developer projects in 1QFY22. It may look at new projects in 2Q/3QFY22.
- LTFH will launch end-use based products (such as Education, etc.) under its Consumer loan business segment by FY22 end.
- It gained market share gains across OEMs (gained market share in M&M and the Tata group). Its market share in M&M/Tata/Sonalika/Swaraj stands at 45%/15%/29%/46%.

- Around 60% of MFI disbursements in 1QFY22 is to existing customers, currently leading to higher ATS. Yields are the same for new and existing customers.

Asset quality

- LTFH saw 90% collection efficiency in Tractors and is back to pre-COVID levels.
- MFI collections were impacted severely in Jun'21 v/s May'21. CE stood at 94% in Jul'21.
- CE to return back to pre-COVID levels in 2QFY22 for micro and 2Ws, provided the impact of the third wave is not meaningful.
- Cheque bounce rates have improved in 2Ws.
- In Infra finance, Stage 2 assets have slipped in 1QFY22 (these will be rolled forward to 2Q). Exposure stands at INR1.5b for each of its Road projects. One of them is a legacy project (underwritten 8-10 years back) and the other was written around five years ago. Credit costs have M2M on certain SRs. Total credit costs have provisions as well as M2M (marked down or marked up) on SRs.
- Of the total restructuring in OTR 2.0, it would be one-third each in ML/HL/2W. There was no restructuring in the Salaried/Farm segment.
- There were no write-offs in 1QFY22.
- In FY21, INR25b of Real Estate repayments have been escrow collections or repayments to take advantage of cheaper interest rates. Collections in escrow accounts in 1QFY22 were 77% of pre-COVID levels (v/s 23% in 1QFY21), but still nowhere close to pre-COVID levels.
- Total additional provision buffer stood ~INR14b (1.6% of the loan book).

Guidance

- The management expects 2Q to be better than 1QFY22 in terms of disbursements and collections.
- It expects NIM + fees to continue its current healthy trajectory.
- Stage 2 Retail portfolio stood ~7.5% in 2QFY22 (without the restructured portfolio). PCR in the Stage 2 Retail portfolio stood at 37%.
- The management expects 10% YoY growth in Tractor disbursements in FY22.
- Its focus will be on realization of its book going forward.
- It expects other operating expenses to inch up with a pick-up in the business.
- LTVs to be lower than most NBFCs in Farm financing.

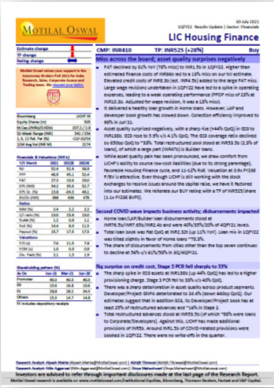
LIC Housing Finance — Buy

Current Price INR 376

Click below for Detailed Concall Transcript & Results Update

Business updates

- Since Jun'21 there has been an improvement in the economic activity.
- The Individual Housing Loan portfolio was up 13% YoY. Individual Home loans comprise ~78% of the total loan book.
- Disbursements in Project loans stood at INR2.37b in 1QFY22.
- LTV across products stood at 44%/33%/34% in Individual Home loans/LAP/Non-Housing Commercial loans.
- Interest expenses appear to be higher on a sequential basis, but this is off a low base. In 4QFY21, there was some impact of contingent liabilities, which led to lower interest expenses.
- Overall INR4.5b of ECLGS loans have been disbursed, of which INR1.4b were undertaken in 1QFY22. Of the total disbursements in 1QFY22, INR80m were in the Retail segment (total Retail segment sanctions stand at INR650m).


LIC Housing Finance

Asset quality

- GS3 stood at 5.93% (up 180bp QoQ). There was a resolution of a LAP Corporate account, which was in NCLT. LICHF has recovered INR1b. There were no write-offs in 1QFY22.
- In T2/T3 cities, where its footprint is very high, it saw some delinquencies. In Jun'21, there was a good recovery in collections.

Restructuring

- It restructured INR23.5b in 1QFY22. The total restructured pool stands at INR53.5b. Provisions were made as per IRAC norms.
- Restructured assets are all classified under Stage 1 and 2, and the majority of these assets will be in Stage 1.
- It expects additional restructuring under RBI OTR 2.0, but the same generally picks up towards the end of the restructuring window.
- In 4QFY21, INR2.8b was taken as an appropriation only to the extent of the difference between the RBI prescribed restructuring of 10% and ECL provisions. This impairment reserve stood at INR3.5b in 1QFY22.
- Non-Retail restructured pool | 4QFY21: INR17b; 1QFY22: INR21b; Total non-Retail restructured pool stood at INR47b. It received INR7b-8b of restructuring requests from the LRD book in 4QFY21 and 1QFY22.
- Collection efficiency (in volume terms) at 30% in NPL accounts. These customers are making some part payment. Monthly collection efficiency stands at 98% in regular accounts.

Segmental Stage 3

- Individual Housing Loans: 2.6% (v/s 1.9% in 4QFY21) (Stage 3: INR47.27b).
- Individual non-Housing (LAP): 10.99% (Stage 3: INR22.53b).
- Non-Individual non-Housing: 18.91% (Stage 3: INR277b).
- Developer GNPA: 24.4% (Stage 2/Stage 3 of INR24.9b/INR38.89b).
- Overall ratio is at 4.57% (Stage 3: INR135.77b).
- Part of the LRD is in the Project book and the remaining will be in the non-Individual non-Housing book.

Operating expenses

- Once every four years, there is a wage revision. LICHF has paid INR1.3b in arrears in 1QFY22. It expects a 15% YoY rise in employee expenses in FY22.

Guidance

- The management expects a higher disbursement volume run-rate in 2QFY22 (similar to 4QFY21).

Capital raise

- It has been working on instructions from the stock exchanges and said it would not like to comment on this matter.
- The management has not filed any appeal with SAT nor has it heard from SEBI.
- Stock exchanges have asked it to withhold the results of the e-voting, and LICHF has complied with the same.

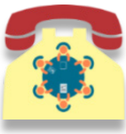
Others

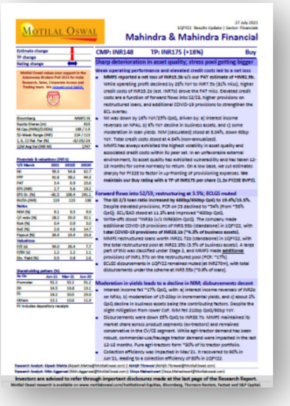
- Top 10 developer accounts: INR20b.
- The total LRD book stood at INR90b.
- LICHF is offering Home loans at 6.66% under a festive scheme.
- It launched Project RED in association with the BCG group. Video KYC and video PD have already been rolled out.

- Out of the customers who were NPLs, ~50% have been making some kind of payment.
- Interest reversal is not at a very high proportion in 1QFY22 since it is allowed to accrue interest even on NPAs under Ind AS.

Mahindra Finance

Click below for
Detailed Concall Transcript &
Results Update




Mahindra & Mahindra Financial

CMP: INR148 TP: INR175 (+18%) Buy

M&M Financials — Buy

Current Price INR 143

Business updates

- OEMs are very bullish and are positive on supply-side matters. Footfalls at dealerships have been positive too.
- The management did not undertake aggressive repossessions.
- In Apr'21, there were only 10-12 days working days.
- MMFS should benefit from Tractor sales in the contracting segment going forward. No market share pressures were witnessed in segments other than Tractors.
- AUM growth will come in from Mar'22.
- Volumes pressure faced in CV is much higher for MMFS vis-à-vis peers.
- Pure Agri Tractors are at 30% of the portfolio.

Margin

- Reversal of income (INR2b in 1QFY22) and higher liquidity on the books has led to a dent in NIM.
- A maximum 15-20bp yield compression is possible due to changes in the product mix.
- The management does not expect CoF to come off going forward.

Asset quality

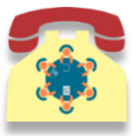
- Write-offs during 1QFY22 stood at INR3b.
- Taxi/Fleet/Bus operators opted for restructuring.
- MMFS could only execute telephonic conversations with clients, hence only cash collections were possible.
- Customers are hoarding cash due to the uncertainty of future/liquidity pressures.
- Collections efficiency (%) in Apr'21/May'21/Jun'21 stood at 70%/60%/90%. A similar trend as Jun'21 is being witnessed in Jul'21.
- The management expects PCR on S3 to stabilize around 35-40% in the ensuing quarters.
- The management is optimistic about rollbacks in Stage 2 in coming quarters. Stage 3 will fall to 8-9% from the current levels of 15-16%. The overall target is to bring down Stage 2+3 to 25%.
- Around 310k accounts have moved to Stage 2 in 1QFY22, of which 234k accounts have made some payments.

Others

- MMFS has appointed a separate officer in each state, who will be responsible for collections (bucket-wise) and reversals.
- For a customer with a good credit history, the loan approval rate is anywhere between 80% and 85%.
- Commercial Tractors need registration unlike Agri Tractors.
- Agri Tractors have half yearly payments unlike Commercial Tractors (quarterly payments).

MANAPPURAM FINANCE LIMITED
Make Life Easy

Click below for
Detailed Concall Transcript &
Results Update



Manappuram Finance — Buy

Current Price INR 158

Business updates

- MGFL's customers with ATS >0.1m were targeted by peers. MGFL has undertaken measures during the quarter to curb this attrition.
- The withdrawal of collateral by customers, decline in gold prices, and elevated auctions during the quarter led to decline in gold AUM.
- Limited operating hours and lockdowns led to lower customer additions during the quarter.
- Gold loan/gm of gold holdings stood at INR2,850/gm as of 30th Jun 2021.
- Interest accrued in 1QFY22 stood at INR7.4b.
- It is disbursing INR1b a month in Vehicle Finance and this is steadily improving.
- In the MFI business, it disbursed INR11.81b in 1QFY22.

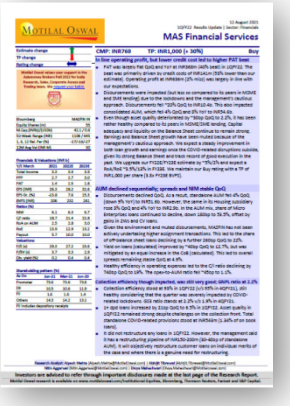
Liabilities and margins

- Borrowing costs have stabilized as new facilities were not availed during the quarter.
- It is comfortably placed and continues to receive incremental borrowings at competitive rates.
- In the MFI segment, ~40%/~30% of AUM/borrowings is due for maturity over the next 12 months. The average tenure of the borrowings is 24 months.
- Yields may see some compression (100–150bp) on products/schemes introduced for high-ticket gold loan customers. However, this would be offset by growth in the book.

Asset quality

- Restructuring stood at INR11.74b. The management believes 1QFY22 was a poor quarter since the team could not undertake collections. It expects provisions to be lower in the coming quarters, provided there are no further developments related to COVID.
- Credit costs stood at INR1.22b in 1QFY22. This included INR900m in credit costs in MFI, INR300m in the standalone business, and the remaining in the Housing Finance business.
- In the MFI business, CE was consistently at 95% in July and has been so for the 10 days of August as well.
- Gold loans of INR15b (principal amount) were auctioned during the quarter (4.5mt/1.5% of disbursements). In 4QFY21, ~1mt was auctioned.
- It undertook aggressive auctions during the quarter to minimize credit costs. The higher auctions were on account of MGFL having a three-month gold loan offering, owing to which it recognizes stress early on vis-à-vis peers with one-year gold loan product offerings in the market.
- It took additional COVID provisions of INR150m during the quarter.
- In the CV and Home Finance segments, collections are steadily improving. MGFL is seeing a 15–20% increase in collections in these segments.

Click below for
Detailed Concall Transcript &
Results Update



MAS Financials — Buy

Current Price INR 738

Business updates

- Most disbursements were done in the last 45 days of 1QFY22.
- Around 57% of AUM is sourced via its NBFC partners. About 65% of its SME book is sourced via partners.

Liabilities and margin

- Around INR10b of sanctions is to be utilized in the remaining nine months of FY22.
- Around INR2b of direct assignment was undertaken in 1QFY22.
- Cost of borrowing stood at 8.72% (v/s 9.24% YoY).
- During 1QFY22, MASFIN rolled over INR11b of short term working capital loans.
- MASFIN raised INR1b of term loans in 1QFY22. It has further sanctions of INR3b in the pipeline.

Asset quality

- Collection efficiency is currently at 96.5% and is back to pre-COVID levels.
- The management is in the process of assessing the financial situation of its customers to grant a restructuring during 2QFY22.
- It currently has INR150-200m of restructuring pipeline.
- It expects a total recovery of INR330m in the SAMBHAV account. It is hopeful of receiving 7-8% of the total recovery amount collected by third-party agents.
- Stage 3: 2.48% in 2W, 2.08% in MEL, 1.22% in SME and 2.33% in SRTO.
- Stage 2: 2.13% in 2W, 1.53% in MEL, 2.9% in SME and 3.54% in SRTO.

Guidance

- The management is ready to capitalize on all future growth opportunities. It aspires to grow AUM to ~INR100b over the next 3-4 years.
- MASFIN is geared up to penetrate states other than Gujarat.
- The management expects the Retail business to pick up. The ratio of the organically sourced business to the NBFC sourced business can touch 65:35, with a growing business reach and increase in distribution to 5000 centers.
- It has enablers in place to achieve its long term loan book growth guidance of ~25%.
- It expects a good growth in disbursements, with healthy numbers in Jul'21 and the initial few days of Aug'21.

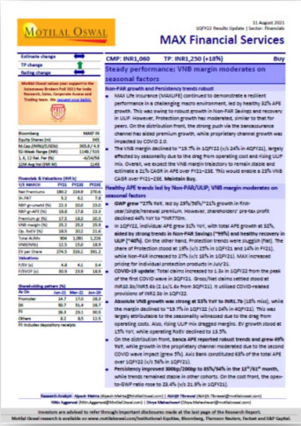
Click below for
Detailed Concall Transcript &
Results Update

Max Financial Services — Buy

Current Price INR 1036

Business related

- In Individual Protection, the higher focus remains on ROP products.
- The Credit Protect business is a sustainable segment, like Individual Protection. However, in group term plans, it has to derive tactical opportunities.
- The price hike has recently been higher in group term life products on account of higher COVID-19 uncertainties.
- It has maintained a cap on the Non-PAR Savings business at 35%.
- In the overall APE mix, around 50% of the business is re-insured. ~80% of the Protection business is also re-insured.
- The run-rate in Individual Protection is better v/s peers.
- It has increased focus on the Annuity segment.


MAX Financial Services

Operating metrics

- The operating RoEV for 1QFY22 was supported by positive operating variances in the form of tax refunds (INR630) as well as by the delay in claims reporting amid the lockdowns.
- It raised INR5b in non-convertible debentures.
- The VNB margin decline was largely attributed to the seasonality impact due to the drag from operating costs. Also rising ULIP mix during the quarter dragged margins.
- It utilized INR2.34b of the COVID provision buffer while still maintaining an excess COVID provision buffer of INR2.66b against potential future claims. Overall, it expects the P&L impact to remain neutral, and if required, would use the excess provisions available on the balance sheet.
- Significant pricing was witnessed in Protection from July'21.

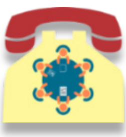
Others

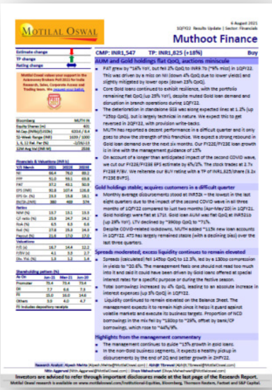
- The online business grew 51% YoY in 1QFY22 and has seen a 41% CAGR over the last two years. Furthermore, an equal mix was seen between its direct channel and web aggregators.
- It filed an application with the IRDAI to acquire a residual ~5.17% stake from MSI in Max Life.

Muthoot Finance — Buy

Current Price INR 1,458

Click below for Detailed Concall Transcript & Results Update




Muthoot Finance

Opening remarks

- COVID-19 affected business in all three months of 1QFY22, but the business has started to pick up. There was no QoQ growth in the Gold loan business.
- The management sees good prospects in 2Q and better prospects in 3QFY22. It has retained its FY22 guidance of a minimum 15% growth in AUM. It is seeing signs of an improvement in the economy.
- Non-Gold loan verticals: MUTH witnessed delayed business growth in the non-Gold portfolios of Home Finance, Micro Finance, and Vehicle Finance. It expects a healthy pickup in disbursements by the end of 2Q and better growth in 2HFY22.

Financial highlights

  - Consolidated loan AUM rose 25% YoY to INR581.35b in 1QFY22.
  - Consolidated PAT increased by 14% YoY at INR9.8b in 1QFY22.
  - Standalone loan AUM grew 28% YoY, but was flat QoQ at INR.524.9b in 1QFY22.
  - Standalone PAT increased by 16% YoY to INR.9.7b in 1QFY22.
- Asia Asset Finance is emerging from the non-Gold business and is currently only undertaking Gold loan disbursements. Its Gold loan portfolio constitutes over 53% of the total book. In the next 18-24 months, its Sri Lanka subsidiary will be a mirror image of MUTH, with ~90% of the loan book in Gold Finance.
- Gold loans constitute 90% of the consolidated loan book and 10% accrues from non-Gold subsidiaries.

Forward-looking demand outlook

- The management expects better Gold loan demand over the next 2-3 months.
- The lockdown restrictions have been relatively relaxed in Tamil Nadu and it continues to remain stringent in Kerala (~3% of the total loan book from Kerala). It is seeing improved demand across both North and South India.

Asset quality

- Standalone ECL provisions stood at INR9.45b. Provisions in subsidiaries stood at INR1.5b.
- MFI business: Stage 3 stood at INR1,120m. Stage 2 stood at INR2,830m (out of INR31b AUM).
- In Home Finance, collection efficiency (CE) stood at 84%/84%/87%/88% in Apr’21/May’21/Jun’21/Jul'21. In Muthoot Money, CE stood at 71%/65%/76%/77% in Apr’21/May’21/Jun’21/Jul'21.
- CE in MFI stood at 94%/89%/71%/66% in Mar'21/Apr’21/May’21/Jun’21.

Liabilities and cost of borrowings (CoB)/excess liquidity

- The CoB has risen QoQ. In absolute terms, finance costs have gone up. There was a churn in borrowings for INR11b of repayments in Jun’21.
- The management expects CoB to fall significantly over the next two quarters.
- It did not provide a specific reason for the drop in yields. It occasionally offers various special schemes to customers, which could have led to the decline. The management said it has not done anything consciously to reduce yields.

Gold auctions

- 1QFY22: INR370m; FY21: INR1.71b; FY20: INR5b; FY19: INR10b.
- MUTH’s other peers had offered customers short-term loans. In order to avoid showing them as technical NPAs, its peers had to do auction the same.
- MUTH undertakes auctioning at the branch level. It has also started online auctioning (or e-auctioning).
- It is constantly collecting interest from customers and is engaging with them. This has led to lower auctions relative to peers.

Online Gold loans

- It has encouraged customers to make interest payments through digital modes. Around 90% of its customers prefer to transact at the branch.
- Since loan origination and offering gold as collateral cannot be undertaken online, it said that customers seeking to avail a Gold loan have to visit a branch.

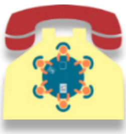
Growth guidance

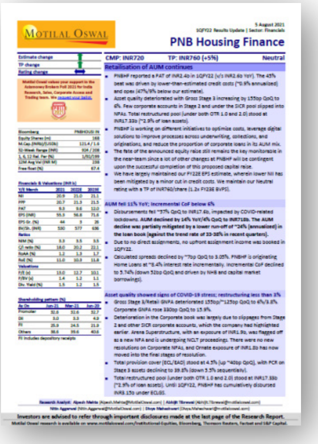
- The management maintained its guidance of ~15% YoY growth in Gold loans.

Others

- The management expects Gold loan demand to improve over the next 2-3 months.
- Interest accrued | Jun'21: INR29.3b; Jun'20: INR18.4b.
- Gold loans above the INR0.1m ticket size stood at 53%.
- COVID-19 impacted business in all the three months of 1QFY22. Its branches were only partially open during this period.
- It saw negligible penal interest in 1QFY22.
- New customer acquisitions: MUTH was able to add new customers in 1QFY22, despite the second COVID wave, due to the efforts of its marketing team.
- Loans to subsidiaries stood at INR1.2b.
- There was a QoQ dip in other operating expenses. It booked CSR expenditure of INR450m in 4QFY21, which was not present in 1QFY22. Advertising expenses were also lower by INR170m QoQ.

Click below for
Detailed Concall Transcript &
Results Update





PNB Housing Finance — Neutral

Current Price INR 670

Update on the planned equity capital raise

- The matter is sub-judice and the company is awaiting the final order from SAT.

Asset quality

- GNPA/NNPA stood at 6%/3.6% (on loan assets). Loan book declined by 11% YoY. GNPA looks elevated because of a lower loan book.
- Retail GNPA stood at 3.8% (v/s 2.5% in Mar'21) primarily emanating from the self-employed moratorium book. PNBHF has the highest self-employed footprint among all HFCs.

Collection efficiency

- Collection efficiency (CE) stood at 95.4% in 1QFY22. CE was the lowest in May'21 and stood at 98% in Jul'21.

Restructuring and ECLGS

- Restructured book stood at INR17.33b (2.9% of loan assets) under RBI OTR 1.0 and 2.0.
- ECLGS disbursements stood at INR3.15b until 1QFY22. There has been no restructuring during 2QFY22 till date.

Corporate book

- The Corporate book has declined by ~39% from Mar'19 levels. Corporate GNPA stood at 15.94% (v/s 12.7% in 4QFY21). Stage 2 and SICR accounts have flown into Stage 3, which led to deterioration in GNPA. It is working hard towards resolution of Corporate accounts.
- Three Corporate NPAs (Supertech, Radius, and Arena Superstructure) have a PCR of 70%.
- ECL provisions stood ~15.6% in the Corporate book and ~55% PCR on S3 Corporate loans.
- Accelerated repayments of INR4.8b in the Corporate book during 1QFY22.
- PNBHF targets to reduce the proportion of the Corporate book to single digits (from 15% in 1QFY22).

Discussion with credit rating agencies

- PNBHF is engaging with credit rating agencies. The conversation has moved from capital raise to a reduction in gearing and the proportion of the Corporate book.
- The first endeavor will be to get the outlook changed from negative to stable/positive. It would then engage with these agencies for a rating upgrade.

Disbursements

- It disbursed loans worth INR17.6b, with 94% disbursements in the Retail segment.
- Unnati contributed ~9% to Retail disbursements in 1QFY22. Unnati's loan book stood at INR29.86b.
- It expects 40-50% growth in disbursements in FY22 over FY21.

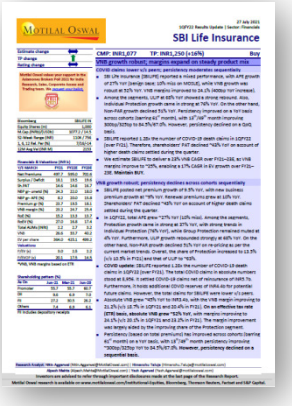
Click below for
Detailed Concall Transcript &
Results Update

SBI Life Insurance — Buy

Current Price INR 1,122

Business mix related

- ~51k individual protection policies were issued through the YONO app.
- The hardening of yields in the Non-PAR segment to realign with the current market trends resulted in segmental decline during the quarter. However, it


SBI Life Insurance

expects Non-PAR to reflect improving trends in the coming quarters and reach double-digit share in total APE by end-FY22.

- It would continue its strong focus in the Individual Protection segment. The contribution of ROP products in the total Individual Protection biz was around 85%.
- Protection growth across distribution channels was strong, with 55% YoY growth seen in banca, 57% YoY in agency, and 73% YoY growth in other distribution channels.
- Total NBP generated through YONO stood at INR300m v/s FY21.
- The avg. ticket size in ULIP stands at INR100k.
- Annuity breakup: Individual Annuity was INR2.24b, while Group Annuity was INR4.25b on an NBP basis.

Operating metrics related

- COVID-19 reserves increased to INR4.45b as of Jun'21 (v/s INR1.83b in 4QFY21).
- SBILIFE has maintained strong pricing across product segments.
- Gross COVID claims settled during the quarter stood at ~INR7.13b. There is no change in the proportion of risk shared with the re-insurance.
- SBILIFE increased its mortality assumptions from last year only in Mar'21. Therefore, the provisioning made during the quarter was in check. Also, it does not expect any change in the mortality assumptions for FY22.
- Total claims settled over 1QFY22 stood at around 28k+. In terms of value, the total gross claims settled came in at ~INR15b, while claims net of reinsurance settled stood at INR13.15b.
- Nearly 55% of the total premium was generated from Tier-I cities.

Distribution related

- Growth from new banca tie-ups – such as UCO, South Indian Bank, and YES Bank – is showing robust trends.
- The overall focus is on increase the penetration of insurance in SBI's large customer base.

Shriram City Union Finance — Buy

Current Price INR 1,924

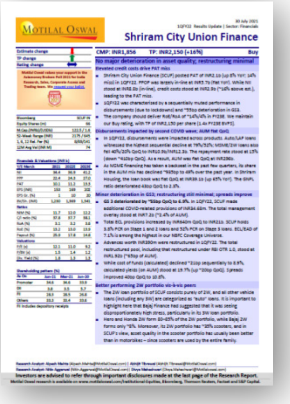
Click below for
Detailed Concall Transcript &
Results Update

Business updates

- Apr–Jun'21 was under the shadow of COVID due to localized lockdowns across India.
- SCUF was able to do INR10b in disbursements in May'21. Disbursements during the quarter were 25–30% below management expectations.
- Demand for ELGS was tepid during the quarter. INR900m of ECLGS disbursements were undertaken during the quarter.
- As per the management, the top-up disbursements undertaken during the quarter were limited to 5–6%.
- Of the total SME/2W customers, ~60%/20–25% would be repeat customers.
- In the 2W segment, 80% of the portfolio is associated with Hero and Honda, while ~8% with Bajaj.
- An INR3b capital infusion is intended by the year-end in the subsidiary (already approved by the board).

Asset quality

- SCUF was unable to carry out effective collections due to the second COVID wave. Staff / Frontline officers were unable to reach out to customers.


Shriram City Union Finance

- Rollbacks are expected in ECL and COVID provisions in 2QFY22.
- Collection efficiency stood at 86%/93% in May/Jun'21.
- During the quarter, write-offs in Stage 3 stood at INR2.26b (similar to 1QFY21).
- The restructuring requests received by SCUF were minuscule (processed INR390m during the quarter). The management mentioned that the maximum restructuring going forward would be limited to INR700–800m.
- Of the total restructuring of 3%, ~1% of customers were in the current bucket.
- No customer has been offered total moratorium; as per the management, there is an element of interest involved in such accounts.
- Stage 2 stood at 7.83%/11.68% in Mar/Jun'21 (of which 7% was in 31–60dpd). 2W Stage 2 stood at 8.50%/11.95%.
- As per the management, the performance of the Scooter segment was better v/s the Motorbike segment.
- Stage 2 stood at 16% in December'19.

Subsidiary housing arm

- ~80% of customers are self-employed.
- 7–8% of customers are new to credit. The balance customers have a credit score of 700+.
- ATS stood at INR1.5m in cities other than Mumbai/Delhi.
- The average LTV in the subsidiary arm stood at 55–60% (range of 30–80%).
- Stage 2/3 stood at 4.36%/2.08% (v/s 3.20%/1.67% in the previous quarter).
- The new book is 76% of the total loan book, and GNPA on the last three years of underwriting is 1.13%.
- It expects to grow AUM to ~INR55b by end-FY22. The growth states would be the top six states highlighted earlier. By Mar'22, it would open up an additional 170 locations contiguous with the current branch network.

Liabilities and margins

- NIM could have been higher, but was offset by higher negative carry from the liquidity buffer of INR50b.
- It mobilized INR43.5b with door-to-door maturity of 34 months and continues not to borrow via CPs. Retail FDs make up 22% of its liabilities.

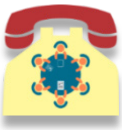
Others

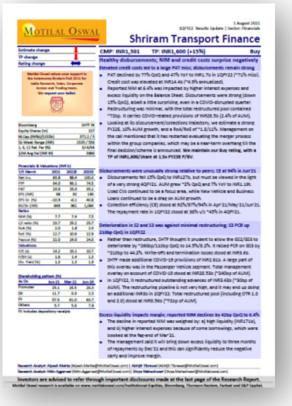
- SCUF is in the process of launching a "no-contact loan processing" platform by Aug'21. Leads for PL and 2W are generated on the mobile app itself. Collections are already being done online.
- It is looking to acquire a new segment of customers, streamline the processes, and reduce the TAT for the current customer as well.
- As a practice, CIBIL scores are a check parameter only for MSME customers. On an overall basis, ~80% would have no CIBIL score.
- Personal loans would be offered only to existing customers.
- No top-up is provided for 90% of the 2W portfolio.
- 30% of the 2W portfolio consists of scooters.
- It is deploying multiple analytics in its digital journey and has also developed a business rule engine.

SHRIRAM Transport Finance Company Limited

A WINNING RELATIONSHIP

Click below for
Detailed Concall Transcript &
Results Update





Shriram Transport Finance — Buy

Current Price INR 1,255

Economic updates

- The economic impact of the second COVID wave was less severe than the first. There were fewer limitations on manufacturing and essential items. The Tourism and Travel sectors were impacted.
- Labor participation and Railway freight traffic did not fall as much as in the first COVID wave.
- The Passenger Transportation segment continued to face challenges in 1QFY22.Goods transportation, however, continued to do well. Freight rates have moved up in FMCG, Pharma, e-commerce, and Food distribution.
- Many customers are hoarding cash and are making partial payments. Since most customers lack health insurance, they want to preserve cash in case of a medical emergency.
- Manufacturing was a little subdued in Apr-Jun'21, but was quickly returning back to normalcy in Jul'21.
- The management expects GST collections to trend upwards in Jul'21 and improves further in Aug-Sep'21.
- New CV sales stood at 105.7K units in 1QFY22 (v/s 31.3K units in 1QFY21; though not strictly comparable).
- With dealerships open and most RTOs functioning normally, it witnessed a significant improvement in the second half of Jun'21.

Demand outlook and guidance on disbursement

- Most disbursements in 1QFY22 were pipeline cases from 4QFY21. It normally takes 30-60 days for an endorsement/approval of a proposal. The pipeline remains robust for STFH. Most disbursements happened in Apr'21 and the first half of May'21.
- Demand still remains strong. Used LCV and used Passenger car retail prices have raised by 20-25%. Demand in HCVs is a little sluggish, but has started improving from Jul'21.
- The management feels pent-up demand is quite high and expects to benefit from the same via higher disbursements in Aug-Sep'21.
- There were no ECLGS disbursements in 1QFY22.

Asset quality

- Tourism, School Bus, and Staff Transportation were impacted the most. It made higher provisions in the Passenger Vehicle segment in 1QFY22. Also, additional COVID provisions were taken largely in this Passenger Vehicle segment.
- Write-offs in 1QFY22 stood at INR3.6b.
- Around 9,600 borrowers have not paid a single instalment till 4QFY21-end.SHTF has written off the entire outstanding of INR1.12b in this portfolio. So, in case of any repayment, it will only boost profits.
- The management expects provisions to remain elevated over the next two quarters, with an exit run-rate of 2% in 4QFY22. It has guided at credit costs of less than 2.5% in FY22.
- In 1QFY22, LGD increased to ~46% from ~44% QoQ. The company raised LGDs on Passenger Vehicles, Buses, and Taxis by 20%. LGD on the Passenger vehicle segment now stands at 52%.

- SHTF has invoked restructuring on loans worth INR14.4b (~120bp of AUM) under RBI OTR 2.0 in 1QFY22. It has implemented restructuring across 10,257 loan accounts, with an outstanding of INR3.43b (~30bp of AUM).
- Total restructured pool (including OTR 1.0 and 2.0) stood at INR8.56b (~72bp of AUM). The restructuring pipeline is not very high, and it may end up doing an additional INR3b in 2QFY22.
- The collection trend in Jul'21 is better than Jun'21. The management expects rollbacks from Stage 2/3 in 2QFY22.

Merger within the Shriram group

- It has restarted work on the merger. It expects to arrive at a final conclusion and gain more clarity on the merger in the next 2-3 quarters.
- Both group companies are doing reasonably well. The merger will create synergies between the two companies and within the group. A large customer base on a single platform can be offered multiple products.
- It is not looking to include the Insurance subsidiaries as part of this merger.
- STFH has a decentralized model, and even if there is a merger it will not be atop-heavy structure.
- Synergies from the merger: a) SCUF is in the SME Financing segment. So, all SME customers will require a vehicle, which may be captive/hired. For SCUF, lot of its customers is using their own 2Ws for business purposes and not just for commuting to their workplace. b) All silos and compartments will be merged when there is more availability of resources/infrastructure. The digital roadmap that STFH has embarked upon will help it leverage these synergies much better.

HEALTHCARE

- **In Healthcare, with COVID cases subsiding in 2QFY22, most companies expect IPM growth (at 11–13% YoY) to be led by core therapies (non-COVID) in FY22. Managements that have focused on US Generics have indicated the impact of price erosion during the quarter was in the high single digits and was higher than usual. The higher price erosion is largely attributable to higher inventory in the channel and subsequent dumping. Companies have further indicated a slowdown in new approvals for generics players, leading to higher competition in old products. While the overall revenue base is recovering gradually, companies across the board are concerned about rising supply chain costs impacting profitability over the near to medium term.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY22	Vaccination/US updates
Cipla	▪ The India Pharma Market (IPM) is expected to grow at 10–12% (ex-COVID) in FY22. CIPLA hopes to outperform IPM. ▪ It has lined up a few complex products to improve the US sales trajectory. However, meaningful improvement is expected only from FY23.	▪ The deal with Moderna is only for the import of donated vaccines. There is no commercial agreement with Moderna for the commercialization of its vaccine in India. ▪ There are three peptides in the portfolio/pipeline. CIPLA has an in-licensing strategy to source peptide APIs. It has filed an NDA for a peptide product.
Cadila	▪ Based on the 30 ANDA launches expected for the US, CDH has guided for low-single-digit growth in the US business. ▪ It has 24 in-licensed products in the portfolio for the US market, with two products with exclusive FTF opportunities.	▪ It has filed for a 3mg*2-dose regimen of its COVID vaccine, in addition to the 2mg*3 dose regimen, and expects approval over the next 1–2 weeks. ▪ It has started manufacturing vaccines at its smaller facility and expects a new larger facility to commence production in mid-August.
Dr Reddys	▪ Increased competitive intensity impacted the US Generics business. ▪ DRRD is investing in OTC, Nutrition, Rural, and Digital to enhance growth in the India business.	▪ DRRD expects the supply of the Sputnik V vaccine to increase over Sep–Nov'21, with the six contract manufacturers commencing supply in a phased manner. ▪ It is also working on Sputnik Light, for which the Russia Phase 3 trials would be leveraged for India approval.
Gland Pharma	▪ It is working on 14 complex products, two of which would be filed this year and three next year. It is looking at developing 25–30 complex products over the next 2–3 years. ▪ The COVID impact has led to the company acquiring approvals faster than usual. Newer partnerships, new launches, and strong demand for existing products, along with GLAND's swift capability to respond to market changes, led to strong traction in the ROW segment.	▪ Gland remains on track for the commercial production of the Sputnik vaccine by Oct'21. It has signed a contract with Hetero for the fill-finish of the Sputnik vaccine. ▪ Six products have been filed in China, with two close to approval. The first product is likely to be approved by end-FY22 and revenues would commence from 1QFY23.
Sun Pharma	▪ Specialty sales grew YoY, as well as QoQ, with a ramp-up in the sales of Ilumya and Cequa, despite generic competition in Absorica. ▪ Other expenses are yet to normalize to pre-COVID levels. These are expected to increase in 2QFY22, subject to the COVID-19 situation.	▪ Four products, including Ilumya (for additional indication), are at different stages of clinical trials in the US. ▪ SUNP has guided for healthy double-digit growth in the Specialty portfolio in FY22. Japan and Australia remain promising markets for Ilumya.
Divi's Lab	▪ Regarding Molnupiravir, DIVI has commercialized two streams of production and a third stream is also ready to begin commercial production. ▪ DIVI is well-placed to tide over issues related to raw material costs and higher logistic costs due to considerable backward integration in place, thereby maintaining profitability.	▪ DIVI has highlighted six engines of growth over the next 4–5 years: a) growth in current market-leading products in line with the industry, b) a ramp-up in molecules with low market share, c) opportunities in Sartans, d) ramp-up in two large CS projects, e) contrast media products, and f) new opportunities from genericization over FY23–25. ▪ DIVI would commence work on the Kakinada project soon. Investments would be INR10–20b over the next 2–3 years.

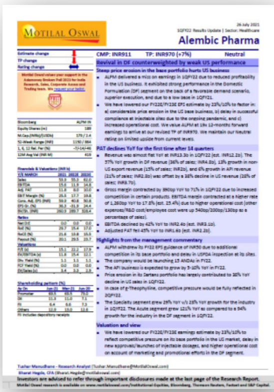
Click below for
Detailed Concall Transcript &
Results Update

Ajanta Pharma — Buy

Current Price INR 2,235

- The company plans to file 10 ANDAs and launch 4–5 ANDAs in FY22.
- It launched five new products in DF, with one being in the first-to-market category. It plans to launch 4–5 products over the next 2–3 quarters.
- Despite MR rationalization of ~10% (~200 MRs) across segments, sales grew 29% YoY (ex-Institutional), implying improved productivity for existing MRs.
- AJP remains confident of outperforming the industry in the Branded Generics markets in India, Asia, and Africa on the back of enhanced marketing efforts for new launches as well as existing products.
- R&D expense is expected to be ~6% of sales for FY22.
- AJP has completed its major capex to cater to growth for the next three years. The INR2b capex for FY22 would be only for maintenance purposes.
- Institutional India business revenues stood at INR270m.
- The effective tax rate would be 21–22% for FY22.
- The aggressive ramp-up in product launches in FY21 (~20) would further aid growth, to some extent, for the DF market in the coming quarters.
- Field force movement has increased in most places in Asia/Africa where there are fewer COVID restrictions.
- The increase in opex / Depreciation is partially due to the commercialization of the ophthalmic block at the Guwahati plant.
- Current capacity utilization is ~68%.
- It invested ~INR4.5b in the Guwahati facility, and asset turnovers are 1.5–2x.

Click below for
Detailed Concall Transcript &
Results Update



Alembic Pharma — Neutral

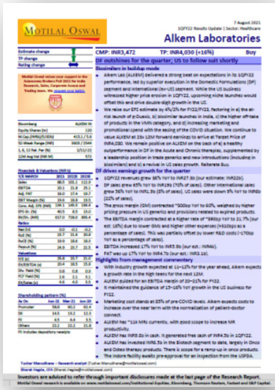
Current Price INR 740

- ALPM withdrew its FY22 EPS guidance of INR50 due to additional competition in its base portfolio and delay in USFDA inspection at its sites.
- The company would be launching 15 ANDAs in FY22.
- The API business is expected to grow by 5-10% YoY in FY22.
- Price erosion in its Sartans portfolio has largely contributed to 38% YoY decline in US sales in 1QFY22.
- In case of g-Theophylline, competitive pressure would be fully reflected in 2QFY22.
- The Specialty segment grew 29% YoY v/s 23% YoY growth for the industry in 1QYF22. The Acute segment grew 121% YoY as compared to a 94% growth for the industry in the DF segment in 1QFY22.
- ALPM launched two ANDAs in 1QFY22. Four ANDAs will be launched in 2QFY22.
- It is yet to receive feedback from the USFDA related to the latter's inspection at the Karkhadi site.
- Sales loss in g-Famotidine is due to market share loss and not related to any manufacturing issues.
- Around 94% of new launches in DF have been in the Specialty segment.
- The overall R&D capitalized in 1QFY22 is INR700m.
- ALPM has gross borrowing of INR5b and a cash balance of INR2.7b.
- It expects asset turns of 1.5-2x from new facilities.

MOTILAL OSWAL

ALKEM

Click below for
Detailed Concall Transcript &
Results Update



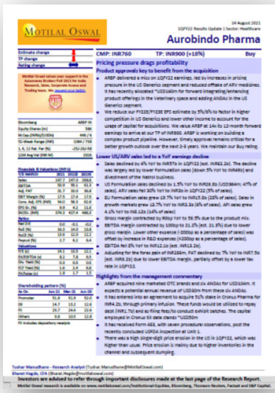
Alkem Labs — Buy

Current Price INR 3,804

- With industry growth expected at 11–12% for the year ahead, Alkem expects a growth rate in the high teens for the next 12M.
- ALKEM guided for an EBITDA margin of 20–21% for FY22.
- It maintained the guidance of 15–16% YoY growth in the US business for FY22.
- Marketing cost stands at 85% of pre-COVID levels. Alkem expects costs to increase over the near term with the normalization of patient-doctor connect.
- ALKEM has ~11k MRs currently, with good scope to increase MR productivity.
- ALKEM has INR9.8b in cash. It generated free cash of INR4.5b in 1QFY22.
- ALKEM has invested INR6.5b in the Biotech segment to date, largely in Onco and Osteo therapy products. There is scope for a ramp-up in onco products.
- The Indore facility awaits pre-approval for an inspection from the USFDA.
- ALKEM's PCPM currently stands at INR0.8–1m per month in the evolved business and INR0.35–0.4m per month in the evolving business.
- Broad-based growth was seen across categories in the DF segment. Acute outperformed Chronic as well as the Trade Generics segment for the quarter.
- Particularly, the VMN category saw a spike in YoY growth.
- Within the Chronic therapy, Anti-Diabetes, Cardiac, and Derma outperformed the industry by a wide margin.
- Staff costs were higher in 1QFY22 on account of revision in basic salaries (resulting in higher gratuity and leave encashment liability) as well as incentives.
- It has signed out-licensing agreements worth INR1b for the commercialization of its biotech products in the global markets.
- The first product would enter Phase 1 of clinical trials shortly. Its launch is expected to be 4–5 years away.
- Historically, 12–14% of total R&D has been spent on biotech.

AUROBINDO
Committed to healthier life!

Click below for
Detailed Concall Transcript &
Results Update



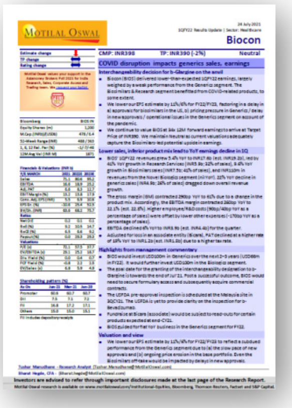
Aurobindo Pharma — Buy

Current Price INR 681

- ARBP acquired nine marketed OTC brands and six ANDAs for USD104m. It expects a potential annual revenue of USD30m from these six ANDAs.
- It has entered into an agreement to acquire 51% stake in Cronus Pharma for INR4.2b, through primary infusion. These funds would be utilized to repay debt (INR1.7b) and as filing fees/to conduct exhibit batches. The capital employed in Cronus till date stands ~USD50m
- It has received Form 483, with seven procedural observations, post the recently concluded USFDA inspection at Unit 1.
- There was a high single-digit price erosion in the US in 1QFY22, which was higher than usual. Price erosion is mainly due to higher inventories in the channel and subsequent dumping.
- From the capital employed of USD50m till date in Cronus, ~USD32m has been spent on building a facility.
- In case of the Veterinary segment, a fee is paid to the USFDA at the time of the product's approval, unlike in Generic products, where the fees are to be paid at the time of filing.
- Cronus' pro forma financials indicate USD13m of sales in FY21. It has the potential to touch up to USD100m over the next three years, subject to product approvals.
- Cronus' pipeline of 67 products consists of 40 Injectables. The company has filed 22 products till date. Of the 67 products, 61 are organically developed, while six have been outsourced for manufacturing.

- USFDA's approval for the Cronus facility has been delayed due to the COVID-19 outbreak. It now expects an inspection by CY21-end or early CY22.
- ARBP is expecting 30 product launches in the US in FY22.
- It will file the first two Biosimilars in Europe in FY22. The expected approval timeline is seven months after the filing. One additional product is to be filed in FY23. It will add 1-2 products every year after that.
- ARBP has started Phase III clinical trials for a COVID-19 vaccine.
- The company has sought clarity from the government on some of the concerns in the PLI scheme before starting the financial outlay.

Click below for
Detailed Concall Transcript &
Results Update



Biocon — Neutral

Current Price INR 358

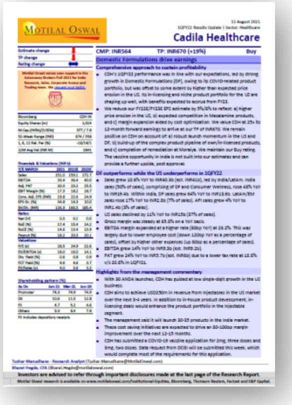
- BIOS would invest USD100m in Generics over the next 2–3 years (USD66m
- in FY22). It would further invest USD100m in the Biologics segment.
- The goal date for the granting of the interchangeability designation to b-
- Glargine is towards the end of Jul'21. Post a successful outcome, BIOS would
- need to secure formulary access and subsequently acquire commercial
- contracts.
- The USFDA pre-approval inspection is scheduled at the Malaysia site in
- 3QCY21. The USFDA is yet to provide clarity on the inspection for b-Bevacizumab.
- Fundraise at Bicara (associate) would be subject to read-outs for certain
- products expected at end-CY21.
- BIOS guided for flat YoY business in the Generics segment for FY22.
- Adjusted for branded formulation sales, base biosimilar sales were flat YoY for the quarter, partly on account of the high base of the past year.
- BIOS has 8.5% market share in Fulphila and about 2.6% market share in Semglee.
- BIOS would launch b-Bevacizumab in Germany, Austria, and Poland in 2QFY22.
- The prioritization of oxygen use for COVID treatments has impacted the fermentation process related business in the Generics segment.
- BIOS derived 60% of biosimilar sales from the emerging markets and the remainder from the regulated markets.
- Biocon continues to work on the Complete Response Letter (CRL) issued by the USFDA on g-Copaxone.
- R&D expense would be 12–14% ex-Syngene revenues.

Click below for
Results Update

Cadila Healthcare — Buy

Current Price INR 535

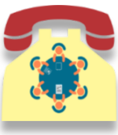
- With 30 ANDA launches, CDH has guided at low single-digit growth in the US business.
- CDH aims to achieve USD250m in revenue from Injectables in the US market over the next 3-4 years. In addition to in-house product development, in-licensing deals would enhance the product portfolio in the Injectable segment.
- The management said it will launch 30-35 products in the India market.
- These cost saving initiatives are expected to drive an 80-100bp margin improvement over the next 12-15 months.

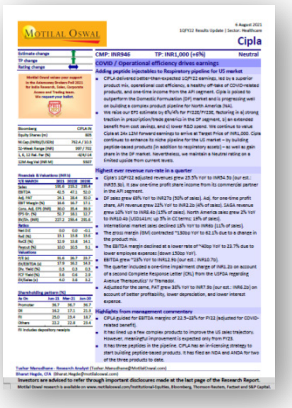


- CDH has submitted a COVID-19 vaccine application for 2mg, three doses and 3mg, two doses. Data request from DCGI will be submitted this week, which would complete most of the requirements for this application.
- The US business was impacted due to a limited one-time buying opportunity, increased pricing pressure in its base portfolio, and greater competition due to a reduction in supply disruptions.
- The US Injectable business is valued ~USD35m per annum.
- There are three additional products in its Mesalamine franchise, and CDH will launch these in FY22.
- CDH has 24 in-licensed products in its portfolio currently, with two products with exclusive FTF opportunities. In-licensing products are expected to have limited competition. Some are Complex Injectable and some are OSDs. Most of these will be manufactured at the partner's site, with some manufactured by CDH.
- Excluding COVID-related sales, DF sales grew 35% YoY in 1QFY22.
- Remediation has been completed at the Moraiya site, and CDH awaits further clarity on inspection from the USFDA.
- Two Biosimilars are being developed for global markets and will be commercialized post FY25.
- Currently, its Biosimilar revenue would be INR3.5b on an annualized basis, and is largely from the India market.

Cipla
Caring for life

Click below for Detailed Concall Transcript & Results Update





Cipla — Neutral

Current Price INR 890

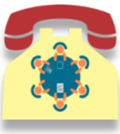
- CIPLA guided for EBITDA margins of 22.5–23% for FY22 (adjusted for COVID-related benefit).
- It has lined up a few complex products to improve the US sales trajectory. However, meaningful improvement is expected only from FY23.
- It has three peptides in the pipeline. CIPLA has an in-licensing strategy to start building peptide-based products. It has filed an NDA and ANDA for two of the three products to date.
- The India Pharma Market (IPM) is expected to grow 10–12% (ex-COVID impact). CIPLA hopes to outperform IPM.
- The share of COVID producsts in overall sales was in the high single digits for the quarter.
- Gross margins for COVID-related products were lower than company-level gross margins.
- Cipla's Consumer business in SA is healthy and profitable. However, the India Consumer business is in the incubation phase.
- Adjusted for COVID products, Cipla's DF sales grew 47% YoY in 1QFY22.
- It launched g-Brovana in the US in 1QFY22.
- It is working closely with the USFDA on g-Advair and would respond to the queries this month.
- An antibody cocktail has shown good results overseas and may be useful for unvaccinated / partially vaccinated COVID patients.
- CIPLA does not have a commercial arrangement with Moderna for a COVID vaccine. The agreement is only on importing donated vaccines.

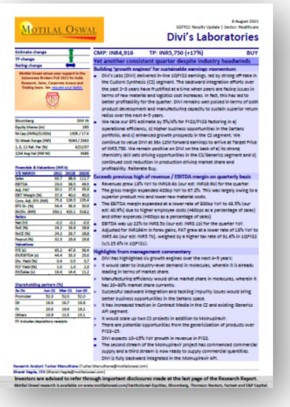
- The Branded Formulations business contributed 70–75% to India sales.
- Capex of INR7–9b is planned for FY22, including some for automation and digitization at current facilities, unless there is greenfield enhancement.

Divi's Lab — Buy

Current Price INR 4,821

Click below for
Detailed Concall Transcript &
Results Update





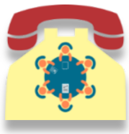
- DIVI has highlighted six growth engines over the next 4–5 years:
- It would cater to industry-level demand in molecules, wherein it is already leading in terms of market share.
- Manufacturing efficiency would drive market share in molecules, wherein it has 20–30% market share currently.
- Successful backward integration and tackling impurity issues would bring better business opportunities in the Sartans space.
- It has increased traction in Contrast Media in the CS and existing Generics API segment.
- It would scale up two CS projects in addition to Molnupiravir.
- There are potential opportunities from the genericization of products over FY23–25.
- DIVI expects 10–15% YoY growth in revenue in FY22.
- The second stream of the Molnupiravir project has commenced commercial supply and a third stream is now ready to supply commercial quantities. DIVI is fully backward integrated in the Molnupiravir API.
- The Generic to CS mix was 50:50. Nutraceuticals sales stood at INR1.38b.
- While higher crude oil prices and supply disruption have led to an increase in KSMs / intermediate pricing, DIVI's backward integration has helped tide over these issues and maintains profitability.
- Total supply to the US and EU markets stood at ~71% of total revenues. Brownfield expansions in SEZs await approvals from the regulated markets, and exports are currently low.
- Many antivirals for COVID are coming into the clinical trial / preclinical stage, improving the outlook for the CS segment. Interestingly, most of these are small molecules, which have enhanced business opportunities for CDMO companies such as DIVI.
- DIVI capitalized INR2.7b in 1QFY22 and has CWIP of INR5.2b. It needs to spend another INR3b over the rest of FY22.
- Investments in Sartans, contrast media, and new generics are underway (CWIP).
- With legal issues behind, DIVI would soon commence work on the Kakinada project. This would require an investment of INR10–20b over the next 2–3 years.
- ETR would be sub-25% in FY22.

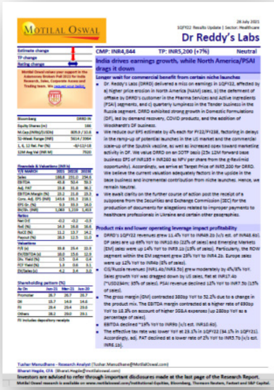
Dr. Reddy's Labs — Neutral

Current Price INR 4,544

Click below for
Detailed Concall Transcript &
Results Update

- GM was down 380bp YoY / 140bp QoQ on a) reduced export benefit, b) higher price erosion in the US, and c) higher inventory provisions for certain products.
- Operating working capital increased by USD160m QoQ on higher inventory and receivables. Particularly, receivables increased due to the planned




Motilal Oswal

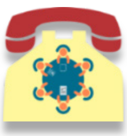
Dr Reddy's Labs

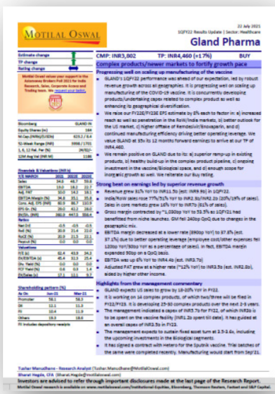
discontinuation of receivables discounting as a result of the narrowing of the interest differential between the US and India.

- DRRD expects the supply of Sputnik V vaccine to increase over Sep–Nov'21, with the six contract manufacturers commencing supply in a phased manner. It is also working on Sputnik Light, for which the Russia phase 3 trials would be leveraged for India approval.
- India recorded higher SG&A expenses on higher promotional costs with the easing of the COVID-related lockdowns.
- The Top 3 products contributed 35% to sales in the US.
- The India business would grow faster than other segments. Even with higher promotional costs, margins in India are better v/s other segments.
- DRRD is investing in OTC, Nutrition, Rural, and Digital to enhance growth in the India business.
- Margins in the API business tend to go up with an increase in sales due to higher fixed costs.
- The Russia business is lumpy due to biosimilar tenders, which come in specific quarters.
- DRRD has commenced a detailed investigation after receiving an anonymous complaint. The complaint alleges healthcare professionals in Ukraine and potentially in other countries were given improper payments by or on behalf of the company in violation of US anti-corruption laws, specifically the U.S. Foreign Corrupt Practices Act. On 6th Jul'21, the company received a subpoena from the SEC for the production of documents pertaining to certain CIS geographies. We await further clarity on DRRD's response to the same.
- The investigation process for the anonymous complaint may take up to a year or more.
- ETR for FY22 is expected to be 25–26.

GLAND PHARMA LIMITED

Click below for Detailed Concall Transcript & Results Update




Motilal Oswal

Gland Pharma

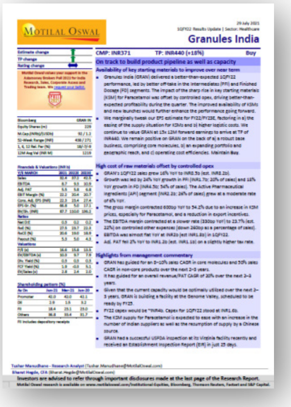
Gland Pharma — Buy

Current Price INR 3,952

- GLAND expects US sales to grow by 18-20% YoY in FY22.
- It is working on 14 complex products, of which two/three will be filed inFY22/FY23. It is developing 25-30 complex products over the next 2-3 years.
- The management indicated a capex of INR5.7b for FY22, of which INR3b isto be spent on the vaccine facility (INR1.2b spent till date). It has guided atan overall capex of INR3.5b in FY23.
- The management expects to sustain fixed asset turn at 3.5-3.6x, includingthe upcoming investments in the Biological segments.
- It has signed a contract with Hetero for the Sputnik vaccine. Trial batches ofthe same were completed recently. Manufacturing would start from Sep'21.
- Around INR300m of India sales in 1QFY22 were due to COVID-related products. However, as COVID-related sales subside, the non-COVID products business would pick-up, sustaining the momentum in India sales.
- Gross margin for the India business is ~40%.
- It expects R&D expense to be 3.5-4% of sales in FY22 (excluding partner funding).

- It has filed six products in China, with two products closer to approval. It expects to file few more products in China over the next few months. The market size of the first six products is ~USD550m.
- GLAND remains on track for commercial production of Sputnik vaccine by Oct'21.
- The company had INR31b in cash reserve at the end of 1QFY22.
- It undertook 13 exhibit batches, driving R&D spend during 1QFY22.
- At the end of 1QFY21, it filed 286 ANDAs and 47 are awaiting approval.

Click below for
Detailed Concall Transcript &
Results Update



Granules India — Buy

Current Price INR 325

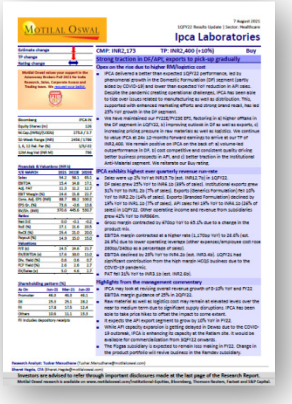
- GRAN has guided for an 8–10% sales CAGR in core molecules and 50% salesCAGR in non-core products over the next 2–3 years.
- It has guided for an overall revenue/PAT CAGR of 20% over the next 2–3years.
- Given that the current capacity would be optimally utilized over the next 2–3 years, GRAN is building a facility at the Genome Valley, scheduled to beready by FY25.
- FY22 capex would be ~INR4b. Capex for 1QFY22 stood at INR1.6b.
- The KSM supply for Paracetamol is expected to ease with an increase in thenumber of Indian suppliers as well as the resumption of supply by a Chinesesource.
- GRAN had a successful USFDA inspection at its Virginia facility recently andreceived an Establishment Inspection Report (EIR) in just 25 days.
- GRAN is close to signing out-licensing deals for certain products in Europe
- It indicated that it would launch 8–10 ANDAs in FY22, with a cumulative market value of ~USD150m.
- GRAN has been able to gain market share from competitors in core products such as Metformin. It has maintained its market share in Methocarbamol.
- Five of its multi-unit pellet system (MUPS) products have been approved and 15 are in the development phase for the US and Europe markets.
- PFI growth was attributable to new introductions as well as increasing reach.
- The total R&D spend for FY22 would be INR1.4–1.5b.
- The MUPS block capacity expansion is on track and would be ready by 4QFY22. This would be utilized for non-MUPS products until more MUPS products are approved. The MUPS capacity would be fully utilized by FY25.
- Net debt is expected to be INR7–7.5b by end-FY22.
- The cash conversion cycle has increased by 42 days, largely due to inventory build-up for planned launches.
- Logistic costs continue to rise, impacting overall profitability.

Click below for
Results Update

IPCA Labs — Buy

Current Price INR 2,524

- IPCA may look at revising overall revenue growth of 8-10% YoY and FY22 EBITDA margin guidance of 25% in 2QFY22.
- Raw material as well as logistics cost may remain at elevated levels over the near to medium term due to significant supply disruptions. IPCA has been able to take price hikes to offset the impact to some extent.


Ipca Laboratories

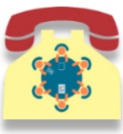
- It expects the API export segment to grow by 10% YoY in FY22.
- While API capacity expansion is getting delayed in Dewas due to the COVID- 19 outbreak, IPCA is enhancing its capacity at the Ratlam site. It would beavailable for commercialization from 3QFY22 onwards.
- The Pisgaa subsidiary is expected to aremain loss making in FY22. Change in the product portfolio will revive business in the Ramdev subsidiary.
- Growth in DF was 41%, excluding the HCQS Institutional business, in 1QFY22. IPCA generated INR540m of revenue from the Institutional business in HCQS in 1QFY21.
- A considerable portion of growth is led by volume, while ~6% YoY is led by price hike in the DF segment.
- The YoY growth is led by a broad-based treatment of hospitalized patients on account of COVID-19 and increased offtake of medicines in the Core therapies of IPCA.
- Anti-Bacterials has grown by 173% YoY to INR500m, with 36% growth in the Pain segment. Cardiovascular and Anti-Diabetics have shown 14% growth each. Dermatology has grown 89% YoY to INR250m. Anti-Malarial has grown 98% YoY. Cough and Cold has grown by 83% YoY.
- The Zerodol brand has grown by 18%/36% YoY in FY21/1QFY22, and remains the leading brand for IPCA.
- IPCA added 200 MRs largely in the CNS, Ophthalmic, and Dermatology divisions.
- Sales in the UK rose 16% YoY in 1QFY22. With product registration ongoing, IPCA is expanding its offerings in the UK business. It guided at 10-12% YoY growth over the next 2-3 years. It expects EU Generics to grow faster than this pace.
- Exports from the API segment may be a little muted in FY22 due to country-specific issues.
- Overall, IPCA guided at an annual capex of INR4b over the next 2-3 years.
- ETR would be at a MAT tax rate for FY22/FY23. From FY24 onwards, the tax rate would increase to 25%.

Jubilant Pharmova — Buy

Current Price INR 611

JUBILANT PHARMOVA

Click below for Detailed Concall Transcript & Results Update



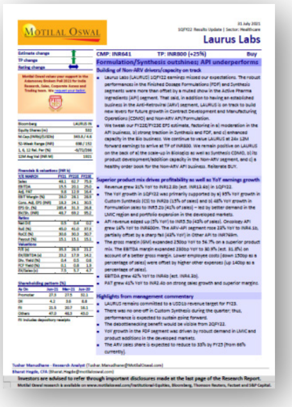
- JP is reorganizing its API business after the demerger from Jubilant Generics (a wholly-owned subsidiary) and vesting the same under JP. It would create service offerings across the value chain from CRO/CDMO for innovative and generic APIs. The management feels synergies between the CRO and CDMO businesses can be realized more effectively in a holding/subsidiary company as compared to a fellow subsidiary structure.
- It is engaging with consultants to resolve the import alert at the Roorkee facility. The key issues related to clinical protocol and validation batches.
- Within the CDMO segment, JP saw business worth INR2b from COVID-related contracts in 1QFY22. It expects to execute INR1b in additional sales over the coming quarters.
- It would be expanding its Spokane capacity by 50% to cater to demand in the Specialty segment, which would be commercialized by CY24-end.
- JP plans to take one drug candidate to Phase I clinical trials in 2HFY22.
- Overall, it intends to spend INR7-8b towards capex in FY22.
- Ventilation lung procedures continue to be hit due to the COVID-19 pandemic.

- The Radiopharmacy business is close to pre-COVID levels.
- Ruby-Fill installations are picking up, with the COVID situation improving in the US.
- Allergy product volumes normalized to pre-COVID levels.
- JP witnessed increased demand from biotech companies for integrated services, functional chemistry and DMPK, discovery biology, and clinical trial data management.
- The pricing pressure in Sartans offset the benefit in Remdesivir in 1QFY22.
- JP reduced its net debt by INR2.7b QoQ to INR17b.

Laurus Labs — Buy

Current Price INR 680

Click below for
Detailed Concall Transcript &
Results Update



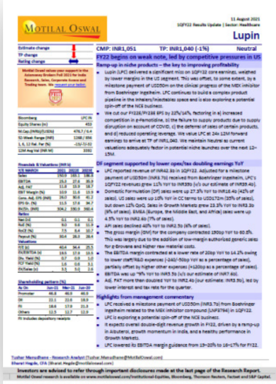
- LAURUS remains committed to a USD1b revenue target for FY23.
- There was no one-off in Custom Synthesis during the quarter; thus, performance is expected to sustain going forward.
- The debottlenecking benefit would be visible from 2QFY22.
- YoY growth in the FDF segment was driven by robust demand in LMIC and product additions in the developed markets.
- The ARV sales share is expected to reduce to 33% by FY25 (from 66% currently).
- Revenue for Laurus Bio stood at INR140m, its first full quarter of revenue since the acquisition of Richcore Lifesciences.
- The ARV to Non-ARV business ratio in FDF stands at 70:30.
- LAURUS' market share in the TLD product in the LMIC market is in the high teens.
- LAURUS has achieved 10 product approvals in Canada. It has launched five products and plans to launch another two soon.
- The Ingredient and Aspen businesses contributed 40% to the CDMO segment in 1QFY22.
- Laurus filed five DMFs in 1QFY22, taking the total filings to 66.
- Laurus witnessed revenue decline in the Other API segment due to a change in the shipping schedule.
- The INR15b–17b capex plan for FY22/FY23 is on track. It invested ~INR2.1b in 1QFY22. LAURUS would invest INR4b in FDF and INR5b in CDMO.
- Net debt was up INR1.7b QoQ to INR16b at end-1QFY22.

Lupin — Neutral

Current Price INR 929

Click below for
Detailed Concall Transcript &
Results Update

- LPC received a milestone payment of USD50m (INR3.7b) from Boehringer Ingelheim related to the MEK inhibitor compound (LNP3794) in 1QFY22.
- LPC is exploring a potential spin-off of the NCE business.
- It expects overall double-digit revenue growth in FY22, driven by a ramp-up in Albuterol, growth momentum in India, and a healthy performance in Growth Markets.
- LPC lowered its EBITDA margin guidance from 19–20% to 16–17% for FY22.
- The US gross margin was impacted by increased competition in Famotidine, temporary lower sales in Albuterol, the reclassification of royalties-related expense in material costs, and the failure to supply charges.

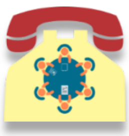


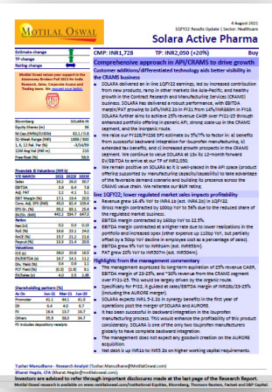
- LPC has guided for growth in the high teens in the domestic business in FY22. It is making significant investments in the Respiratory and Anti-Diabetic segments.
- LPC plans to launch g-Sevelamer in the US. g-Suprep and g-Revlimid are other important products for FY23.
- It is also gearing up to launch g-Fostair in the UK. France, Spain, Italy, and Germany would be other focus markets for this product FY23 onwards.
- The cumulative expense for marketing efforts towards Solosec and R&D spend towards Biosimilar/NCE is USD60–65m annually.
- LPC is on track to gain 18–20% market share in g-Albuterol. This would be partly driven by the shift from one-time purchases to longer term contracts.
- LPC has two onco assets in the Investigational New Drug Application (IND) filing stage. Furthermore, around five programs are being developed in Oncology.
- Overall, it plans to file four complex injectables in addition to four general injectables in FY22.
- B-Enbrel has mid-single-digit market share in Europe.
- LPC targets a quarterly sales-run-rate of USD200m in the US Generics market 3QFY22 onwards, led by a ramp-up in g-Albuterol/g-Brovana sales and market share gains in existing products.

Solara Active Pharma — Buy

Current Price INR 1,651

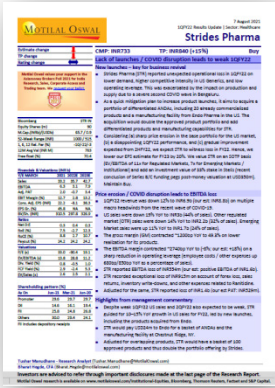
Click below for Detailed Concall Transcript & Results Update





- The management expressed its long-term aspiration of 25% revenue CAGR, EBITDA margin of 23-25%, and ~30% revenue from the CRAMS segment over FY21-25. This would be largely driven by the organic route.
- Specifically for FY22, it guided at sales/EBITDA margin of INR28b/23-25%(including the AURORE merger).
- SOLARA expects INR1.5-2.2b in synergy benefits in the first year of operations post the merger of SOLARA and AURORE.
- It has been successful in backward integration in the Ibuprofen manufacturing process. This would enhance the profitability of this product considerably. SOLARA is one of the only two Ibuprofen manufacturers globally to have complete backward integration.
- The management does not expect any goodwill creation on the AURORE acquisition.
- Net debt is up INR1b to INR5.3b on higher working capital requirements.
- CRAMS contribution to revenue was in the high single-digits in 1QFY22.
- Most of the CRAMS projects are in contract manufacturing and a few are in contract development.
- The management said regulated market sales will remain muted in 2QFY22 due to the COVID-19 outbreak. This is expected to normalize in 3-6 months.
- Demand for Ibuprofen softened in regulated markets due to the pandemic. This is expected to normalize in 3-6 months.
- SOLARA has addressed the issues in Cuddalore and awaits USFDA inspection. OAI from USFDA for Cuddalore was due to NDMA issue in Ranitidine.
- It will continue to be a MAT paying company for 1-2 years after FY22.
- New product sales stood at INR800m (~20% of sales), including some contribution from Favipiravir.
- The company is on track to file 25 products globally in FY22.

Click below for
Detailed Concall Transcript &
Results Update



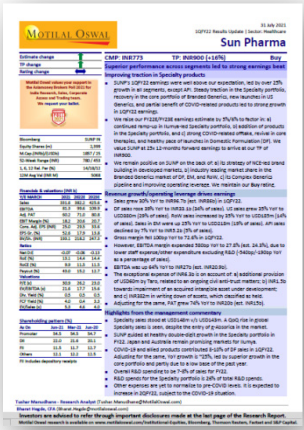
Strides Pharma

Strides Pharma — Buy

Current Price INR 602

- Despite weak 1QFY22 US sales and 2QFY22 also expected to be weak, STR guided for 10–15% YoY growth in US sales for FY22, led by new launches, including the products acquired from Endo.
- STR would pay USD24m to Endo for a basket of ANDAs and the manufacturing facility at Chestnut Ridge, NY.
- Adjusted for overlapping products, STR would have a basket of 100 approved products and thus double the portfolio offering by Strides.
- STR aims to launch 5–6 products per quarter from the acquired portfolio.
- STR would exit the Florida facility and consolidate its softgel capabilities at the newly acquired Chestnut facility.
- Challenges persist related to the yield of the RD5 dose of Sputnik V. Scaling up RD5 poses a challenge.
- COVID has ipacted operations and sales, especially in Bengaluru. Costs have also been incurred due to the inability to supply.
- There has been a temporary increase in freight costs to the tune of USD6m on account of the pandemic-led supply disruption.

Click below for
Detailed Concall Transcript &
Results Update



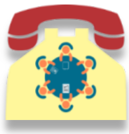
Sun Pharma

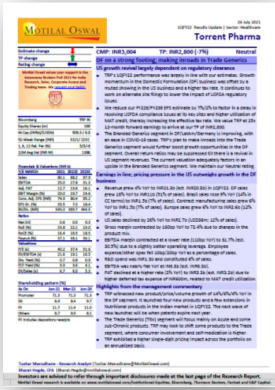
Sun Pharma — Buy

Current Price INR 761

- Specialty sales stood at USD148m v/s USD143m. A QoQ rise in global Specialty sales is seen, despite the entry of g-Absorica in the market.
- SUNP guided at healthy double-digit growth in the Specialty portfolio inFY22. Japan and Australia remain promising markets for Ilumya.
- COVID-19 and allied products contributed 8-10% of DF sales in 1QFY22.Adjusting for the same, YoY growth is ~25%, led by superior growth in the core portfolio and partly due to a low base of the past year.
- Overall R&D spending to be 7-8% of sales for FY22.
- R&D spends for the Specialty portfolio is 26% of total R&D spends.
- Other expenses are yet to normalize to pre-COVID levels. It is expected to increase in 2QFY22, subject to the COVID-19 situation.
- Other expenses are yet to normalize to pre-COVID levels. It is expected to increase in 2QFY22, subject to the COVID-19 situation.
- The R&D pipeline in the Specialty portfolio comprises: a) Ilumya undergoing Phase III clinical trials for psoriatic arthritis, b) SCD044 undergoing Phase II clinical trial for atopic dermatitis, c) MM2 undergoing Phase II clinical trial for knee pain (Symptomatic knee osteoarthritis) and one product undergoing Phase I clinical trial for diabetes.
- The US Generics business has witnessed growth (excluding Taro), led by new launches and efficient supply chain management.
- Around 13 NDAs and 86 ANDAs await USFDA approval.
- SUN launched ~13 products in 1QFY22 in the DF market.
- With the repayment of USD185m debt, SUNP is net cash positive, even excluding Taro.

Click below for Detailed Concall Transcript & Results Update





Torrent Pharma **Neutral**

Current Price INR 3,036

- TRP witnessed new product/price/volume growth of 14%/6%/4% YoY in the DF segment. It launched four new products and a few extensions in Nutritional products in the Indian market in 1QFY22. The next wave of new launches will be when patents expire next year.
- The Trade Generics (TGx) segment will focus mainly on Acute and some sub-Chronic products. TRP may look to shift some products to the Trade segment, where consumer involvement and self-medication is higher.
- TRP exhibited a higher single-digit pricing impact across the portfolio on an annualized basis.
- Unavailability of export benefits impacted gross margin by 25bp compared to that in 1QFY21.
- Margin in TGx would be lower than that in the Prescription business due to higher channel margins. It has initially launched 50-60 SKUs in this segment.
- TRP has deployed only 20-25 MRs in the TGx segment. Products in TGx are mostly contract manufactured.
- It expects 10-12 ANDAs to be filed per year, lower than that previously filed, due to increase in complexity of filings, with higher R&D spend per product.
- It aims to add one or two 505(b)(2) products per year and plans to have a small promotional presence in the US through partnerships.
- US sales are currently stable ~USD35m per quarter. TRP expects this to continue till Indrad and Dahej facilities come out of OAI/WL.
- Cash tax will continue to remain at 17% and MAT credit utilization will begin. The effective tax rate will be 30-31%. MAT credit unitization will take 4-5 years.

MEDIA

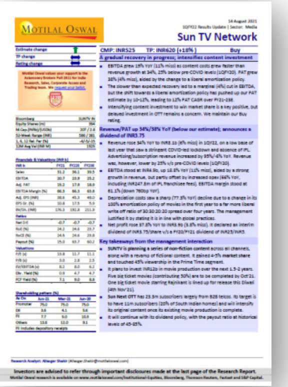
- **Recovery in advertisement spends was impacted by the second COVID wave. Ad revenues are expected to rebound as normalcy returns and lockdown restrictions are lifted. While the decision on NTO 2.0 has been appealed in the SC, clarity is expected on subscription revenue growth post the ruling. SUNTV's management has called off its subscription double-digit growth guidance due to the uncertainty regarding the outcome of NTO 2.0. Furthermore, the company plans to invest INR12b in movie production over the next 1.5–2 years. Slow recovery in ad revenue from the lockdowns is expected to bring down Zee's earlier margin guidance of ~25% for FY22. PVR had opened up ~200 cinemas as of 30th June 2021, and with big-budget movies scheduled for release, it expects recovery during the festive season starting October 2021.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY22	Commentary on ad revenues & subscriptions
SUN TV	▪ It plans to invest INR12b in movie production over the next 1.5–2 years. Five big-ticket movies (contributing 50%) are to be completed by Oct'21. One big-ticket movie starring Rajinikanth is lined up for release this Diwali (4th Nov'21). ▪ There has been a change in the amortization policy of movie satellite rights, with a 100% write-off in the first year to a ratio of 30:30:20:20 spread over four years – which would significantly reduce depreciation.	▪ While NTO 2.0 remains sub-judice in the SC, no major pricing-related impact is expected on subscription revenue. ▪ It expects to grow its subscription revenue, but clarity on the same is expected post the SC judgment. ▪ SUNTV would continue to attract marketing managers for advertisements, given its strong reach (90% of households) in the Tamil market.
Zee Entp	▪ Slow recovery in ad revenues amid the lockdowns is expected to bring down the earlier margin guidance of ~25% for FY22. ▪ EBITDA loss of INR2b in Zee5 is at the peak level, which should improve significantly from FY24 – Zee5 targets a ~35% revenue contribution, backed by new overseas market launches and subscription/ad growth. ▪ A total of 11 original shows and movies were released under Zee5 during the quarter. MAU/DAU stood at 80.2m/7.1m, with the average watch time per user at 190 mins for 1QFY22.	▪ Domestic ad revenue increased 128% YoY to INR8.7b on a lower base. Compared with 1QFY20 levels, domestic ad revenues were lower by 22.7%. ▪ Slow recovery is expected in ad revenues on the back of (a) lower share in COVID-impacted segments, such as FMCG, (b) the possibility of a third wave, and (c) fewer launches or innovations in the market due to supply chain disruption. ▪ Domestic subscription revenue grew 8.3% YoY to INR7.1b. International subscription revenue grew 17% YoY to INR956m. ▪ The impact of NOT 2.0 on subscription revenues is expected to last for two quarters.
PVR	▪ The company expects the movie release line-up to commence from September-end. Recovery is expected to speed up during the festive season starting October 2021, with big-budget movies scheduled for release. ▪ The Food business would coincide with cinema openings and is expected to pick up over 3–4 weeks as the Cinema business stabilizes. ▪ The company has availed additional liquidity of INR2b under the ECLGS 3.0 scheme during the current financial year. ▪ The company is in talks to re-negotiate with developers for a short-term reset on the minimum guarantee terms for the period pertaining to the shutdown and partial operations.	

SUN TV NETWORK

Click below for Results Update



Sun TV Network — Buy

Current Price INR 483

Key highlights

- There has been a change in the amortization policy of movie satellite rights, with 100% write off in the first year to a ratio of 30:30:20:20 spread over four years, significantly reducing depreciation.
- SUNTV is planning a series of non-fiction content across all channels, along with a revamp of fictional content. It gained 4-5% market share and touched 45% viewership in the Prime Time segment.
- It plans to invest INR12b in movie production over the next 1.5-2 years. Five big ticket movies (contributing 50%) are to be completed by Oct'21. One big ticket movie starring Rajnikant is lined up for release this Diwali (4th Nov'21).
- Sun Next OTT has 23.3m subscribers largely from B2B telcos. Its target is to have 11m subscribers (20% of South Indian homes) and will intensify its original content once its existing movie production is complete.
- It will continue with its dividend policy, with the payout ratio at historical levels of 45-85%.

Business performance

- There has been a change in the amortization policy of movie satellite rights, with 100% write off in the first year to a ratio of 30:30:20:20 spread over four years. The revised estimates led to the depreciation amount being lower by INR700m in 1QFY22.
- Other income was lesser YoY on account of lower interest rates on debt instruments and one-time interest income of INR350m in 1QFY21.
- PBT: The truncated IPL season adversely impacted PBT by ~INR460m.

Segmental revenue stood as follows:

- Advertising: INR2,440m
- Broadcasting: INR20m
- International subscription: INR250m
- Pay channel/Digital: INR2,010m
- DTH: INR2,140m
- IPL: INR1,240m

Subscription income

- While NTO 2.0 remains sub-judice in the SC, no major pricing-related impact on revenue is expected.
- Subscription guidance: It expects to grow its subscription revenue, but clarity on the same is expected post the SC judgment.
- International subscription: A decline was witnessed on account of a shift from local DTH/cable subscription to OTT.

Advertising revenue

- Opportunity: Television continues to remain a large market opportunity, with daily average viewing time increasing to 235 minutes as against 42 minutes on Digital platforms. It expects significant ad revenue over the next 2-3 years.
- Reach: SUNTV will continue to attract marketing managers for advertisements, given its strong reach (90% of households) in the Tamil market.
- Content strategy
- Movie production □ WIP movies: The company has five big-ticket movies that are in progress, in addition to several small budget movies, the release of which will be decided in Sep-Oct'21 depending on the opening up of theatres. The total investment expected is ~INR12b.
- A big Rajnikant movie is slated for release this Diwali (4th Nov'21).
- It is seeing strong demand for dubbing and release in other formats.

- Line-up of non-fiction shows: It is launching larger than life shows, i.e. non-fiction shows with top actors to improve its market share. Master Chef Tamil launched on 7th Aug'21 is seeing a good response.
- It plans to launch KBC with Jr. NTR and Master Chef in the Telegu market.
- It plans to launch Are You Smarter than a 5th Grader in Malyalam.
- Plans are afoot to improvise its fiction shows, given the strength of its non-fiction shows.
- Focusing on new markets SUNTV is seeing strong traction in the Bangla market, with its share reaching 5% within 12 months of its launch, despite being adversely impacted by COVID-19 outbreak. The management continues to focus on the Bangla market.
- The management's plans to launch a Marathi channel have got delayed due to the pandemic. It expects to achieve a market share of 10-15%.
- The company is not planning aggressive content production for OTTs, but will rather focus on completion of in-hand movies.

OTT/ Sun NXT

- Its subscriber base stands at 23.5m, with major B2B acquisitions (through tie ups with telcos) at lower prices and with restricted access to its library.
- It plans to target an audience of ~11m (20% of the total 54m families in the southern market) through direct paying subscription.
- A major portion of its revenue accrues from subscription. An uptick in advertising revenue is also being witnessed.
- OTT continues to remain a key part of its overall content strategy. Its plan to start original content from Oct'19 got a bit delayed and later was hit by the COVID-19 pandemic in FY20. It plans to invest heavily in Sun NXT once the existing movie production pipeline is completed.

Other highlights

- It declared an interim dividend of INR3.5/share. There was no material change in its dividend policy, with a payout ratio to range between historical levels of 45% and 85%.
- Amortization of INR2b is now being scaled down to INR1.5m as a result of the delay in opening of theatres.
- Cash balance: The company continues to maintain sufficient liquidity with a cash balance of ~INR3.9b.

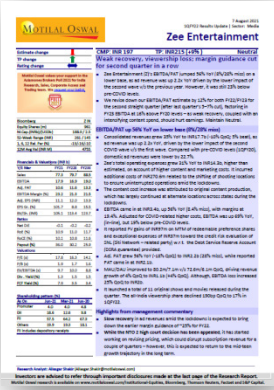
Zee Entertainment — Neutral

Current Price INR 171

Click below for
Detailed Concall Transcript &
Results Update

Key highlights

- Slow recovery in ad revenues amid the lockdowns is expected to bring down the earlier margin guidance of ~25% for FY22.
- While the NTO 2 high court decision has been appealed, it has started working on revising pricing, which could disrupt subscription revenue for a couple of quarters – however, this is expected to return to the mid-teen growth trajectory in the long term.
- EBITDA loss of INR2b in Zee5 is at the peak level, which should improve significantly from FY24 – Zee5 targets a ~35% revenue contribution, backed by new overseas market launches and subscription and ad growth.
- Recovery from Dish TV is in line with revised payment plans. The balance as of Jun'21 declined to INR3.7b (v/s INR5.8b in FY20); this is expected to fully recover by end-FY22.


Zee Entertainment

CMP: INR 197 TP: INR215 (+9%) Neutral

Weak recovery, viewership loss; margin guidance cut for second quarter in a row

Detailed notes

Zee5 (Digital Business)

- A sharp jump was seen in subscriptions during the quarter on account of two big properties – “Radhe” and “FRIENDS Reunion”.
- Revenue/EBITDA loss in Zee5 stands at INR1.1b/INR2b, impacted by higher content investments.
- 40% daily gross additions pertained to annual-pack subscribers.
- It has built up a strong content line-up.
- MAU/DAU stood at 80.2m/7.1m, with average watch time per user at 190 mins for 1QFY22.
- Revenues from incremental annual subscriptions are expected to be reflected over the year, and cost is amortized over five years.
- With investments in this space peaking during the calendar year, recovery is expected from next year as revenues start picking up.
- It launched Zee5 in the US market. This market is expected to be an important revenue driver in the coming years.
- Its subscription base is expected to be between40–50m subscribers (B2B/B2C: 60%/40%). The company expects subscription levels to reach 180–200m, with industry market share at 20–25% over the next five years.
- The segment is expected to contribute 30–35% to overall revenue over the long term.
- This would be the peak year of losses; losses may decrease marginally and then significantly from FY24 as revenue picks up.

Broadcast business

- It incurred an additional cost of INR270.6m during the current quarter related to the shifting of shooting locations to ensure uninterrupted operations.

Ad revenues

- Domestic ad revenues grew 128% YoY on a low base. Compared with pre-COVID levels, revenues were lower by 22.7%.
- Slow recovery is expected in ad revenues on the back of (a) lower share in COVID-impacted segments such as FMCG, (b) the possibility of a third wave, (c) and fewer launches or innovations in the market due to supply chain disruption.
- The slow recovery in ad revenues is expected to lower the earlier margin guidance of 25%.

Subscription revenue

- Subscription revenue grew 2% on an LTL basis, driven by growth in Digital.
- The Bombay High Court provided partial relief to broadcasters, while upholding the constitutional validity of NTO 2.0. These rules are expected to be implemented within six weeks of the order.
- Broadcasters have filed a petition with the apex court against the High Court order.
- The impact of NOT 2.0 is expected to last for two quarters.

Viewership trends weak; plans to intensify content investments

- It plans to focus on improving share in the Hindi, Marathi, and Tamil GEC markets, which have shown soft growth. It would launch 30+ shows in 2QFY22.
- It has maintained the second best spot among the TV entertainment networks, while Zee Music has become the second most subscribed to Indian music channel on YouTube.
- Network share dropped 190bps to 17%sequentially due to the impact of the lockdown disruption, update in the BARC universe, and soft performance in some markets. It is seeing recovery since July, albeit it is slow and gradual.

Outlook

- Full-year margins would be lower than the earlier guidance of ~25% as ad revenue recovery is slower than expected. FCF would also be lower than expected.
- The company expects investments in movie productions to be incremental. It was targeting 20 films at the start of the year, which may be difficult to achieve. Furthermore, Releases of certain films on which work has already been commenced in the current year would be impacted by the second wave.

Other highlights

- Dish TV over-dues: Recovery is in line with revised payment plans. The balance has decreased to INR3.7b currently (from INR5.8b/INR4.8b in Mar’20/Mar’21). The company expects to complete the recovery by end-FY22.
- Increase in current liabilities: Cash decreased due to current liabilities increasing on account of some level of seasonality and some increase in digital asset acquisitions.
- Zee Music remains the second most subscribed to music channel on YouTube.

METALS

- **The managements have reiterated their positive stance on the pricing outlook for steel and base metals. The strong rally in steel prices is likely to sustain on account of the following factors: (a) strong demand recovery in metal-consuming sectors across the world; b) focus on de-carbonization in China, leading to production cuts; c) the Chinese government discouraging steel exports by way of removal of export rebates; d) higher raw material prices such as iron ore, coke, and coal; and e) temporary export tax imposition by Russia to discourage steel exports. On the other hand, aluminum prices would be supported by improved demand for the metal, production cuts in China, and the cap on capacity expansion leading to a market structurally in deficit over the next 2–3 years. While there are temporary headwinds in demand from the Automotive segment due to the semiconductor shortage, the worse is likely behind. While deleveraging would remain the key focus for companies, they are also eyeing growth, which would lead to higher capital expenditure. On the domestic front, volume decline has been observed in all companies due to weak domestic demand. However, the managements have highlighted that demand is expected to improve from Aug'21.**

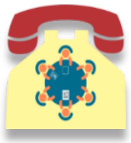
KEY HIGHLIGHTS FROM CONFERENCE CALL

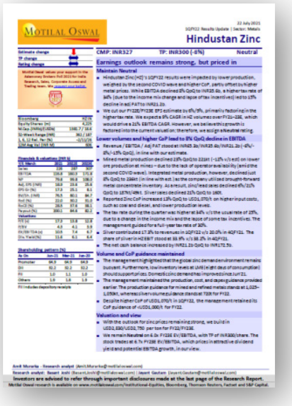
	Outlook FY22	Capacity expansion
Hindalco	■ The management remains optimistic about aluminum and copper prices on stimulus-driven demand recovery and supply-side reforms in China. ■ **Aluminum CoP is guided to increase by 5% QoQ in 2QFY22** on a rise in input commodity prices such as coal (+8% QoQ) and CT coke (+25% QoQ). ■ Novelis' margin guidance is maintained at USD500/t+. ■ Demand for Beverage Cans / Auto is expected to grow 3–6%/25–30% YoY (although on a lower base) in CY21. ■ The 500ktpa Utkal refinery expansion would be commissioned in 2QFY22.	■ The company announced a 170ktpa expansion in flat rolled products (FRP) at a capex of INR30b. The project would be completed in 36 months. ■ Novelis has announced a 200ktpa expansion plan in China for a capex of USD375m. ■ The expansion of the recycling, casting, and rolling capacity in Brazil remains on track to be commissioned in mid-FY22.
Tata Steel	■ The management guided for an improved outlook in the Europe business. It guided at a QoQ improvement of EUR200–240/t in realization in 2FQY22 (USD240–290/t) on account of contract renegotiations. Iron ore / Coking coal costs are guided to rise by USD20/USD10 per tonne QoQ. As a result, the margin is expected to improve significantly in Europe. ■ The management guided for an INR3,000/t QoQ increase in steel realization in its India operations. ■ The company aims to significantly reduce its overseas debt in Europe and Singapore. It prepaid an EUR0.5b loan in TSE.	■ Expansion work on the 5mtpa KPO-II is faring well and should be commissioned in 2HFY24. The pellet plant and CRM facility at KPO are expected to be commissioned earlier in 1HCY22. ■ The capex guidance for FY22 stands at INR110b, of which INR75b is for its India operations.
JSW Steel	■ The management guided at production/sales of 18.5mt/17.4mt in FY22, with the new Dolvi capacity contributing 1.5/1.4mt. ■ The impact of higher iron ore and coking coal prices would be visible in 2QFY22. ■ The company's USA subsidiaries are likely to remain EBITDA-positive in FY22. ■ The company announced a strategic investment of INR7.5b in JSW Paints in phases over FY22–25.	■ The 5mtpa new capacity at Dolvi is likely to be commissioned in Sep'21. ■ To lower its power costs, meet its renewable purchase obligation (RPO), and reduce its carbon footprint, JSW Steel would invest INR4.45b for a 26% stake in the SPV setup by JSW Energy Ltd – to establish a 958MW capacity for renewable power (solar and wind).
JSPL	■ The management expects to close the JPL divestment within 12 months. The divestment would reduce net debt by INR93b. ■ Cost of production (CoP) is likely to rise in the coming quarters due to the exhaustion of free-of-cost iron ore and a sharp increase in coking coal prices. The management targets net debt of INR80b by FY22-end, assuming the deal proceeds of INR30b from JPL would be received by then.	■ Capex for FY22 is guided to remain in the INR20–25b range. ■ JSP has announced the expansion of its 6mtpa Angul plant to 13mtpa by FY25 – 1mtpa through debottlenecking in FY22 and a 6.3mtpa brownfield expansion in phases by FY25.

MOTILAL OSWAL

HINDUSTAN ZINC

Click below for
Detailed Concall Transcript &
Results Update





Hindustan Zinc — Neutral

Current Price INR 308

Positive on zinc demand and pricing

- The management highlighted that zinc demand is forecast to grow 4.3% YoY to 13.78mt in CY21.
- Amid increasing concerns of inflation, the dovish stance by the US Fed and China releasing state reserves of zinc are key risks to prices. However, the power shortage in Yunnan and the Inner Mongolia province of China could impact zinc production, which should be supportive of prices.
- LME zinc inventory is at 8 days of consumption and the lowest level in CY21.
- Domestic zinc demand was impacted by slower construction activity and lower auto production; however, it has subsequently improved since Jun'21.

Operational highlights

- Mined metal production rose 9% YoY to 221kt on a lower base. However, it declined 23% QoQ to 2due to operators' absenteeism over April–May'21 (due to the second COVID wave).
- Integrated metal production, however, declined just 8% QoQ to 236kt (+17% YoY) as the company utilized brought-forward metal concentrate inventory of 22kt (13kt at quarter-end). However, this is the highest ever production achieved by HZ in the first quarter of any financial year.
- Refined zinc production was down 4% QoQ to 188kt, lead production 21% QoQ to 48kt, and saleable silver production 27% QoQ to 156kt.
- Zinc sales were down 6% QoQ to 188kt, lead sales 21% QoQ to 49kt, and silver sales 21% QoQ to 160t.
- Derived zinc realization was up 7% QoQ on higher LME prices. Silver realization, on the other hand, was up 4% QoQ to INR69,125/kg.
- Reported CoP increased 13% QoQ to USD1,070/t on higher input commodity costs such as coal, diesel, and cement, partly offset by higher prices of sulfuric acid.
- CoP was impacted by higher coal costs (INR8,100/t; +20% QoQ) and higher diesel prices (INR81/liter; +25% QoQ).
- The coal sourcing mix during the quarter stood as follows: linkage – one-third; imports – two-thirds.

FY22 guidance remains unchanged

- The company has maintained its guidance of 1,025–1,050kt of mined and refined metals in CY21.
- Saleable silver production is guided at 720t (706t in FY21).
- CoP is guided at <USD1,000/t (USD1,070/t in 1QFY22).
- Project capex is guided at USD100m, whereas maintenance capex should be USD150–200m.

Project update: Fumer commissioning delayed further

- The Fumer project's commissioning continues to be delayed due to global travel restrictions. It is now expected to be commissioned in Nov'21. The Fumer commissioning would enhance silver production by 30tpa.
- FY22 project capex includes seeding capex for a) a fertilizer plant, b) a proposed zinc smelter in Gujarat, and c) capacity expansion from 1.2 to 1.35mtpa. Capex

on these projects would be finalized after the completion of design and studies, and would most likely commence from FY23.

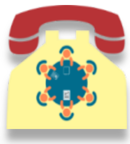
Balance sheet update

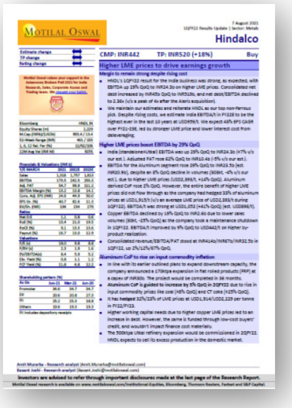
- Gross investments and cash balance stood at INR239.0b v/s INR223.1b at FY21-end.
- Net cash and investment balance stood at INR172.5b v/s INR151.3b at FY21-end.
- Gross debt stood at ~INR67b v/s INR72b at FY21-end.

Hindalco Inds — Buy

Current Price INR 404

Click below for
Detailed Concall Transcript &
Results Update





1QFY22 operational highlights

- Aluminum sales declined by 8% QoQ (flat YoY) to 303kt due to weak domestic demand.
- Aluminum VAP sales (excluding wire rods) fell 11% QoQ to 82kt. The share ofVAP sales declined to 27% in 1QFY22 v/s 28% in 4QFY21.
- Alumina production rose 3% QoQ to 718kt. The company took a maintenance shutdown at the Utkal refinery during 4QFY21.
- Copper cathode production declined by 35% QoQ to 63kt due to a maintenance shutdown in 1QFY22. Copper metal sales, however, were higher at 80kt, down42% QoQ.

1QFY22 insights and outlook

- The management expects demand for commodities like aluminum and copper to remain strong in CY21 on the back of a stimulus driven economic recovery. It expects aluminum prices to sustain at higher levels due to supply-side measures taken in China.
- Domestic aluminum/copper demand was impacted due to COVID-19 in 1QFY22.However; the same is expected to improve in coming quarters.
- Aluminum CoP is guided to increase by 5% QoQ in 2QFY22 due to rise in input commodity prices like coal (+8% QoQ) and CT coke (+25% QoQ) etc.
- Operations at its copper smelter are expected to run normally post the shutdown taken in 1QFY22. Quarterly production/sales run-rate is now guided at 90kt/100kt. The management has guided at a normalized EBITDA run-rate ofINR3b for the next three quarters.
- It has hedged 32%/23% of LME prices at USD1,914/USD2,229 per tonne inFY22/FY23. A 5% hedging was undertaken in 2QFY22 ~USD2,500/t. The management said it would not hedge any more volumes in FY22 as it maintains bullish outlook on aluminium prices.
- Capex guidance: INR27b for its India operations (actual spend in FY21: INR16b).
- Coal mix in 1QFY22: Linkage coal: 69%; e-auction: 22%; captive: 5%.

Other highlights

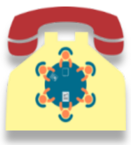
- Net debt increased by INR45b QoQ to INR519.1b (INR623b in 1QFY21) due to higher working capital in the copper business on account of higher LME prices. Working capital in the copper business is financed by low-cost buyers' credit.Net debt-to-EBITDA declined to 2.36x at the end of Jun'21 (v/s 2.59x at the end of Mar'21).

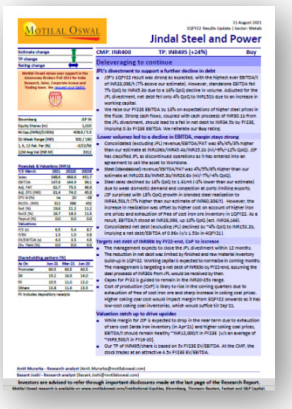
- Commissioning of Utkal 500ktpa refinery expansion would take place in 2QFY21.The company has tied up with a domestic customer to sell its excess alumina production.
- Duffel receivables update: The management wrote down the balance consideration from the Duffel sale by EUR63m to EUR45m as it expects an out of court settlement with the buyer: Avalance. It cited the adverse financial position of Liberty Group (Avalance is a part of the Liberty Group) as a key reason for the out-of-court settlement. However, in case the settlement does not take place in the next few months, it would continue to pursue arbitration and remains hopeful of a favourable outcome.
- Downstream expansion announced: The company does not plan to expand its upstream aluminium operations in India and would continue to focus on expanding downstream capacities. In line with its plans outlined earlier, it announced 170ktpa of FRP product line expansion at a cost of INR30b. It expects an IRR of over 15% from this expansion. The project would get commissioned in the next 36 months, i.e. by 1HFY25.
- Change in segmental reporting: From 1QFY22, the company has changed its segmental reporting by declassifying corporate overheads to un-allocable expenses (earlier apportioned to business segments). In 1QFY22, corporate overheads stood ~INR2b, whereas treasury income stood ~INR1b.

Jindal Steel & Power **Buy**

Current Price INR 377

Click below for Detailed Concall Transcript & Results Update





Accepts Worldone's revised offer for JPL's divestment

- JSP has accepted the revised offer from Worldone for sale of its Power subsidiary: JPL. Under the new offer, Worldone has agreed to simplify the deal structure by netting off the value of preference shares (payable after 20 years) issued by JPL to JSP against the inter-corporate debt issued by JPL to JSP.
- Worldone would pay a cash of INR30.1b and take over the inter-company loans/deposits of INR43.8b to be paid by JSP to JPL. It would receive rights for the INR70.5b preference shares issued by JPL to JSP, which are redeemable in 20 years.
- The company would now seek shareholders' approval at the EGM. The deal is expected to be closed in 12 months.

Other highlights

- Weak domestic demand impacted sales: JSP produced ~2.01mt steel in 1QFY22. However, sales were lower at 1.61mt (-16% QoQ) due to weak domestic demand and congestion at the port owing to the cyclone in Odisha and COVID-related norms. Domestic demand was weak in Jul'21, and the management maintained its focus on exports.
- Increased working capital led to marginal net debt reduction: Excluding JPL's debt (~INR63b), the company's net debt declined marginally in 1QFY22 to INR152.3b. This was due to finished and raw material inventory build-up in 1QFY22. However, the company expects to release working capital by Oct'21.

Accepts Worldone's revised offer for JPL's divestment

- JSP has accepted the revised offer from Worldone for sale of its Power subsidiary: JPL. Under the new offer, Worldone has agreed to simplify the deal

structure by netting off the value of preference shares (payable after 20 years) issued by JPL to JSP against the inter-corporate debt issued by JPL to JSP.

- Worldone would pay a cash of INR30.1b and take over the inter-company loans/deposits of INR43.8b to be paid by JSP to JPL. It would receive rights for the INR70.5b preference shares issued by JPL to JSP, which are redeemable in 20 years.
- The company would now seek shareholders' approval at the EGM. The deal is expected to be closed in 12 months.

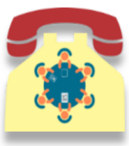
Other highlights

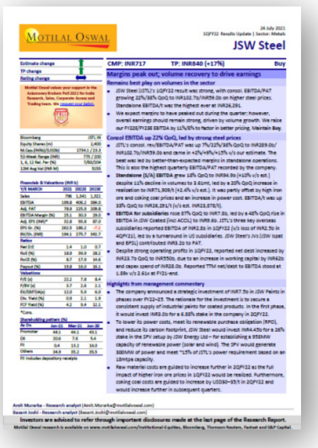
- Weak domestic demand impacted sales: JSP produced ~2.01mt steel in 1QFY22. However, sales were lower at 1.61mt (-16% QoQ) due to weak domestic demand and congestion at the port owing to the cyclone in Odisha and COVID-related norms. Domestic demand was weak in Jul'21, and the management maintained its focus on exports.
- Increased working capital led to marginal net debt reduction: Excluding JPL's debt (~INR63b), the company's net debt declined marginally in 1QFY22 to INR152.3b. This was due to finished and raw material inventory build-up in 1QFY22. However, the company expects to release working capital by Oct'21.

JSW Steel — Buy

Current Price INR 685

Click below for Detailed Concall Transcript & Results Update





Commentary on demand and pricing

- The company expects domestic demand to recover from July-end and robust growth in 2HFY22. Overall, it estimates domestic steel demand to grow ~15% YoY in FY22.
- Domestic steel inventory remains high in India. However, with an elevated level of exports and domestic demand normalizing, inventory levels should decline.
- Global steel supplies have improved in 2QCY21. Nonetheless, robust demand continues to outstrip supplies. The lead time remains high as steel mills in the US/EU are booked out up to Oct'21.
- The company does not see the risk of old capacities (closed long ago) returning as higher RM cost and environmental costs would not allow such capacities to be profitable for long.

1QFY22 operational insights

- Production declined 2% QoQ to 4.1mt in 1QFY22. Capacity utilization declined to 91% (v/s 93% in 4QFY21) on weak demand and O2 being diverted for (COVID-related) medical purposes.
- Sales volumes declined 11% QoQ to 3.6mt in 1QFY22. Sales volumes could have been higher by ~0.12mt, but inventory at ports was not exported due to congestion at ports.
- Due to weak domestic demand, the company exported ~33% of total volumes in 1QFY22 (v/s 27% in 4QFY21).
- NSR increased 20% QoQ in 1QFY22, whereas cost of production was 10% higher due to higher iron ore, coking coal, and fuel costs.
- Cost is likely to increase further in the coming quarters as the impact of higher iron ore prices in 1QFY22 would be realized during the quarter. Furthermore, coking coal cost would increase by USD30–35/t in 2QFY22 and would rise further in 3QFY22.

- The company produced ~9.8mt of iron ore during the quarter.

Subsidiaries' performance – turnaround in US subsidiaries in 1QFY22

- Subsidiaries' EBITDA rose 87% QoQ to ~INR7.8b (est. INR8.1b), led by higher EBITDA in JSW Coated and a turnaround in US subsidiaries. However, this was partly offset by EBITDA loss in other Indian subsidiaries.
- EBITDA in JSW Coated (incl ACCIL) improved 48% QoQ to INR9.6b, led by higher prices. Volumes, however, declined 9% QoQ to 0.70mt. It posted EBITDA/t of INR13,757/t (up 64% QoQ).
- Key overseas subsidiaries reported EBITDA of INR2.8b (v/s loss of INR2.5b QoQ). The turnaround was led by higher EBITDA of INR3.21b in US subsidiaries, which resumed operations in Mar'21. Italian subsidiary Aferpi Steel reported loss of INR420m. The management guided for further improvement in US subsidiaries owing to a better pricing environment. Aferpi Steel is also likely to see a turnaround in the coming quarters, led by potential orders for railway projects.
- Domestic subsidiaries reported EBITDA of INR5.0b in 1QFY22 (4QFY21 – INR6.6b).
- JSW Ispat (Monnet Ispat), a joint venture company, reported EBITDA/PAT of INR1.8b/INR0.63b (-12%/-33% QoQ) in 1QFY22.
- BPSL reported production/sales of 0.69mt/0.48mt.
- JSW Ispat and BPSL, along with other JVs, contributed INR3.23b to JSTL's PAT.

Guidance for FY22

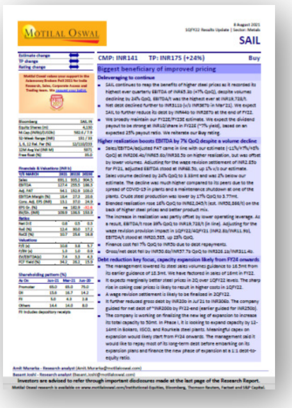
- The management reiterated its production/sales guidance of 18.5mt/17.4mt for FY22, with the new Dolvi capacity contributing 1.5mt/1.4mt.
- It guided for volumes of 1mt for JSW Steel Ohio.
- It guided for sales volumes of 2.6mt/0.63mt for Bhushan Power / Monnet Ispat.
- Capex guidance is maintained at INR182.4b for FY22. Of this, the company spent INR26.9b in 1QFY22.

SAIL — Buy

सेल SAIL

Current Price INR 119

Click below for Results Update



Operational highlights and outlook

- During 1QFY21, SAIL's steel sales volumes declined by 24% QoQ to 3.32mt on account of the COVID-19 spread in plants and a 23-day shut down for repairs in ISP. Exports contributed 11% of total sales.
- Hot metal/crude steel/saleable steel production declined by 17%/17%/15% QoQ to 4.14mt/3.77mt/3.77mt.
- During 1QFY21, the company sold 0.86mt of iron for INR4.5b, implying a realization of INR5,233/t of iron ore. This contributed INR1,350/t to steel realization. We estimate EBITDA of INR1.9b from iron ore sales v/s INR3.6b in 4QFY21.
- Volume guidance lowered: The company lowered its steel sales volumes guidance to 16.5mt from its earlier guidance of 18.3mt. It didn't guide on iron ore sales due to delays in approvals for iron ore sales from mines in Jharkhand. It had guided at iron ore sales of 13.5mt in FY22.

Pricing trend and outlook

- SAIL's average blended realization improved by 16% QoQ to INR62,045/t in 1QFY22. Average per tonne realization for flats/longs stood at INR59,565/INR50,120 (+12%/12% QoQ) in 1QFY22.
- Pricing in 2Q remains at par with 1QFY22: The management said pricing declined marginally in Jul'21. However, indicative Aug'21 realization suggests marginally higher pricing compared to 1QFY22.
- Receivables stood flat QoQ at INR71b. The management said it has realized part of the receivables for Railways in 1QFY22.

Costs and wage revision settlement

- Coal consumption cost was higher by ~30% QoQ in 1QFY22. With coking cost higher by ~USD100/t over the last four months, coal consumption is likely to increase further in 2QF22, leading to a rise in costs. To mitigate the cost impact, the company is increasing usage of soft coking coal in the blend, lower its coke use rate, and increase PCI coal injection to 110kg/tcs from ~70kg/tcs currently.
- The company further provisioned INR2.85b towards a wage revision settlement in FY21. The negotiations are still on and are expected to conclude in Sep'21.
- Assuming there is no further increase in the wage revision amount, employee costs are likely to remain at FY21 levels.

Targets a debt reduction of ~INR170b (45%) in FY22

- During 1QFY22, the company reduced its net debt by INR57b (~15%) to INR311.1b. Gross debt fell by ~INR50.6b QoQ to INR326.1b. The cash balance stood at INR15b at the end of 1QFY22.
- It further reduced gross debt by INR20b in Jul'21. Excluding lease liabilities, gross debt stood at INR28.2b at the end of Jul'21.
- The company targets to pare debt below INR200b by the end of FY22.

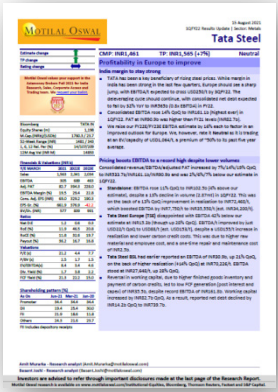
Capex plans

- Capex stood at INR7.5b in 1QFY22.
- Capex guidance: As per the government's directive, SAIL is required to spend INR80b on capex in FY22. However, the management expects capex spends to remain ~INR60b in FY22.

New phase of expansion under consideration

- The management said it is planning to start a new phase of modernization and expansion from FY24 onwards. It aims to increase its steel-making capacity to 50mtpa, in line with the National Steel Policy.
- SAIL is planning to expand in two phases. In Phase I, it is looking to expand capacity by 12-14mt in Bokaro, IISCO, and Rourkela steel plants. It has already completed land surveys in Rourkela and at the Bokaro steel plant, and has land parcels available to support a brownfield expansion.
- The management said it would take 15-18 months to finalize its expansion plan. Thus, the expansion would likely start from FY24 onwards.
- It aims to repay as much debt as possible before embarking on its expansion plans and finance the new phase of expansion at a 1:1 debt-to-equity ratio.
- Taking cues from previous expansion, the management informed that It would not embark on all expansion projects at one go, but would pursue it in a manner that there is a sufficient time gap between two large payments.

Click below for
Detailed Concall Transcript &
Results Update



Tata Steel — Neutral

Current Price INR 1,376

Outlook

- The steel industry is seeing structural changes due to the focus on carbon footprint reduction, which has led to China discouraging exports by way of removing rebates and raising export duty on pig iron. The management's emphasis on carbon footprint reduction would make steel a domestic play and reduce focus on exports to countries like China and Japan.

Demand

- Global steel demand is expected to increase by 5.8% in CY21 due to economic recovery and progressive COVID-19 vaccination across regions.
- Steel demand in India is expected to improve with the waning of the second COVID wave. Demand is recovering across segments in the EU and UK, except for Auto, which was hit by a semi-conductor shortage.

Pricing

- The management expects Asia steel prices to remain buoyant amid a strong demand recovery, pollution control led production curbs in China, and higher coking coal prices in China.
- Strong international steel prices, robust demand, and supply tightness should support India and European steel prices.
- The management guided at an INR3,000/t QoQ increase in steel realization in its India operations.

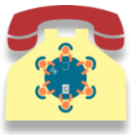
Guidance

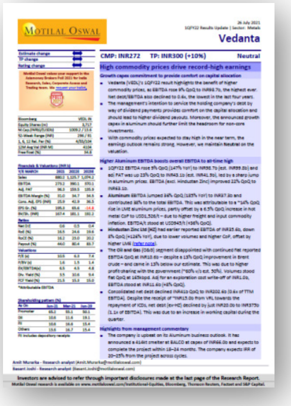
- It guided at incremental volumes of 1mt each in India/Europe (17.3mt/8.8mt in FY21).
- It has guided at a capex of INR100-120b for FY22.
- Pellet plant and CRM facility would be commissioned in 1HCY22.

Operational highlights

- India operations sales declined by 11% QoQ (+42.3% YoY) to 4.15mt in 1QFY22. Production fell by just 2.7% QoQ to 4.62mt. The share of exports stood at 16% of volumes (11% in 4QFY21).
- Domestic volumes declined by 16% QoQ to 3.5mt, whereas exports rose 30% QoQ to 0.66mt. Key business verticals-wise performance:
  - a) Auto: -0.56mt, -28% QoQ.
  - b) Branded and Retail: -1.2mt, -17% QoQ.
  - c) Industrial Products and Projects: 1.42mt, -11% QoQ.
- Tata Steel's standalone sales stood at 2.87mt, -13% QoQ/+36% YoY.
- Tata Steel BSL: Sales declined by ~6% QoQ (+61% YoY) to 1.12mt.
- Tata Steel Europe: Sales fell ~5% QoQ (+21% YoY) to 2.36mt on improved demand and seasonality. Production grew ~3% QoQ to 2.73mt (+27% YoY).

Click below for
Detailed Concall Transcript &
Results Update





Vedanta — Neutral

Current Price INR 269

Zinc India

- The management maintained the production, cost, and capex guidance provided earlier. The production guidance for mined and refined metals stands at 1,025–1,050kt, whereas the silver volume guidance stands at 720t for FY22.
- Despite higher CoP of USD1,070/t in 1QFY22, the management retained its CoP guidance of <USD1,000/t in FY22.

Aluminum – capex to remain high on growth/cost reduction projects

- The company announced expansion at its Balco smelter by 414kt at capex of INR66.0b. The management expects IRR of 20–25% from the project as well as payback of 4–5 years.
- During the quarter, the company achieved an aluminum production run-rate of 2.2mtpa and is on track to achieve a 2.3–2.4mtpa run-rate.
- The company was declared a successful bidder for the Kuraloi (A) North Coal Block in Jharsuguda, Odisha, during the quarter.
- The management informed that its coal security for the Aluminum business would increase to 100% post the operationalization of its three coal blocks – the Jamkhani, Radhikapur West, and Kuraloi (A) coal blocks. Capex for operationalizing these mines would be ~INR30.0b; they are expected to be operationalized by FY23-end.
- The Kuraloi (A) coal block would reduce its aluminum CoP significantly as its coal cost is expected to be ~50% lower than that of market-procured coal.
- The Lanjigarh refinery expansion to 5mtpa (from 2mtpa currently) is expected to be completed by 1QFY23.
- The company aspires to achieve CoP of USD1,200/t for aluminium post the capacity expansion at the Lanjigarh refinery and operationalization of the coal blocks.
- Hot metal CoP increased 6.5% QoQ to USD1,526/t on input commodity cost inflation and higher freight cost.
- The Lanjigarh alumina CoP stood at USD258/t (up 5% QoQ).
- Production/sales stood at 548kt/534kt (+3%/-1% QoQ).

Zinc International: Gmsberg ramp-up on track

- The Gamsberg mine continues to see a strong ramp-up, with an annual production rate of 184ktpa in 1QFY22. It achieved the highest quarterly production of 46kt during the quarter.
- Furthermore, it mined 870kt of ore during the quarter, the highest thus far.

Oil & Gas – higher profit-sharing to impact profitability

- Oil & Gas production stood flat QoQ at 165kbpd in 1QFY22.
- Profitability in Oil & Gas was impacted by higher profit-sharing at the Rajasthan Block (~60%) – due to upward revision in contracts from 40% to 50%. Profit-sharing would vary at 50–60% going forward based on the investment multiple.
- The operating cost of the RJ Block declined to USD8.4/boe in 1QFY22 (from USD9.0/boe in 4QFY21) primarily due to maintenance activity in the previous quarter.
- During the quarter, the company wrote off exploration cost of INR1.0b towards the drilling of three wells – as the wells were dry.

- A new terminal known as Raageshwari Deep Gas is now fully operational; production has been ramped up to ~32kboepd. The surface facility at Aishwariya Barmer Hill was commissioned in 4QFY21, and volumes were ramped up to 9kboepd in 1QFY22. Targeted volumes stand at 11kboepd.
- The company is incurring capex of USD200m to monetize 40mmboe reserves at Mangala, Aishwarya, and Raageshwari as well as offshore reserves, and expects to commence drilling at all locations latest by 3QFY22. Furthermore, it is incurring capex of USD150m to grow its resource portfolio.
- One of the conditions for the extension of the block is related to the payment of amounts arising out of certain audit exceptions. One of the audit exceptions raised for FY16–17 requires the company to pay INR27.2b (VEDL's share). However, the company has disputed the same, and the matter is under arbitration. No provision has been created against the same.

Steel business – capacity to double over 2–3 years

- The company has plans to double its steel-making capacity from 1.5mtpa currently to 3.0mtpa through (a) de-bottlenecking (0.2mtpa) planned in Oct'21, (b) setting up a 1.1mtpa BF, and (c) productivity enhancement of 0.2mtpa.

Debt

- Consolidated net debt declined INR41b QoQ to INR202.6b (0.6x of TTM EBITDA).
- Despite receipt of ~INR15.0b from VRL towards the repayment of ICDs, net debt (ex-HZ) declined just INR20.0b to INR375b (1.1x of EBITDA). This was due to an increase in working capital during the quarter.
- VEDL has received the first installment of USD203m against USD966m in loans advanced to VR during the quarter.
- The promoter entity VRL's standalone net debt stood at USD7.2b at FY21-end.
- The management informed that it would look to lower promoter entity debt through dividend payments. Furthermore, it informed that it has a window up to 31st Oct'21 to pass on the dividend received from Hindustan Zinc in FY21.

Other highlights

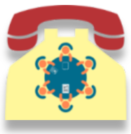
- VEDL has received the first installment of USD203m against USD966m loans advanced to VRL.
- The project capex guidance for FY22 stands at USD1.1b (v/s spend of 0.3b in FY21). Sustenance capex is likely to remain at USD0.7–0.9b.

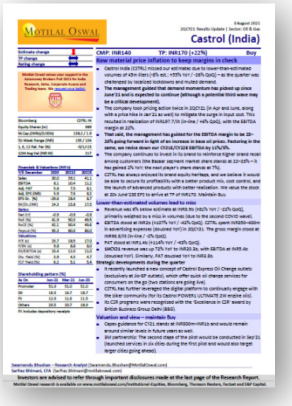
- **OMCs have highlighted that with the easing of the lockdowns in India in July, demand for petroleum products such as MS/LPG has surpassed 2019 levels (+5%/+10%), while HSD demand remains subdued (-8%). An increase in personal mobility due to COVID-19 continues to drive demand higher for MS (thus aiding cracks). Demand for HSD is also seeing strong recovery in the US, coupled with the re-opening of the Chinese and Indian economies. Although, high levels of HSD inventory globally have resulted in suppressed cracks. Volume recovery in the aftermath of the last two lockdowns has been the quickest for GUJGA (current volumes at 12mmscmd v/s 10mmscmd in 1QFY22, with Morbi at 7.1mmscmd). CNG volumes for both IGL and MAHGL are picking up as the lockdowns are gradually lifted in Delhi and Mumbai, respectively. The management of MAHGL has stated CNG prices are linked to the prevailing prices of alternate fuels. Negotiations are still on with OMCs on higher commissions to sell CNG. Coupled with an increase in domestic APM gas prices, this could be critical for the margin going forward.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

Oil & Gas	Outlook for FY22	Quarterly snapshot
GAIL	▪ Transmission volumes, which were lower in 1QFY22 (108mmscmd; -2% QoQ on account of a lower offtake by certain customers), have recovered to ~115mmscmd at present. The management expects 8–10mmscmd volume growth in FY22 from the commissioning of fertilizer plants – aiding the domestic placement of trading volumes.	▪ The management guided that the petchem plant is currently operating at over 100% utilization and would achieve 100% utilization in FY22, despite the lower utilization rate in 1Q (amid planned shutdowns). ▪ In the current high spot LNG price environment (JKM forward curve at USD15–16/mmbtu, up from USD10/mmbtu in 1QFY22), the company expects the Trading segment to fare even better in 2Q.
OMCs (IOC/BPCL/ HPCL)	▪ IOCL and HPCL are set to commission various projects over the next three years. ▪ The capex guidance for IOCL/HPCL/BPCL stands at INR285b/INR145b/INR100b. ▪ BPCL is still working with the Government of India to protect its interest in IGL and PLNG and avoid an open offer in these subsidiaries. A virtual data room has been opened up since Apr'21, and the next two steps consist of a discussion with the senior management and visiting physical assets.	▪ Implied gross marketing margins (including inventory) were stronger at INR5.7–6.2/lit (similar on a QoQ basis at INR5.9–6.1/lit) v/s our estimate of INR3.9–4.2/lit. ▪ IOCL's reported GRM stood at USD6.6/bbl (the highest among peers), with BPCL/HPCL at USD4.1/bbl / USD3.3/bbl, against SG GRM of USD2.0/bbl during the quarter.
Petronet LNG	▪ The capex guidance for FY22/FY23 stands at INR5b/INR10b, with capex of INR41b committed over the next 3–4 years. ▪ The management stated capex plans for compressed biogas (CBG) and LNG retailing would be undertaken in phases only and with minimum stipulated IRR of 16%; clarity on the LNG terminal on the eastern coast would emerge by the end of next year.	▪ Petronet LNG (PLNG)'s numbers were in line with our estimates, with volumes at 209tbtu and utilization rates at Dahej/Kochi at 88%/24% in 1QFY22. Kochi was largely unaffected, while Dahej was impacted by the second COVID wave. ▪ Kochi would be ramped up to a 30% utilization rate by end-FY22, while Dahej would operate at 95% owing to LT contracts.
Reliance Inds	▪ Increased vaccination coverage would drive business confidence and further boost demand. Continued recovery in road and air mobility would lift demand for transportation fuel in the coming quarters. ▪ The company guided that new capacity additions in the global Polyolefin space should be absorbed by strong demand in Asia. This would keep polyester margins firm in the near term, thus proving beneficial to integrated players.	▪ EBITDA for the consol./standalone business rose 38%/61% YoY in 1QFY22 on a low base of last year (2% beat). RJio's EBITDA was in-line (up 23% YoY), while the same for Retail grew 79% YoY (6% beat). ▪ Gas production of over 18mmscmd is expected in FY22 (from the already commissioned R-Cluster and Sat-Cluster), while the MJ field would be commissioned in 3QFY23. The KG Basin is expected to achieve peak production of ~30mmscmd by CY23E.

Click below for
Detailed Concall Transcript &
Results Update





Castrol India — Buy

Current Price INR 130

Snapshot of 2QCY21

- Volumes in 2QCY21 stood at 45m liters (-8% est.; +55% YoY / -26% QoQ).
  - The volume share for the quarter stood at 40% for Personal Mobility and 40–45% for Commercial Vehicles, whereas Industrials accounted for the remainder.
  - The demand momentum has picked up since June and is expected to continue (although a potential third wave may be a critical development).
- The company took pricing action twice in 2QCY21 (in Apr and June, along with a price hike taken in Jan'21).
- Operating margin guidance: The management expects this to be 25–26% going forward.
- CSTRL continues to invest in its brand to reinforce higher brand recall among customers. It spent INR350–400m on advertising (double YoY) in 2QCY21.

ESG plan going forward

- Path 360 Program – Castrol aims to turn net carbon free by 2050 by implementing the following three steps:
  - Reducing waste: It has reduced the use of plastic in small bottles by ~20%.
  - Reducing carbon: It has installed solar panels at its plants and would conduct an energy audit this year to implement a further shift to renewable energy. It has also started blending lubricants at lower temperatures, which reduces the energy requirement and carbon footprint; it is focusing more on BS-VI products.
  - Improving quality of life

Others

- LOBS price has almost doubled over 8–9 months; 70% of base oil is imported.
- CSTRL has market share of 22–23% in the Bazaar segment, with the next player at 7%.
- 3M partnership: The second stage of the pilot would be conducted in Sep'21 (launched services in six cities during the first pilot and would also target larger cities going ahead).
- Castrol Express Oil Change was recently launched at Jio-BP outlets only; two stations are going live for now. Jio-BP would expand its network to 5000 retail outlets over the next five years, which gives enough headroom for growth.

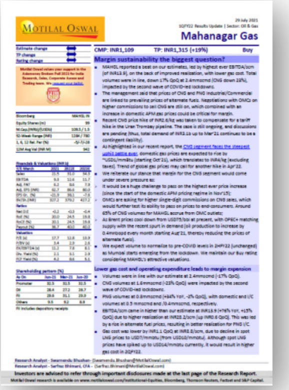
Click below for
Detailed Concall Transcript &
Results Update

Mahanagar Gas — Buy

Current Price INR 1,099

For 1QFY22

- Increase in alternate fuel pricing resulted in higher realizations of PNG I/C.
- Gas cost was lower QoQ due to decline in spot LNG prices to USD7/mmbtu (from USD10/mmbtu). MAHGL has also contracted 0.1mmscmd of RIL KG basin gas, which is at a lower cost (for the PNG I/C segment).
- It added five new CNG stations taking the total to 274 stations at present.
- It has commissioned a MRU in Raigad. The management said adding more MRUs will require local permissions and regulatory approvals. MAHGL is in the process of inviting EoIs to set up MRUs in GA2 (Thane urban) and GA3 (Raigad).
- 1QFY22 saw a marginal dip in CNG vehicle conversion due to the lockdowns.



Growth guidance

- MAHGL targets ~20 new and 25-30 upgrades of CNG stations in FY22, with 8-10 MRUs (one-third of which could be in Raigad). It is eyeing ~300k new domestic connections in FY22. Also, two LNG stations are planned in Savroli (LNG tanks are installed, commissioning in 2HFY22) and another on the Mumbai-Nashik highway (may take 12-15 months).
- CNG stations currently are operating at less than 50% utilization, presenting room for a ramp up, although volume growth from here on would depend significantly on unlocking plans by the government.
- Aggressive capex plans could be of INR8b per year, depending on approvals in place, and mainly in four baskets: Pipelines', setting up of CNG stations/upgrading it, new office building expense, and routine capex.
- BEST: About 500 buses were added some months back. There is a fresh procurement plan for 500 buses, which is to be inducted over the next 2-3 quarters. MAHGL is upgrading its CNG infrastructure at three depots to facilitate these new buses.

Others/miscellaneous

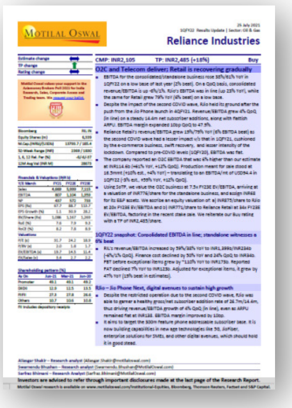
- Around 29,162 households were connected (totaling 1.63m), 40 I/C customers were added (totaling 4,196) in 1QFY22.
- It laid 43.12km of steel-PE pipeline (totaling 5,950km).
- Raigad has 41,072 households and 19 CNG stations, with 268.81km of pipelines (7.94km of pipelines added in 1QFY22).
- The management believes that EVs would remain a long-term development, but won't eliminate CNG in the near term. It feels creating EV infrastructure in a vertical city like Mumbai is a huge task.
- Compressed biogas may not be more than 4-5% of its mix in coming years.
- The company does not see any change in the gas allocation policy.

Reliance Industries — Buy

Current Price INR 2,146

Reliance Industries Limited

Click below for Detailed Concall Transcript & Results Update



Key partnerships and initiatives

- Google Cloud: It plans to use Google Cloud's cutting-edge technologies to power Jio's 5G solutions and for powering Reliance Retail, JioMart, JioSaavn, and JioHealth. RJio and Google Cloud will collaborate to bring a portfolio of 5Gedge computing solutions across gaming, healthcare, education, and video entertainment.
- Microsoft: RJio and Microsoft operationalized an initial 10MW capacity at Jio-Azure Cloud Data centers across two cities: Jamnagar and Nagpur. The company is currently onboarding pilot customers, with offerings for SMEs and startups, and plans to further enhance capacities in coming quarters.

Business performance to support growth

- The company plans to focus on infrastructure ramp-up and customer initiatives to minimize disruption.
- **WhatsApp-based recharge:** It has launched a WhatsApp-based recharge and WhatsApp Pay through WhatsApp BOT 70007. Similar functionalities for JioFiber services, recharge reminder notifications on WhatsApp, and other experience enhancements on a single window are expected to be rolled out in the future.
- **Improved network performance:** Jio's network performance continued to grow stronger with higher per capita data consumption. The company has recorded26% YoY increase in per capita consumption to 15.6GB/month.
- **Building capabilities:** Spectrum investments have enabled it to create capacity to onboard the next 200m customers on its network.

Focus on 5G initiatives

- **5G trail approvals:** The company has received necessary approvals and trial spectrum for initiating 5G field trials. For the purpose of testing, DoT has allotted 100MHz in 3GPP band n78.
- **Standalone networks installed:** The company has installed 5G standalone networks at its data centers across the country.
- **5G for healthcare and education:** Jio has developed a 5G connected ambulance for the H.N. Reliance Hospital and interactive AR/VR content for students in association with Reliance Foundation Schools.

JioFiber continues to gain traction

- **Presence: JioFiber managed to connect more than 3m homes despite the on ground challenges.**

Financial and operating metrics

- **EBITDA:** EBITDA was up 23% YoY to INR86b, with a margin of 47.9%.
- **Subscriber:** The momentum in the Connectivity business is sustaining. Its total customer base as of 30th Jun’21 stood at 440.6m, with a net addition of 14.3mcustomers. Churn reduced to 0.95% in 1QFY22 as against 1.26% in 4QFY21.
- **ARPU remained** stable at INR138.4, with an improving subscriber mix and better seasonality offset by the COVID-19 impact.
- **Data usage:** RJio’s wireless overall data traffic stood at 20 Exabytes. Total data traffic stood at 2030b GB.
- **JPL displayed a strong performance**, despite the COVID-19 outbreak. It reported a revenue growth of ~19% YoY at INR189.5b. EBITDA was up 21.3%YoY to INR88.9b, with a 46.9% EBITDA margin.

RETAIL

- **The Retail sector saw an impact for a major part of the quarter on account of lockdowns across most states/territories leading to store closures. However, footfall and sales picked up over June–July'21 with recovery in retail spending and increased vaccinations. Retailers expect sales recovery by 3Q/4QFY22, led by demand from the festive season and weddings/functions. An increase in raw material prices would impact pricing and margins. On the digital front, retailers have significantly increased their investments to cater to demand from the online channel. Shoppers Stop plans to open 30 stores over the next two years. V-Mart's acquisition of "Unlimited" is expected to extend the company's presence in the southern region.**

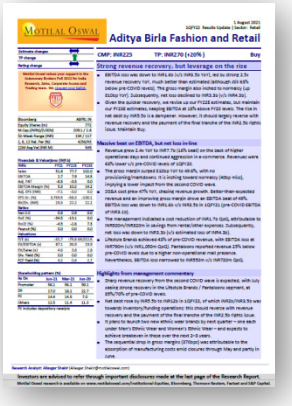
KEY HIGHLIGHTS FROM CONFERENCE CALL

	Business scenario and outlook FY22	Sales impact from second COVID wave
Aditya Birla Fashions*	▪ The company expects strong recovery from 2QFY22. Furthermore, with the news of Maharashtra easing restrictions, recovery would be faster. ▪ The company plans to launch two new brands under the Ethnic Wear segment in the coming period, for which it has already incurred capex of INR700m. ▪ Sharp revenue recovery from the second COVID wave is expected, with July seeing strong recovery in the Lifestyle Brands / Pantaloons segment at 85%/70% of pre-COVID levels.	▪ Pantaloons' business was affected by prolonged lockdowns and slower recovery on account of muted operations at large formats and mall closures across the country. ▪
Jubilant FoodWorks	▪ JUBI is seeing customers moving to trusted brands, getting used to digital means of ordering, and continued high growth in deliveries and takeaways – which are all key factors driving growth. ▪ The management is accelerating store expansions and targets to add 150–175 stores in FY22. Most of these new stores would be delivery-focused and facilitate takeaways. ▪ The intent is to use technology across the business and thereby move to being a food tech company. It would undertake team expansions, with a focus on better customer experience, analytics, or products. It also intends to invest in supply chain expansions in Bengaluru and Mumbai. ▪ All new brands – Ekdum, Hong's Kitchen, and Popeye – are seeing a good pickup, and it is excited about their performance going ahead.	▪ The impact of a reduction in operating hours and low operating days was offset by strong growth in deliveries, leading to 94% recovery in 1QFY22 and nearly 100% recovery in June. ▪ With the number of COVID cases reducing, the outlook is getting better. The pandemic continues to accelerate the shift towards digitalization. ▪ The high supply gut in commercial real estate will keep deals more attractive and rentals low for QSRs. ▪ JUBI has taken a very small price increase in June to cover for some food inflation.
Titan	▪ It is confident about growth for the rest of the year. It still expects both the bunching up of wedding demand in 2HFY22 and the benefits of disposable income moving more to Jewelry, similar to 2HFY21. ▪ It hopes to get back to 12–13% EBIT margins in Jewelry, which it used to deliver before COVID. ▪ Titan now hedges gold through Titan Commodities Trading Limited, a 100% subsidiary as a registered broker. ▪ ~35 stores are likely to be opened in FY22, with higher exposure in smaller towns.	▪ The momentum in June continued in July as well. ▪ The studded mix at the retail level was 25% in 1QFY22 (v/s 21% in 1QFY21 and lower than 1QFY20). ▪ Mandatory hallmarking has been rolled out from 16th Jun'21, which would benefit organized players v/s unorganized and smaller players ▪ Watches and Eyewear are also seeing faster recovery in footfall v/s last year.
V-Mart*	▪ Recovery is expected to be quick on the back of a better comeback in June/July against May, the expected easing of restrictions in operations post 15th August 21, and strong festive and wedding season demand in 3QFY22. ▪ It aims to increase retail space by 20–25%, with FY22 capex of INR1b – ~INR500m each towards store adds and new warehouses, while ~INR1500m towards the acquisition of the "Unlimited" Retail business. ▪ The Unlimited deal integration process is in-line, and the company has set a cut-off date for the completion to 30th August 21.	▪ Revenues were impacted during the quarter, largely due to the resurgence of COVID in April. The company operated at 49% of operating days during the quarter, coupled with strict regulations. ▪ The lockdowns continue to impact store operations in UP, Bihar, and the eastern region, but strong demand in June/July, the gradual easing of restrictions, and strong festive/wedding demand should lead to pre-COVID throughput by 3QFY22.

Aditya Birla Fashions — Buy

Current Price INR 200

Click below for Results Update


Aditya Birla Fashion and Retail

Key takeaways

- Sharp revenue recovery from the second COVID wave is expected, with July seeing strong recovery in the Lifestyle Brands / Pantaloons segment, at 85%/70% of pre-COVID levels.
- Net debt rose by INR5.5b to INR12b in 1QFY22, of which INR2b/INR3.5b was towards inventory/funding operations; this should reverse with revenue recovery and the payment of the final tranche of the INR2.5b rights issue.
- It plans to launch two new ethnic wear brands by next quarter – one each under Men's Ethnic Wear and Women's Ethnic Wear – and expects to achieve breakeven in these over the next 2–3 years.
- The sequential drop in gross margins (370bps) was attributable to the absorption of manufacturing costs amid closures through May and partly in June.

Detailed highlights

Lifestyle Brands

- **Shift in product portfolio:** In line with consumer demand, the company has shifted its product portfolio, with the Casuals category constituting 59% of the total portfolio.
- **Rapid recovery:** The business has seen strong recovery, with July sales for Lifestyle Brands expected to be 85% of pre-COVID levels (FY20) – despite the regional lockdowns. The e-commerce channel revenue grew by 3x over LY.
- The company plans to add 400+ stores during the year, with ~90% of stores built around the franchise and asset-light models. Of these, 100 stores are expected to be opened in 2QFY22 itself.
- **Portfolio expansion:** In line with its product innovation and premiumization strategy, the business would enhance its portfolio with the launch of premium product offerings such as Van Heusen flex denims and a new premium casual wear line in Louis Phillip.

Pantaloons

- **Impact:** The business was affected by prolonged lockdowns and slower recovery due to impacted operations at large-format stores and mall closures across the country.
- **Rapid recovery:** It has seen strong recovery, with July sales expected to be 70% of pre-COVID levels (FY20). The segment is trailing to the Lifestyle Brands segment as it operates mainly large-format stores and has a higher proportion of stores in malls, whose operations have been impacted – as fewer stores are being allowed to remain open.
- **New category additions:** It would build on the new launches across the Home and Saree segments across stores, along with the new offerings introduced in Loungewear and Infant Wear.
- **Store expansions:** The business is planning the highest ever store expansion of over 60 stores this year, with ~20 stores expected to be ready for launch over the next 30 days.

- **Website launch:** In line with emerging consumer habits, the business is launching its new website, pantaloons.com.

Innerwear and Active Wear

- **Revenue growth:** Strong demand has resulted in 2x revenue during the current quarter.
- **Presence:** The business has a presence across 23,000+ trade outlets and 51 exclusive brand stores.

Ethnic Wear

- **Brand launch:** The company plans to launch the following two new brands under this segment in the coming period, for which it has already incurred capex of INR700m:
- **Men's Ethnic Wear:** The new brand under the premium Men's Ethnic Wear segment was launched through a partnership with the company, in which it holds an 80% stake. This is expected to be launched by Oct'21, and the company plans to set up 6–10 stores by the end of the year. The company expects EBITDA margins for this segment to reach the double digits over the next 2–3 years as its starts building scale.
- **Women's Ethnic Wear:** This is expected to be a premium private label, with products being displayed in 40–50 pantaloons stores. Pricing in this brand is expected to be within the range of INR1,200–3,500.
- **Stores: The** Company plans to open up 10 new stores in this business by the end of the year.

Other highlights

- **Recovery:** The Company expects strong recovery from 2QFY22. Furthermore, with the news about Maharashtra easing restrictions, recovery would be faster.
- Costs: Costs in the current quarter were higher by INR700m v/s the previous year. This included an additional cost of INR200m towards advertising and a one-time ECL recognition cost of INR120m. On the other hand, rental expenses as a percentage of sales declined largely on account of a rent reduction from landlords.
- **Net debt:** Net debt as of Jun'21 was up to INR12b v/s INR0.7b in 4QFY21. Of this, INR2,000m was towards inventory and an additional INR3,500m was attributed to loss funding. The company expects its debt profile to improve as business starts to pick up. The company targets an optimum net debt/EBITDA ratio of 1–2x.
- **Finance cost:** The finance cost of INR838m includes the impact of Ind-AS. Excluding this, the effective rate of interest for the company stands at 7.75%.

Burger King India — Buy

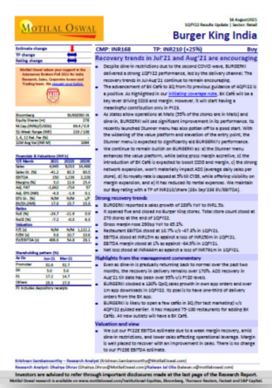
Current Price INR 158

Click below for Results Update

Performance and outlook

- ADS recovery in Aug'21 till date has been over 95% v/s FY20 levels.
- The management's focus on each of the P&L line items helped it pass through a difficult quarter.
- In spite of the second COVID wave, it opened five new restaurants in 1Q and is on track for FY22 expansion targets (320 stores by Mar'22).

- Even as dine-in is gradually returning back to normal over the past two months, the recovery in delivery remains over 170%.
- Around 55% of the stores are in Malls, where restrictions are still on to some extent in many states. The overall recovery is healthy considering the same.


Burger King India

Barbell strategy
- BURGERKI has received very good feedback on its recently launched Stunner menu.
- One in three customers ordered a Whopper, which aids premiumization.
- Around 20% of Whopper sales accrue from limited time offers, which are at a higher price point to base Whopper prices.

BK App: recent developments
- BURGERKI added a loyalty interface and rider journey tracking in its app, besides removing bugs.
- It witnessed a 130% QoQ sales growth in own app orders and over 1m app downloads in 1QFY22. The number of downloads continues to remain strong.
- Its goal is to have one-third of delivery orders from the BK app.
- BURGERKI is starting to use e-bikes for its own delivery.

BK Café
- The company will use locally sourced coffee from the best suppliers.
- BURGERKI is likely to open a few cafés in 3Q (for test marketing) v/s 4QFY22 guided earlier.
- It has mapped 75-100 restaurants for adding BK Cafés.
- Café contributes 15-20% of sales for its peers. It will add new day parts – breakfast and the period between lunch and dinner.
- Café will also help to cater to a wider set of consumers.
- All new outlets will have a BK Café. It is planning to set up cafés in all restaurants.

No change in guidance
- Store count: 320/470 outlets by FY22/FY24-end.
- It is targeting an ADS of 110,000 in FY22, which is similar to FY20, despite the disruption in 1Q.
- Gross margin: 66%/68% in FY22/FY24 (both without BK Café)
- SSSG: 5-7% in FY23.

Other points
- BURGERKI used the IPO proceeds to repay its debt. It has zero debt now.
- New store additions will be of 1,800 to 2,400 sq. feet.

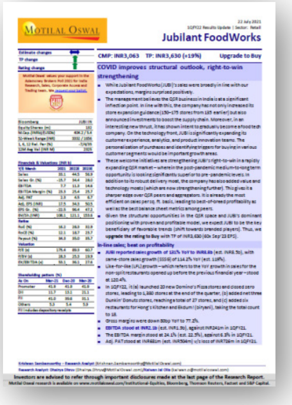
Jubilant Foodworks — Buy

Current Price INR 3,969

JUBILANT FOODWORKS

Click below for
Detailed Concall Transcript &
Results Update

Operating environment
- The impact of fewer operating hours and low operating days was offset by strong growth in delivery. This led to 94% recovery in 1QFY22 and nearly 100% recovery in Jun'21.
- The demand outlook is getting better as cases are declining.
- The shift towards digitalization continues to be accelerated by the pandemic.
- Recovery in dine-in would not lead to an equivalent reduction in the delivery channel. Delivery would be well above prior levels.



Significantly increasing investments for growth

- The management believes the Food Services market has reached an inflection point due to the following shifting trends. These are the key factors driving growth:
- a) Consumers are moving towards trusted brands.
- b) Customers are getting accustomed to ordering via digital means.
- c) Continued high growth is likely in delivery and takeaway.
- On this view, the management is accelerating store expansions. JUBI is likely to add 150–175 stores during the current financial year. The earlier guidance was higher than the gross additions in FY21 (135 stores added). Most of these new stores would be delivery-focused and facilitate takeaways.
- JUBI's intent to use technology "at the heart of everything they do" and thereby transition into a food tech company is an interesting new thrust. It is significantly expanding its teams, be it to enhance customer experience, analytics, or products. The personalization of purchases and identifying triggers for buying (discounts, new launches, etc.) in various customer segments would be important growth areas.
- JUBI also intends to invest in supply chain expansion in Mumbai and Bengaluru.
- The management is not concerned about the strong store addition plans of its QSR peers. It cited that there is plenty of opportunity for all and that JUBI has done well even in previous expansionary cycles.

Costs

- The non-store talent pool is not limited to QSR employees, but spans the Consumer space.
- Store employees have been able to manage costs in recent years despite the competition, and variablizing costs has helped.
- JUBI does not expect rental costs to increase. In fact, restaurants and other businesses occupying real estate closing down is leading to a supply glut, making deals more attractive for QSRs.
- It has taken a very small price increase in June to cover for some food inflation.

New brands

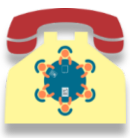
- While both Hong's Kitchen and Ekdum! are doing well at the initial stage, Hong's Kitchen's performance has been even better than that of Ekdum!
- Hong's Kitchen was opened before Ekdum!; hence, learnings in the former have been materially higher.
- The management is extremely excited about the Popeye franchise. The Non-Veg Foods market in India is largely poultry-driven. The chicken category is already established and demand creation is not needed. Hence, after initial learnings post the launch, the scale-up would be much faster v/s some of its other brands.

TITAN

Titan — Buy

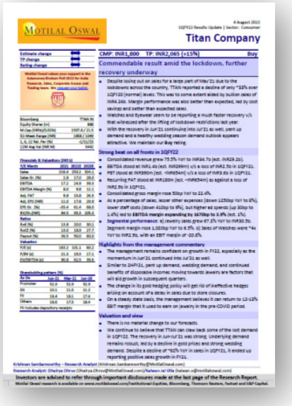
Current Price INR 1,876

Click below for
Detailed Concall Transcript &
Results Update



Environment and outlook

- The management remains confident on growth in FY22.
- The momentum in Jun'21 continued into Jul'21 as well.
- An increase in the pace of vaccinations will boost customer confidence further.
- TTAN has stopped disclosing QTD sales growth, unlike the past, due to stricter disclosure norms.


Titan Company

- Watches and Eyewear are seeing a faster recovery in footfalls than last year.
- Wedding purchases are being advanced to some extent due to attractive gold prices.
- Similar to 2HFY21, TTAN expects a) bunching up of wedding demand, and b) continued benefits of disposable incomes moving towards jewelry to aid growth in 2HFY22.

Cost and margin

- Studded mix at the Ret1QFY20 levels. So, the mix has recovered YoY, but the same is not back to pre-COVID levels.
- The management feels there is no reason why it cannot return to 12-13% EBIT margin that it used to earn on jewelry in the pre-COVID period.
- Other expenses are lower sequentially because of savings on travel, rent savings, etc.

Change in its gold hedging policy

- TTAN's erstwhile hedging was on value arising on the sale of jewelry, which led to the ineffectiveness of hedges due to delayed sales on account of store closures, etc.
- It will now hedge directly against inventory and will still have no exposure to gold price volatility.
- All old contracts will continue, but new contracts from 1st Jul'21 will be on the inventory method.
- TTAN now hedges gold through Titan Commodities Trading, a 100% subsidiary and a registered broker. Thus, avoiding counterparty exposure when dealing with third-party brokers, who may have solvency risks.

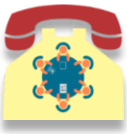
Hallmarking progress

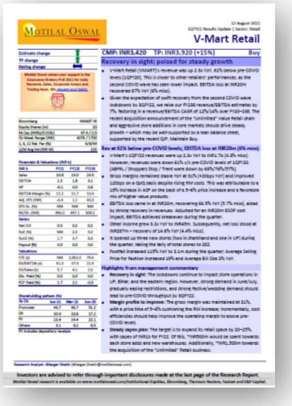
- Mandatory hallmarking has been rolled out from 16th Jun'21.
- TTAN has been compliant from the first day itself.
- There is some disruption in the gold supply chain that BIS is trying to resolve.
- It feels hallmarking UID is a good move to check the quality of hallmarking.
- The management said that hallmarking is good for organized players as it increases the making charges of smaller players, who weren't complying with purity norms, and thus were having lower making charges.
- It feels that the actual cost of getting jewelry hallmarked is negligible.

Expansion

- Around 35 stores are likely to be opened in FY22. TTAN is on track to achieve this target with the opening of 11 stores opened until Jul'21.
- New stores will be added more in smaller towns.
- It has made a small entry into the US. But what is different now? Eleven years ago it had targeted mainstream American customers in malls. TTAN had back then underestimated investments that were needed to get customers to the store, and was also affected by the global financial crisis. It is now focusing on the NRI/PIO market in the US. The per capita income of these consumers is USD100,000 v/s an average USD65,000. The market for this segment is unorganized and can potentially be high ticket for TTAN.

Click below for
Detailed Concall Transcript &
Results Update





V-Mart Retail — Buy

Current Price INR 3,635

Key highlights

- Recovery in sight: The lockdowns continue to impact store operations in UP, Bihar, and the eastern region. However, strong demand in June/July, gradually easing restrictions, and strong festive/wedding demand should lead to pre-COVID throughput by 3QFY22.
- Margin profile to improve: The gross margin was maintained at 31%, with a price hike of 5–6% cushioning the RM increase; incrementally, cost efficiencies should help improve the operating margin to above pre-COVID levels.
- Steady capex plan: The target is to expand its retail space by 20–25%, with capex of INR1b for FY22. Of this, ~INR500m would be spent towards each store adds and new warehouses, while ~INR1, 500m towards the acquisition of the “Unlimited” Retail business.
- Unlimited biz deal integration: This is in-line; it aims to complete the deal and take a handover of the business by 30th August 21.

DETAIL CONCALL HIGHLIGHTS

Performance for the quarter

- Revenues: Revenues were impacted during the quarter, largely due to the resurgence of COVID in April. The company operated at 49% of operating days during the quarter, with stringent restrictions.
- Gross margins: It maintained GM in the range of 31% despite the increase in RM and logistic costs, offset by a price increase of 5–6% across various product categories.
- Online: It streamlined operating issues and improved efficiencies in the online channel. The hyperlocal delivery model is expected to improve delivery times and last-mile costs. Furthermore, the company expects its revenue share to improve to ~5% over the next 2–3 yrs. The current average basket size stands at INR550.

Inventory

- Prudent inventory control and dynamic supply chain management helped in lowering inventory levels by 15% on YoY and QoQ basis.
- Fresh ordering for the autumn season is in full swing.
- Provisions: The company has continued to carry forward the additional provisions created a year ago.

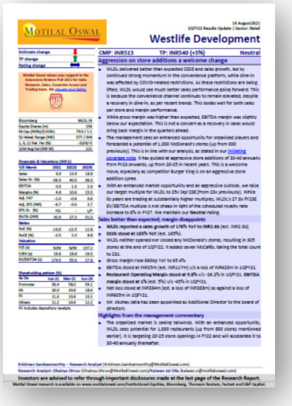
Capex and cash

- The company maintains a comfortable liquidity position, aided by a fundraise in the form of QIP.
- It incurred capex of INR360b during the quarter towards the launch of three new stores and land acquisition for a warehouse near Gurugram. The warehouse would take 9–12 months to be up and running.

Expenditure

- Major expenditure (emp costs and rent) remained fixed. It grew YoY primarily due to lower cost-control measures and marginal relief from landlords.
- Electricity and marketing expenses: These remained largely in line with sales. The company would focus on digital marketing going ahead.

Click below for Results Update



Westlife Development — Neutral

Current Price INR 538

Business environment

- The business is back on track. There is a strong build up in revenue, with the convenience channels accelerating at an unprecedented pace.
- SSSG stood at 183% YoY.
- The management said the accelerated growth seen in convenience channels is sustainable.
- The organized market and trusted brands are benefitting due to COVID-related tailwinds.
- WLDL will continue to invest substantially to boost its digital capabilities.

Network expansion

- The management will continue to focus on building its competitive Real Estate portfolio using GPS-based tools to identify opportunities. It sees potential for 1,000 restaurants (up from 800 stores mentioned earlier).
- It will continue to focus on six key metros and target network expansion in Tier II towns that offer growth opportunities.
- It is targeting 20-25 store openings in FY22 and will accelerate it to 30-40 annually thereafter. It sees enhanced potential in the organized market.
- WLDL added seven McCafés and 11 EOTF restaurants in 1QFY22.
- Five stores were ready to open in 4QFY21, of which two were opened in Jul’21 and the rest are ready to open.
- Capex per store stood at INR25-30m.

Channels

- The convenience channel saw sales growth of 202% YoY and 33% QoQ, led by delivery; drive thru, and ‘on the go’.
- Revenue from drive thru grew 115% YoY and 52% QoQ.
- McDelivery continued to rally and grew 198% YoY and 36% QoQ. Sales from McDelivery touched a new high in Jun’21, despite the easing of dining restrictions. This implies there is no channel cannibalization.
- Drive-thru sales rose 115% YoY and 52% QoQ. Takeaway sales grew 41% YoY.
- While sales at Malls remained muted, drive thru and High Street completely recovered. On the go is also growing at a robust pace.
- In Jul’19, revenue stood at INR1.3b, of which dine-in contribution was 70%, with convenience at 30%. In Jul’21, revenue stood at ~90% of Jul’19 levels, despite continued dine-in restrictions.
- WLDL saw 100% recovery in all markets outside Maharashtra in Jul’21. Around 62% of this recovery is led by convenience.

Launches fried chicken

- WLDL launched fried chicken last year and recently launched McSpicy Fried Chicken.
- The management feels this is a good proposition for the South India market.
- The market size of the Friend Chicken category is INR50b.
- It expects to generate INR5m sales per store through this product.

Financial highlights

- The convenience channel grew 202% YoY. Delivery grew 198% YoY and 36% QoQ.
- Restaurant Operating Margin (ROM) stood at 9.8% in 1QFY22 (a YoY improvement of 204%). Operating EBITDA stood at 2% in 1QFY22, a YoY improvement of 102%.
- With a recovery of volumes in Jun'21, ROM grew to 16%, with a 9.2% operating EBITDA.

Guidance

- Despite the high volatility, the management feels it is well positioned to navigate the challenges and gain share.
- It will continue to invest in technology.
- There are no plans to reduce store size as it cannot be changed later on. Smaller stores reduce sales per store.
- WLDL is targeting 16-18% ROM and 13-15% EBITDA margin in FY23.

Other points

- Total app downloads stood at 5m (up 45% YoY). Total guests count tripled YoY due to enhanced customer experience and value.
- Capex will be in the INR1-1.5b range in FY22.
- Promoters are reducing their stake to increase liquidity in the stock. It aims to reduce promoter holding to 53% over the next 3-5 years from 56.4% currently.

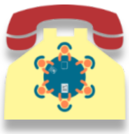
- **The IT industry is seeing a big change, with technology emerging as the cornerstone for large enterprises. It has shifted from being an expense on the P&L to an investment that drives growth. Two themes are driving growth in the industry: (1) digital transformation and (2) cost control through increased automation. Within this strong tech spending environment, there is a high focus on cloud migration, which forms the basis for digital transformation. Managements remain confident of achieving double-digit revenue growth in FY22 on the back of a strong deal pipeline around cloud, data analytics, cyber security, automation, and AI. While companies are adding employees at an unprecedented pace, attrition-led supply pressure on margins remains a key concern.**

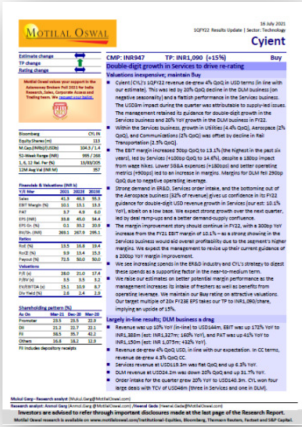
KEY HIGHLIGHTS FROM CONFERENCE CALL

	Revenue outlook – FY22	Sustaining margins (%)
HCL Technologies	▪ It has guided for double-digit revenue growth in CC terms for FY22. ▪ The deal pipeline is strong and would continue to accelerate. ▪ The outlooks for IT and ER&D Services remain strong on the back of strong deal momentum. Products & Platforms should grow in the low single digits due to the discontinuation of some products.	▪ It has guided for the EBIT margin to be in the band of 19–21%.
Infosys	▪ The company guided for revenue growth of 14–16% YoY CC in FY22. It characterized the current demand environment to be one of the strongest in a while. ▪ The deal win momentum remains strong, with LTM deal wins up 86% YoY to USD14.9b. ▪ There is increased interest in digital transformation, and INFO is very positive on tech spends. ▪ It is seeing good traction in cloud, data analytics, cyber security, automation, and AI.	▪ It has guided for the EBIT margin to be in the range of 22–24%.
TCS	▪ The order book in 1QFY22 stood at USD8.1b, with a book-to-bill ratio of 1.3x, despite the absence of any mega-deals. ▪ TCS continues to see customer demand for multi-year cloud transformation projects. ▪ The company has a robust pipeline, with a mix of small-/mid-sized deals, along with a few large ones. This instills confidence in client spends and the strong growth momentum for FY22. ▪ The management is confident of achieving double-digit growth in FY22.	▪ The medium-term EBIT margin target band is 26–28%.
Tech Mahindra	▪ TechM has guided for double-digit growth in FY22, with double-digit growth in Enterprise and low double-digit growth in Communications (up from the high single digits earlier). ▪ It has indicated strong deal momentum, led by a strong deal pipeline. ▪ With revival in industrial activity, it expects strong deal closures going ahead. ▪ Telcos are spending on migrating to 5G, and the company saw a large portion of deal wins incorporating the 5G component. It expects higher spends over the next 2–3 years.	▪ It has guided for a ~15% EBIT margin in FY22.
Wipro	▪ The revenue growth guidance for 2QFY22 stands at 5–7% QoQ CC (including one month of inorganic contribution of Capco and the partial impact of Ampian). ▪ It is seeing a healthy mix of deals across verticals and geographies as well as medium and small deals, which lends confidence on the broad-based demand scenario. ▪ The demand environment remains robust, and WPRO continues to increase its participation in the marketplace. ▪ The management is focusing on those areas where client interest is high, i.e., data, cyber security, and cloud.	▪ It plans to sustain margins in a narrow 17–17.5% band.

CYIENT

Click below for
Detailed Concall Transcript &
Results Update





Cyient Buy

Current Price INR 916

Quarter performance

- CYL reported flattish growth in the Services business, while DLM posted decline due to seasonality in the quarter. The Services business was impacted by supply-side issues (loss of USD3m in revenues).
- Order intake grew 20% during the quarter, which gives the management the confidence that demand is robust.
- Demand is seen across the board in three key areas – Digital, Embedded Software, and Semi-conductors.
- The EBIT margin for the quarter stood at 13.1%, impacted largely by wage hikes. This was offset by efficiency improvement and cost optimization. The management alluded that DLM margins have further scope to improve.

Vertical commentary

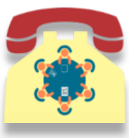
- Aerospace is not seeing hurried growth, and recovery should be U-shaped rather than V-shaped. This is due to domestic travel returning to 20% of earlier levels and international travel yet to make a comeback.
- Strong growth was seen in Communications, and this is expected to continue for the remainder of the year as well. 5G and technology transformation are the key growth drivers, and the vertical is expected to grow in the double digits in FY22.
- Rail Transportation is expected to see growth in the current year.

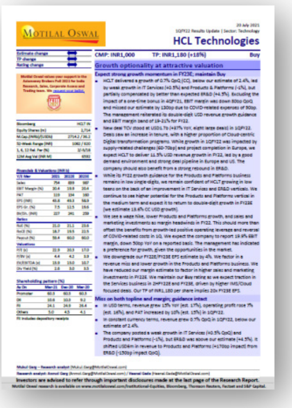
Outlook

- The Services business is expected to grow in the double digits for FY22.
- Strong high-single-digit growth may be expected in 2Q. The major heavy lifting would be seen in 2Q, while 3Q would be less challenging this year owing to more offshoring.
- Margins are expected to increase 200bps YoY for the full year.
- For 2QFY22, despite the impact of wage hikes (50–60bps), the management alluded that margins are unlikely to dip.

HCL

Click below for
Detailed Concall Transcript &
Results Update





HCL Technologies Buy

Current Price INR 1,117

Demand and industry outlook

- HCLT reported 0.7% QoQ (CC) growth during 1QFY22.
- New deal TCV grew 37% YoY to USD1.7b led by eight large service deal wins and four products wins.
- There is not much to read into the sequential dip in Europe as the pipeline remains very strong. The geography remains a medium term investment strategy for the company and robust growth is expected in the coming quarters.
- Growth in HCLT's Digital business was among the highest in its peer group. The company has strong partnerships with client initiatives, which has resulted in an increase in USD50m/USD20m client buckets.
- 1QFY22 also witnessed 95-97% of deals getting renewed as usual.
- The management continues to see multi-year Cloud deals in the market and the pipeline is only growing. HCLT currently has the highest ever pipeline.
- The management expects geographies like Taiwan and South Korea to contribute to growth in the medium term. HCLT continues to strengthen its partnership in key geographies like the US, UK, and Nordics.

Margin performance

- Margin declined by 80bp YoY to 19.6% in 1QFY22. Forex gains and higher amortization in 4QFY21 had aided margin. This was offset by an impact on revenue, increase in hiring/retention costs, COVID-19 support cost, and investments in new markets.

- HCLT benefitted by USD10m from a favourable tax ruling in 1QFY22.

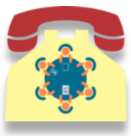
Outlook

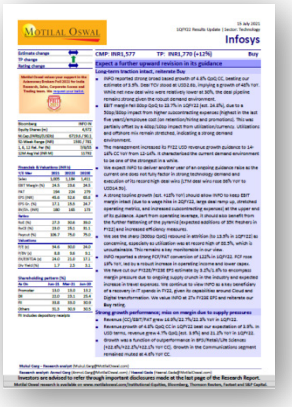
- The management expects robust growth in the coming quarters on the back of strong headcount addition and increased deal ramp up.
- The Products and Platforms segment is expected to grow at a low to mid-single digit growth rate in FY22. The same should increase over the next couple of quarters.
- In terms of margin, increased investments in geographies should be a headwind. The management expects them to be in the 19-21% range.
- Ramp up in headcount is expected in the coming quarters on the back of strong demand in the market.

Infosys — Buy

Current Price INR 1,732

Click below for
Detailed Concall Transcript &
Results Update





1QFY22 performance and demand outlook

- INFO reported a growth of 4.8% QoQ and 16.9% YoY (CC) in 1QFY22. This has been the fastest growth in the past 10 years, all organic and in the Digital transformation area.
- The company witnessed broad based growth across all sectors, service lines, and geographies, with the Digital business growing by 42% YoY.
- There has been sustained growth acceleration, with seven industries reporting strong double-digit growth. With Cloud becoming a Digital priority, many clients are taking advantage of Infosys Cobalt.
- It reported a TCV of USD2.6b, of which 30% are net new additions. The deal pipeline has a good mix of medium, large, and very large deals. The management is proactively looking at increasing the share of net new deals.
- Growth was led by the US, especially in the Banking and Retail segments, as clients start making aggressive investments to improve its Digital capabilities. Alot of the discretionary spending is also returning.
- Within Europe, there had been a lesser demand from its Banking clients and ramp up of few deals were delayed, impacting performance. However, this is not a secular trend and the issue is more customers specific.
- On the back of robust deal wins during 1QFY22 and a strong deal pipeline, the management has revised its growth guidance to 14-16% YoY (CC) v/s 12-14%earlier, while still maintaining its margin guidance band.

Margin performance

- Margin in 1QFY22 stood at 23.7%. The QoQ decline was due to an increase in employee and subcontracting costs, partly offset by an increase in utilizations and cross currency.
- Subcontracting expenses raised 120bp on the back of stronger than expected demand and increased attrition.
- Wage hikes for FY22 would start rolling out with effect from Jul'21 for majority of its workforce.
- This, along with a return of travel and other discretionary cost, should pose as margin headwinds. However, pyramid rationalization and further automation should help offset these headwinds.
- With remote working being widely adopted, clients realize that to fuel its Digital transformation offshoring is required, and hence this trend is expected to continue going forward.
- The management is confident of achieving its margin guidance band of 22-24%.

Other highlights

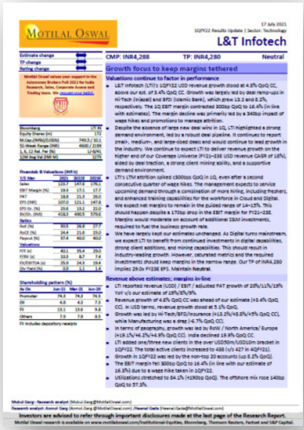
- The management expects attrition to remain high in the near term due to strong demand. The company now intends to hire ~35k fresher's globally as against 26kstated before.

L&T Infotech — Neutral

Current Price INR 4,922

Let's Solve

Click below for Detailed Concall Transcript & Results Update



Demand and industry outlook

- LTI posted the best ever 1Q performance, with broad-based growth. The company added 32 new logos during the quarter.
- Among the verticals, BFSI reported strong growth of 13.2% QoQ, driven by existing clients and a large deal announced last year. Growth in Hi-Tech was led by the Injazat deal.
- Within Manufacturing, the decline during the quarter was attributable to the absence of pass-through revenues. This also reflected the decline in India revenues due to the second COVID wave.
- The India business was impacted by the second wave – the government business pipeline was also affected. As government business opens up, the company should witness good growth.
- Cloud grew 32% YoY in 1QFY22. Cloud is moving at a rapid pace and has now become a part of every client discussion.
- The management stated digital adoption has picked up strongly, and secular demand is seen across customers. Offshoring has increased in the market; a similar opportunity has not come up in the last 10 years.
- 1Q was a very strong start to FY22, and the pipeline remains strong, with a healthy mix of deals. The management is confident of the business outlook.

Margin performance

- The company reported EBIT margins of 16.4% for the quarter. Margins were impacted by wage hikes (-340bps); the absence of provisions (-120bps); S&M (-60bps), offset by forex and pass-through (80bps); and productivity improvement (140bps).
- LTI is a growth company with stable margins. However, two subsequent wage hikes have led to margin decline. Management maintained its guidance for PAT margins at 14-15%.

Other highlights

- The company is looking to hire 4,500 freshers for the year. It seeks building capabilities to cater to demand.
- Cash flow was impacted due to annual incentive payouts and delayed billing.

L&T Technology — Buy

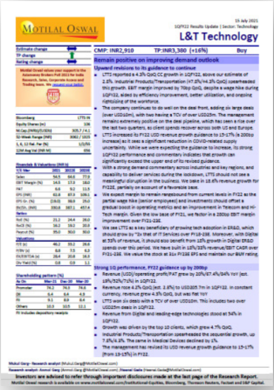
Current Price INR 3,860

L&T Technology Services

Click below for Detailed Concall Transcript & Results Update

Demand and industry outlook

- LTTS has returned to double-digit YoY growth and crossed the USD800m run-rate. It won 11 deals, of which six/two were over USD10m/USD25m.
- In terms of verticals, Transportation was led by strong demand in electrification-led programs. Within Aerospace, as commercial travel slowly returns and spending on Digital transformation increases, the management is optimistic about growth continuing ahead.



- The management is seeing a good set of opportunities and strong momentum in deal wins in Plant Engineering and Telecom. Within Medical Devices, demand for Digital product platforms is the key growth driver. It expects a surge in growth from 2QFY22.
- All three sub-segments in the Industrial Products space showed robust growth. Going forward, a pickup in spending in the US and Europe should help. The management expects this space to grow faster than the company going forward.
- It has identified six strategic investment areas and expects to make these into a sustainable future growth engine.
- On the back of strong performance in the US/Europe and a recovery in India/Japan, the management expects growth to be broad-based and has raised its FY22 revenue guidance to 15-17% YoY.

Margin performance

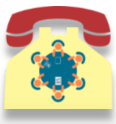
- EBIT margin crossed 17% in 1QFY22. It was the fourth consecutive quarter of improvement, despite the wage hike impact.
- A shift in the portfolio mix to Digital engineering, operational efficiency, cost optimization, and USD: INR depreciation helped absorb the headwinds coming from increase in third party/subcontracting expenses and wage hikes.
- The management said margin in 2QFY22 would be impacted on account of a residual wage hike impact. However, efforts are being made to absorb the same through employee pyramid rationalization and improved productivity.
- Rising attrition may put pressure on margin though. The management said it is taking various measures to control the same. It is making efforts to sustain margin at current levels.
- ETR should be in the 26.5-27% range in FY22 as LTTS moves to the new tax regime.

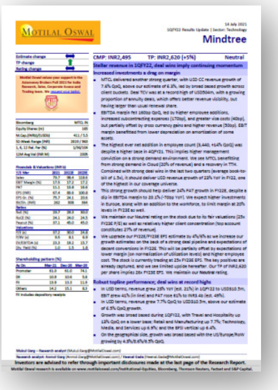
Other highlights

- DSO in 1QFY22 increased to 85 days compared to 75 days in 4QFY21.
- The increase in DSO led to a drop in FCF. However, this is temporary and normalcy should return in coming quarters.
- Headcount has increased by 700 and is a mix of laterals and freshers. The management aims to hire 400-450 employees every quarter.

Mindtree
A Larsen & Toubro Group Company

Click below for Detailed Concall Transcript & Results Update





Mindtree — Neutral

Current Price INR 3,348

Demand and industry outlook

- MTCL delivered a growth of 7.7% QoQ and 22.6% YoY on the back of broad based growth across geographies and industries. The order book stood at USD504m in 1QFY22, up 32.4% QoQ, with a good mix of annuity and transformational deals. The record order book was on the back of MTCL's differentiation and increasing market share.
- The order book has a mix of renewals and new deals. However, majority of the deals were in the nature of an annuity, led by CMT and RCM verticals. The tenure of the deals is slightly longer than usual, helping the company maintain a multi-year order book.
- Investments made by the company in geographies like Continental Europe, the UK, and Ireland have helped deliver robust growth in 1QFY22. APAC witnessed flattish growth due to the seasonality present in a few select customers in the region. Its performance was not related to the impact of the second COVID wave in India.
- MTCL has now begun reporting Healthcare as a separate vertical, and has changed its reporting structure. In terms of performance, RCM and CMT

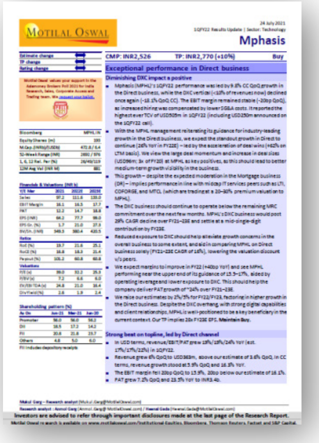
witnessed strong demand, and BFSI is now returning to growth. The management is cautiously optimistic about TTH as customer relationships and diversity continue the momentum in this space, with Travel picking up.
- BFSI's performance was on the back of deal closures, which were delayed to 1QFY22 as stated by the management in the preceding quarters. It said the segment is seeing a lot of consolidation. As a result, closures have slowed down, but it is confident of a recovery and ongoing traction in this space.
- Within Travel, the company has not lost any client, despite the revenue reduction, which is why the recovery was good. It was also able to win some discretionary spends, which was a positive. Leisure travel has returned, but not business travel. The management is confident of doing better once the markets open up.
- MTCL is focusing on reducing the revenue concentration of its top client gradually as can be seen in past quarters. The management has initiated a program wherein it has focus accounts in its top 2-20 clients, where it has increased cross selling and up selling. It is confident that this strategy will help grow revenues further.
- The company has rationalized 150 long tail clients from Aug'19 till date. Though the same has slowed during the pandemic, the exercise will still continue.
- There is a significant demand for Customer Success and Digital Engineering Services, especially among its top clients, which the company will leverage for profitable growth.
- Despite its strong order book, the deal pipeline remains robust. Focused investments in the business should ensure long sustainable growth.
- The company is ramping up hiring to meet increased demand in the market. The management is confident of delivering industry leading growth in FY22.

Margin performance and outlook
- The company reported an EBITDA/EBIT margin of 20.3%/17.7% in 1QFY22. The QoQ drop in EBITDA margin was due to: 1) highest ever net headcount addition (-170bp), and 2) greater visa costs (-40bp). This was partly offset by cross currency, increased revenue growth, and operational efficiency (+50bp).
- Subcontracting expenses have increased YoY due to significant growth and opportunities to initiate new engagement. The management said this is a short-term phenomenon and it does not intend to keep the same at elevated levels over the long term.
- Margin in the RCM vertical dropped as it is ramping up two large projects in Europe.
- The fall in depreciation was due to amortization of intangibles (related to acquisitions, which was already completed in 3Q/4QFY21). Though with the integration of L&T NxT complete, the depreciation/amortization rate should increase going forward.
- The management intends to offer a second round of wage hikes to the mid-management. This, along with investments, may have a near term impact on margin. However, the management is confident it is on the path to achieve over 20% EBITDA margin in FY22.

Other highlights
- MTCL reported a net headcount addition of 3.4k, which included laterals as well as freshers. A lot of these additions were made at the end of 1QFY22, and hence the full impact is not completely reflected in the employee cost for the quarter. Learning hours increased by 86% QoQ in 1QFY22.
- Along with a spike in demand, there is a supply side challenge, and so MTCL is building capacity ahead of demand through extensive training. It is also undertaking additional employee engagement measures to check attrition.

- OCF/EBITDA and FCF/EBITDA stood at 28%/21%, respectively. The drop in cash flows was due to the payout of variable incentives during 1QFY22.

Click below for
Detailed Concall Transcript &
Results Update


Motilal Oswal
Mphasis
CMP: INR2,526 TP: INR2,770 (+10%) Buy
Exceptional performance in Direct business

Mphasis — Buy

Current Price INR 2,846

Demand and industry outlook

- The company reported TCV of USD505m in 1QFY22, of which USD250m is attributed to a large deal.
- The management stated that the number of large and multi-year deals composed of digital transformation activities has increased, and over 80% of these deals are proactive.
- The management is seeing strong demand traction in the Blackstone portfolio, although the clients are relatively smaller.
- Public/Private cloud adoption, data modernization, and the creation of digital platforms are the key themes playing out in the market. MPHL's play in these trends is helping the company increase its market share.
- MPHL is the preferred partner for many of its clients, on account of which growth is seen from non-top accounts as well. Strong client performance is supporting the company's target to achieve industry-leading growth.
- The shift to the service model is a 3–5 year journey, leading to a strong tech cycle that is expected to last for a few years. The challenge now is to service upcoming demand while continually investing in growth/demand opportunities in the years ahead.
- MPHL has been able to undertake some value-based pricing. The increase in pricing is helping to mitigate supply-side challenges.
- The management has guided for industry-leading growth in the Direct business and top-quartile growth for the overall company in FY22.
- The company is looking for a good fit for an M&A and has multiple criteria (regional, vertical, and strategic). This would be sub 10–15% of revenues (upper limit).

Margin performance

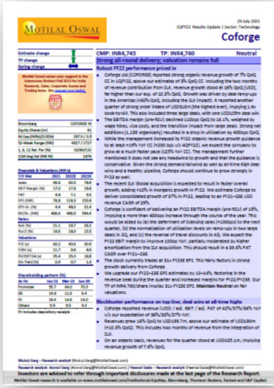
- 1QFY22 margins were impacted due to the pandemic (-30bps). Moreover, the drop in utilization due to the lag between hiring and deployment further impacted margins.
- Going forward, pricing catalysts and more offshoring should aid margin expansion.
- The company is prioritizing growth, for which investments would be required, rendering the margin range-bound. The management has guided for margins to be in the range of 15.5–17% for FY22.

Other highlights

- The management has identified a three-point strategy to boost growth: 1] the continuous augmentation of capabilities to nurture its GTM strategy, 2) geographical expansion in sales and delivery, and 3) expanding its leadership pool.

Coforge

Click below for
Results Update



Coforge Ltd — Neutral

Current Price INR 4,901

Demand and industry outlook

- COFORGE reported a strong performance with revenue growth of 16% QoQ (USD). On an organic basis (excluding two months of SLK revenues), the company reported 7% QoQ (CC) and 7.6% QoQ growth in USD terms.
- 1QFY22 was a record quarter in terms of composite order intake, executable book, and size and significance of the deals. The spike was attributable to three large deals signed during the quarter.
- COFORGE signed a USD20m+ contract over three years in the Insurance space and a USD100m contract over four years in the BFS space.
- The management is seeing long-term secular demand for its capabilities around product engineering, intelligent automation, and cloud.
- Furthermore, growth in SLK is expected to exceed the company's organic growth over the short to medium term.
- The management expects revenue tailwinds from a) a 12-month committed order book, b) accelerated revenue momentum, c) low client concentration and associated risks, d) the increased recognition of product engineering capabilities, e) its foray into newer verticals, which is now seeing some progress, and f) continued rebound in the Travel vertical.
- Given this momentum, the management has increased its organic revenue guidance to at least 19% YoY CC for FY22.

Margin performance and outlook

- The EBITDA margin in 1Q at 16.1% is reflecting the full time impact of global annual wage hike rolled out w.e.f. 1st April. Further, 1) Transition expenses in 4 out of 5 deals; 2) Visa costs and 3) Deferment of AdvantageGo licensing sale revenues also affected the quarter margins.
- The company had to undertake immediate transition investments in 4 out of its 5 large deals involving lot of workforce which led to a decrease in utilizations and thereby impacted margins. Utilizations will normalize as deals ramp up.
- Pricing is also acting as a margin lever and management is seeing that the ability to ask for and get a higher price realization for niche skills is higher in APAC than in US and Europe.
- Management expects margins to expand substantially over the next 3 quarters with 2QFY22 margins to be higher 200bps QoQ.
- Continued growth, reversal in travel discounts, increase in offshoring and positive operating leverage should aid margin expansion. Though these will be partly offset by retention and hiring cost increase, wage hikes and decrease in utilizations.
- Management maintained their margin guidance of achieving 19% pre-RSU EBITDA margins. RSU costs are expected to have an impact 85bps on FY22 margins.

PERSISTENT

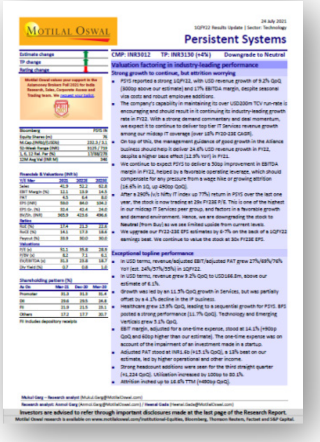
Click below for
Results Update

Persistent Systems — Neutral

Current Price INR 3,179

Growth and demand outlook

- PSYS delivered yet another strong quarter, reporting a growth of 9.2% QoQ and 27.3% YoY. Growth was broad based across all verticals, led by Healthcare. All client buckets grew, depicting increased confidence in its account mining capabilities.
- Robust growth in the top account indicates good traction in the Alliance business. The management said this segment is seeing profitable growth.


Persistent Systems

- Growth in Europe was volatile in the past due to one business being product based. The management said this volatility will not exist going forward.
- The company is focused on growth. Over the long term, the management aims at very strong growth and margin expansion.

Margin performance

- Margin stood at 13.5% in 1QFY22. This was impacted by visa costs (-50bp) and a one-time impairment charge related to an investment in a start-up (-60bp).
- There was also an increase in recruitment and COVID-related expenses. The same was offset by a positive operating leverage.
- PSYS has resumed its normal wage cycle, which starts in July. The management expects a 250-275bp impact due to the same in 2QFY22. It said it has sufficient levers to offset this impact.
- The management expects travel to resume in the US and Europe, which will result in a 30-40bp increase in travel expenses.
- The company sees significant tailwinds from revenue growth. This, along with utilization optimization and improvement in the lateral-fresher mix, should aid in margin expansion. The management intends to look into areas where there is pricing flexibility.

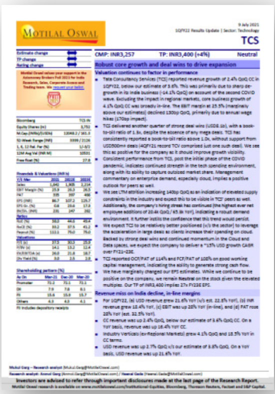
Other highlights

- Attrition has been increasing within the industry, given the shortage of digital skills in the market. It is taking proactive measures like flexible working hours, higher fresher intake, and upskilling of employees to meet the supply challenge.
- PSYS hired 400 freshers in 1Q and intends to hire a total of 2k in FY22.
- In terms of M&A, PSYS has successfully integrated Capiot. The management continues to scout for potential targets.

Tata Consultancy Services — Neutral

Current Price INR 3,557

Click below for Detailed Concall Transcript & Results Update


TCS

Quarter performance and demand outlook

- The quarter saw continued demand for core transformation practices, with revenues growing 2.4% QoQ and 16.4% YoY in CC terms.
- TCS reported strong TCV of USD8.1b, of which USD2.2b was in BFSI and USD1.5b in Retail (the highest ever for the second sequential quarter). North America reported TCV of USD4b.
- Growth was broad-based across verticals and geographies, led by Lifesciences and Healthcare. BFSI was powered by increasing investments, while Retail & CPG bounced back on Discretionary Retail and a portion of Hospitality & Travel starting to show recovery.
- The impact of the second wave led to 14% sequential decline for India. However, the management stated this was temporary and revenues would return.
- The management is seeing strong demand in the industry, with a heterogeneous mix of deals in the pipeline. Customers are commencing multi-year cloud transformation, with core transformation, application transformation, and data modernization being the key growth areas.
- Within Europe, the management is seeing strong demand traction. Manufacturing has partially resumed on the industrial front, and the management is very positive on demand and revenues from this geography.
- TCS BaNCS saw five new wins during the quarter – it signed the largest deal with a financial institution in Finland. Furthermore, TCS iON won a big deal in Indonesia and TCS National Qualifier Test added 10 more logos during the quarter.

- The shift from data centers to cloud is also aiding sustainability levels. TCS is increasingly helping clients increase their sustainability goals through their partnerships with hyper-scalers.
- M&As and corporate restructuring have become a recurring theme – TCS assists customers with integrating the systems of the acquired entity. Technology integration is the topmost synergy, due to which TCS is now on-boarded from day one of a client's deal discussions.
- The management indicated pricing is stable and based on long-term relationships with clients. It alluded that revenue leakages would be more of a risk at this time if the pricing is stretched.

Margin performance and outlook

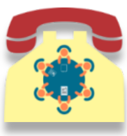
- Operating margins for the quarter were down 130bps QoQ to 25.5%, impacted by wage hikes (1.7%) and the return of discretionary expenses, such as travel. This was partly offset by currency fluctuations.
- Going forward, growth revival would aid margin expansion. However, the management expects some of the discretionary expenses to return to pre-COVID levels, offsetting the expansion. The management guided for stable margins in FY22.

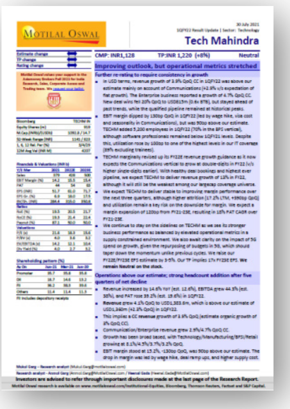
Other highlights

- The situation in the job market is tough, and while some impact on attrition is expected, the same would be manageable.
- The company is building a training base in the US and UK and is expected to hire 2–3k trainees in the US this year.
- Customers are currently happy with TCS' SBWS model, which involves remote working. However, if clients decide more people are needed at the facilities, the company would then decide on the same.

Tech Mahindra

Click below for Detailed Concall Transcript & Results Update





Tech Mahindra — Neutral

Current Price INR 1,399

Demand and industry outlook

- TECHM posted robust (3.9% QoQ CC) revenue growth. The CME business grew 3.2% QoQ, despite a seasonal decline in the Mobility business.
- It bagged one of the largest deals in Healthcare and the BPS segment.
- In terms of verticals, Hi-Tech has shown strong growth as a result of TECHM's investment in its management team.
- The Platforms business has become one of the key investment areas and has registered over 60 new wins.
- The company has been making increased investments in the area of 5G, customer experience, Data, and IoT.
- Telecom companies recognize the need to invest in 5G to generate momentum and are talking about further product development around 5G. This should create more opportunities for the company. Of the new deals, 60-70% already consists of some parts of 5G.
- The management guided at double-digit growth in FY22. This is on the back of a broad based growth across sectors and strong deal wins. The pipeline is robust and at a record high, giving it further confidence.

Margin performance

- Margin declined by 130bp QoQ in 1QFY22 on account of wage hikes, visa cost, seasonal decline in Mobility business, and increase in sub-contracting cost. This was offset by higher operational efficiency and cost optimization.

- The management expects EBIT margin to gradually improve throughout FY22. It is confident of managing cost headwinds (supply-side pressures and return of travel costs), through continued operational productivity.

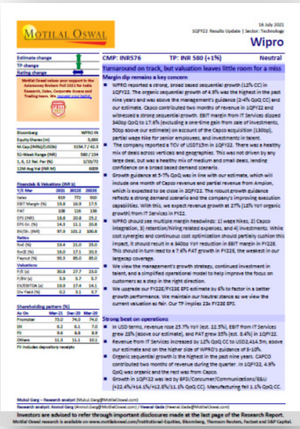
Other highlights

- The management is continually focusing on: 1) the number of over USD50m accounts; 2) volume and value of large deals, and 3) revenue per account.
- It intends to hire a significant number of freshers and laterals, though fresher intake will increase significantly.

Wipro — Neutral

Current Price INR 620

Click below for
Detailed Concall Transcript &
Results Update



1QFY22 performance and demand outlook

- WPRO reported a 12% QoQ (CC) revenue growth in 1QFY22, the highest CC growth delivered in the past 38 quarters. Of this, 4.9% is organic growth.
- 1QFY22 witnessed broad based growth led by volumes and revenue from Capco, which was ahead of the management's guidance. Billable headcount addition was also the strongest ever.
- The demand environment remains robust and WPRO continues to increase its participation in the market place. While all markets are witnessing good demand, large deal traction in the US remains strong.
- The robust growth in Americas was on the back of a strong volume increase and strength in the BFSI space. The management is seeing a gradual recovery in the Manufacturing space.
- WPRO is back onto the growth trajectory in the Healthcare vertical and has improved within America. The company will continue to invest in the sector.
- Within Energy and Utilities, it is seeing a good traction and has a strong pipeline. Though the growth rate in 1QFY22 might not be sustainable, the management is positive on the sector.
- Traditionally, summer time in Europe is soft and hence seasonality would come into Capco's revenue would be fueled by higher headcount.
- The management is focusing on those areas where client interest is high, i.e. Data, Cyber Security, and Cloud.
- The management guided at 5-7% QoQ (CC) growth in 2QFY22. Even at the lower end of its guidance, WPRO will cross USD10b of revenue in FY22.
- Even after excluding Capco, it expects strong double-digit growth.

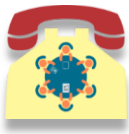
Margin outlook

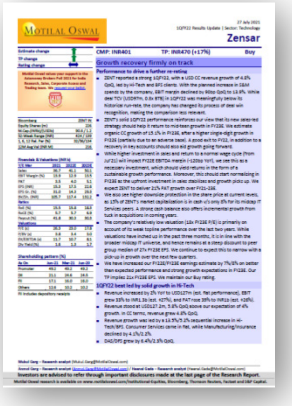
- WPRO may offer a second round of wage hikes in CY21 due to increased supply pressures. Two months of salary impact are expected in 2QFY22.
- The company continues to re-position itself in the ISRE market. The management expects positive single-digit margin for this business.
- It intends to maintain margin in a narrow band (17-17.5%) in the foreseeable future.

Other highlights

- The management expects to hire ~6k freshers in 2QFY22. With growth as a priority, it does not intend to let supply challenges disrupt that.

Click below for
Detailed Concall Transcript &
Results Update





Zensar Tech — Buy

Current Price INR 429

Growth and outlook

- ZENT reported robust growth (4.8% QoQ CC) on the back of broad based growth across businesses.
- Order book stood at USD97m in 1QFY22, with an equal mix of new deals and renewals. With the company pursuing a good number of logos, order book should increase going forward.
- Within verticals, Hi-Tech reported strong growth on the back of a steady recovery in its clients. The management expects this momentum to continue going forward. BFSI is expected to report robust growth in coming quarters.
- Within Europe, the company faced headwinds in terms of completion of projects. The management said that good projects are coming in, especially in the areas of experience design.

Operational strategy

- Positive demand indicates that clients are stabilizing. The new strategy should bring ZENT back on the growth trajectory in the next 3-7 quarters.
- The company is sharpening its GTM strategy by realigning efforts to focus on five key growth areas. It is focused on investing in the talent engine, along with massive up-skilling and re-skilling.
- The management intends to continue refining and updating their strategy.

Margin performance and outlook

- Increase in provisions in 1QFY22 impacted margin to some extent.
- Supply-side pressures have impacted the cost of delivery, in turn impacting wage hikes as well.
- ZENT continues to invest in its sales engine and has been working towards pyramid rationalization, offshoring, and cost optimization.
- The management expects margin to be at high teen levels over the medium to long term, while near term headwinds like investments into the business would lead to a decline.

Other highlights

- ZENT has completed the integration of M3bi, and revenue from the same should start flowing in from 2QFY22.
- The management is scouting for potential M&A opportunities, especially in the areas of advanced engineering services and SaaS.

- **Operators have seen a marginal revenue impact due to a) the free extension of plan validity in May'21 and b) SIM consolidation and loss of revenue from feature phone subscribers due to the economic impact of the pandemic. ARPU has been marginally impacted by the free extension during the validity period and due to affected recharge availability. Airtel plans to gradually hike tariffs to INR200 from INR146 currently. Telecom companies are undertaking 5G trials on the expectation of auction announcements early next year. TCom has stated it is focusing on smaller deals to support growth as the company is witnessing longer lead times in closing large transformation deals. VIL is working on engaging with investors for new funding and is parallelly in talks with bondholders for refinancing to keep up with the bond repayments due between Dec'21 and Feb'22.**

KEY HIGHLIGHTS FROM CONFERENCE CALL

	Outlook for FY22	Rollout of 5G services/costs
Bharti Airtel	▪ The Non-Wireless business (Homes, Payments Bank, and Enterprise) is poised for growth. Homes added a strong 285k customers, the Payments Bank business achieved breakeven with INR10b revenue, and the Enterprise business is gaining strong market share. ▪ The company plans to attract quality customers by focusing on offering differentiating services, enhancing its network, and deleveraging its digital assets to create revenue streams. ▪ Airtel plans to gradually hike its tariff, which would help take ARPU to INR200 from INR146 currently. The long-term ARPU target remains at INR300.	▪ 5G testing and trials have been conducted in multiple cities. The company expects the 5G auction to be announced early next year. Meanwhile, it plans to get its 5G network ready by the launch period.
Bharti Infratel	▪ The Energy margin would be reversed as customers shift from the pass-through to the fixed energy model, and both parties would benefit from the investments to reduce energy costs. ▪ Indus has primarily pledged 190m shares owned by Vodafone in VIL and made a secondary pledge with a liability cap of INR42.5b. While there is no top-up available, this adequately covers any security requirement.	▪ DOT has given 5G trial spectrum to telcos, which are now doing trial runs in the top cities. This would require big infra investments. Also, it remains optimistic on IBS investments – key for the 5G network rollout.
Tata Comm	▪ The capex guidance stood at ~USD250m for FY22, driven by new orders, maintenance capex (2% of revenues), and strategic capex. ▪ The EBITDA margin guidance was maintained at 23–25% for the long term. ▪ The deal funnel improved and is expected to drive revenue. However, it is seeing longer lead times in closing large transformation deals. ▪ It plans to collaborate on cloud offerings with companies such as Amazon, Cisco, and Microsoft.	

airtel

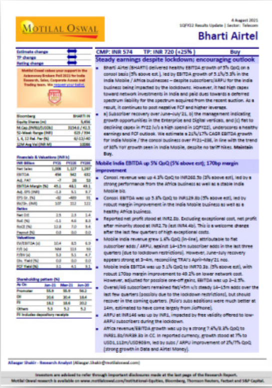
Click below for
Detailed Concall Transcript &
Results Update

Bharti Airtel — Buy

Current Price INR 613

Key highlights

- Recovery in sight: June-July subscriber and ARPU traction indicate strong and healthy recovery from the lockdown impact.
- Focus on premium subs: Airtel's customer segmentation strategy stresses its focus on the top 50m customers in the market, of which 30m are already its users. These, along with 500m customers under aspirers, are high-ARPU customers that contribute 85–90% to the market and form its key focus set. The remaining 400m basic users are targeted for upgrades.
- Capex and 5G investments: FY22 capex is expected to trend lower v/s FY21; the higher capex in 1QFY22 was towards an advance for the spectrum acquired at the recent auction. It is well-prepared for 5G, with tests and trials being



Bharti Airtel

conducted in multiple cities. The government is planning a 5G auction next year, but there is no clarity on the spectrum pricing.

- Non-Wireless business: The Non-Wireless business (Homes, Payments Bank, and Enterprise) is poised for growth. Homes added a strong 285k customers, the Payments Bank business achieved breakeven with INR10b revenue, and the Enterprise business is gaining strong market share.
- Investments in Africa business: In addition to USD100m from Mastercard and USD200m from TPG's RISE funds, the company announced an additional investment of USD200m in its Africa business from Qatar Holding LLC.

Business Performance

Airtel Homes

- The company has expanded its presence and now has ~1m home passes.
- The company, in collaboration with local broadband providers, added 98 towns; it now has a broadband presence in 300 towns.
- The company added the highest ever number of customers (285k), taking the total customer base to 3.35m, aided by tailwinds from the lockdowns and the work-from-home thrust.
- The company continues to see momentum in the business.
- The company views Fiber-to-Home as a good opportunity. It plans to expand its fiber network to 2,000 towns over the next three years.

Mobile

- The company has 5.1m 4G customers, and ARPU stands at INR146. This segment enjoys the highest revenue market share of 35%.
- The company has deployed additional mid-band and sub GHz (auction acquired) to extend services to an additional 19m customers.
- The company revised its entry-level prepaid plans from INR49 to INR79 in Aug'21. This is expected to bring SIM consolidation and churn. It further revised its corporate plans to INR299 from INR199 earlier.

Airtel

- The share of this business has improved to 34.1% in the current quarter from 22.1% in 1QFY21.
- The company enjoys a leadership position in IoT and other connectivity markets.
- Strong recovery was witnessed in June 2021.
- The segment has a customer base of 3,600 large and ~1m emerging enterprises. However, just 20% of its customers account 80% of revenue.

Payments Bank

- It achieved strong growth in terms of scale, with over 30m users. It achieved breakeven in the business, aided by scale and a customer base provided by Airtel.
- The segment has been seeing green shoots in the form of strong growth in the deposit base for the last few years, dominance in remittances (aided by the Telecom customer base), and a strong pool of ~7m merchants. These factors are expected to improve GMV going ahead.

Business outlook

- Capex: Capex in the current quarter was on the higher side, primarily on account of the 850 and 900 MHz frequency acquisitions. Going ahead, the company expects to keep capex in-line, with a focus on spending towards transport and back haul, while radio investments are expected to reduce. Core investments are expected to be the direct function of capacity.
- Customer identification and focus market: The company has identified the following three market segments based on usage.

- High-Value Homes: This segment constitutes ~50m high-value homes situated in the top 25 cities. Spends by these homes on telecom range between INR1,500–2,000 per month, with the capacity to spend even more. The company plans to offer these households premium services such as Airtel Black; Postpaid Family Plan, which offers stickiness, bundled with priority services; and zero service/visiting costs.
- Aspirers: This segment constitutes 500m smartphone users who look for good value. Aspirers, along with high-value customers, account for 85–90% of the overall market and are considered major focus areas. The company offers Airtel Safeway for payment solutions to this segment.
- Basic Users: This division constitutes 400m users, comprising farmers, elders, housewives, and rural traders, who look for basic connectivity services.
- Business service strategy: The company plans to attract quality customers by focusing on the following:
- It plans to offer differentiating services (not easy to replicate) to quality customers. This can be done by leveraging the presence of ~30m of the total 50m high-value customers already associated with the network through either of the services offered.
- The company has invested ~INR1,500b in enhancing its network. Furthermore, the 5G trials and the initiation of O-RAN – in association with companies such as Intel, Qualcomm, and Red Hat – are expected to enhance network capabilities.
- The company plans to deleverage its digital assets to create revenue streams.
- AGR dues verdict: The apex court declined the petition for the re-calculation of AGR dues. The company has already paid INR1,800b towards this demand.
- Investments in Africa business: In addition to USD100m from Mastercard and USD200m from TPG's RISE funds, the company announced an additional investment of USD200m in its Africa business from Qatar Holding LLC.
- De-leveraging: The company has no reason to significantly de-leverage its balance sheet on the back of high-growing EBITDA, limited bank debt, and the availability of a monetization pool. Africa monetization is available through dividends and consolidation.
- Subsidy offerings: Offering subsidies is not possible due to low ARPU, high churn post the completion of the subsidies, and high costs on earnings.
- Tariff hike: Airtel plans to gradually hike its tariff, which would help take ARPU to INR200 from INR146 currently. The long-term ARPU target remains at INR300.
- 5G status: 5G testing and trials have been conducted in multiple cities. The company expects the 5G auction to be announced early next year. Meanwhile, it plans to get its network 5G ready by the launch period.

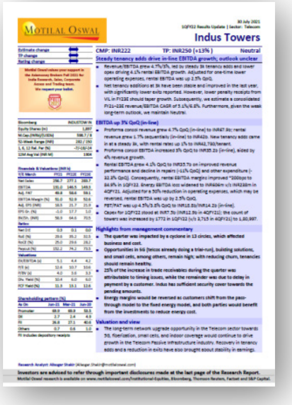
Indus Towers — Neutral

Current Price INR 219

Click below for Results Update

Key highlights

- **The quarter was impacted by a cyclone in 13 circles, which affected business and cost.**
- **Opportunities in 5G (telcos already doing a trial-run), building solutions, and small cells, among others, remain high; with reducing churn, tenancies should remain healthy.**
- **25% of the increase in trade receivables during the quarter was attributable to timing issues, while the remainder was due to delay in payment by a customer. Indus has sufficient security cover towards the pending amounts.**


Indus Towers

- **Energy margins would be reversed as customers shift from the pass-through model to the fixed energy model, and both parties would benefit from the investments to reduce energy costs.**

Performance for the quarter

- Performance during the quarter was impacted by a cyclone, which affected 13 circles v/s four circles in the corresponding quarter.
- Indus has fully completed the integration of an IT platform in all of the 22 circles and it is now operating on one unified platform seamlessly.
- It added 1700 towers and 2900 tenancies despite the lockdown.
- June witnessed a steady pickup in consumer and telecom activity.
- It witnessed lower churn during the quarter from significantly elevated levels earlier. Large network realignments and churn by customers seem to be largely behind.
- Margin improvement was seen during the quarter, led by a robust cost efficiency program and some timing benefit in costs.

Increase in trade receivables

- The increase in trade receivables was partly attributable to a) timing issues, which have corrected in July, and b) some delayed payments in July, which have impacted FCF.
- 25% of the impact was due to timing issues, while the rest due to delayed payments.
- There is some financial stress in the sector that is also impacting Indus Towers, but the availability of corporate security has cushioned the blow.
- The advance amount received earlier from VIL has already been consumed.

Energy margin

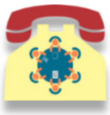
- The fixed energy regime would help improve efficiencies and margins from the current pass-through model – moreover, telcos may not invest in bringing down energy costs individually.
- Without investments, it is difficult to bring energy efficiency. While it is difficult to provide timelines, this may not be retrospective.

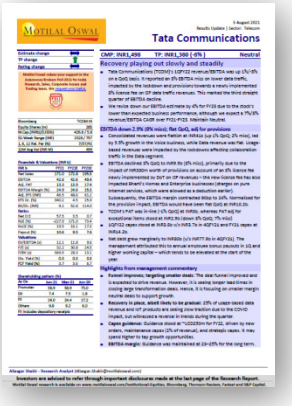
Growth outlook

- DOT has given a 5G trial spectrum to telcos, which are now doing trial-runs in the top cities. This would require major infra investment. We also remain optimistic about the IBS investment, which is key to the 5G network rollout.
- We believe the industry would eventually be a three-player market, and the recent tariff rationalization by one of the players is in line with this view.
- In the lead of 5G investment, operators are aggressively rolling out IBS / small cells. However, Indus is also investing majorly in 5G.
- The focus is on maintaining healthy margin levels in the future. However, this would be subject to the upcoming network rollouts.
- It would provide a detailed strategy on the growth outlook, led by new technologies such as IBS and small cells, and divulge how all of this would be captured.

TATA COMMUNICATIONS

Click below for
Detailed Concall Transcript &
Results Update





Tata Communications — Neutral

Current Price INR 1,394

Key highlights

- Funnel improves; targeting smaller deals: The deal funnel improved and is expected to drive revenue. However, it is seeing longer lead times in closing large transformation deals. Hence, it is focusing on smaller margin, neutral deals to support growth.
- Recovery in place, albeit likely to be gradual: 25% of usage-based data revenue and IoT products are seeing slow traction due to the COVID impact, but witnessed a reversal in trends during the quarter.
- Capex guidance: Guidance stood at ~USD250m for FY22, driven by new orders, maintenance capex (2% of revenue), and strategic capex. It may spend higher to tap growth opportunities.
- EBITDA margin: Guidance was maintained at 23–25% for the long term.

Detailed notes

Launches and upgrades in Hybrid Connectivity market

- The company is expanding its IZO cloud offerings to remain relevant for customers. It recently launched IZO Financial Cloud, enabling next-gen digital transformation, to service surging customer demand.
- It is shortly launching a cloud communication platform on software layers to seamlessly collaborate with the customer and provide flexibility for business growth.
- It recently deployed a virtual video-assisted solution on media edge cloud to enable remote connectivity for the global sailing championship.

Deals and collaborations

- The funnel of orders improved sequentially in 1QFY22 (v/s 4QFY21) and should gradually translate to revenues.
- It has been focusing on larger transformation deals, but is experiencing longer lead times for closings. Hence, it has accelerated smaller deals to drive growth, which is not likely to impact margins.
- KIons Digital signed a large multi-year contract to improve efficiency in a global transformation program.
- It received an order from a central government exchange to offer tailor-made security services.
- The Industrial IoT Solutions business tied up on a contract with Tata Steel for employee efficiency.
- Joint deals with TCS – The focus is on larger deals. Significant engagement is seen at the field level, and the funnel has improved as a result of this. It is also seeing good traction in terms of collaborations, but these have also been impacted by COVID.

Business performance

- Performance: Revenue growth is slower due to COVID. However, it is keeping a strong lid on costs and has exited loss-making contracts with the Ministry of Finance to protect its profitability.
- Recovery: Sequential trends appear to be encouraging after three quarters of weakness. The company is seeing gradual recovery in all segments since the opening up of office spaces. The Cloud and Security, New Gen, and Media businesses have reached pre-COVID levels. However, SIP Trunking is still

struggling below pre-COVID levels; nonetheless, the trend is gradually reversing and recovery is expected in this segment.

- Media business: The Media business is starting to recover with global events picking up. The Media business grew 82% v/s last year's low base. The segment is back at pre-COVID levels in terms of absolute nos. and should grow faster hereafter.
- Auto OEMs: Auto OEMs are facing RM shortages, which is hurting the Move service business.
- ATM business: The ATM business has seen improvement in cash/non-cash transactions to INR6/INR17 per transcation (from INR5/INR15).
- Leverage: Net debt to EBITDA of 1.9x is well within the guidance of below 2x.

Business outlook

- Capex: Capex for FY22 is expected to be ~USD250m, largely driven by customer success capex. Maintenance capex stands at near 2% of revenue, while strategic capex is subjective.
- Next-gen connectivity: Large network transformation deals are expected, including IZO, SD WAN, and other digitization deals. The underlying trend of leveraging the Internet to digitize the network and capability has not gone away, but dried up currently.
- Cloud-based collaboration: It plans to collaborate with companies such as Amazon, Cisco, and Microsoft with cloud offerings. It plans to operate something along the lines of a cloud-based call center, but would add layers of services to provide a wider range of offerings.
- Focus on IZO and CPaaS: There is need to continuously innovate in all segments, such as IZO-related products, programmable voice offerings, and CPaaS while ensuring achievement of scale. The company plans to continue to invest in these segments.
- Pricing: No change is expected in customer behavior towards pricing due to the lackluster usage-based revenue trends.
- EBITDA guidance: It would continue to maintain the EBITDA margin expectation of 23–25% over the long term.
- Recovery in SIP and Cloud: On-the-go digital product usage would aid growth in the SIP Trunking business (with the recovery of COVID). The resumption of business post COVID would further drive demand in cloud services.

Together for Tomorrow

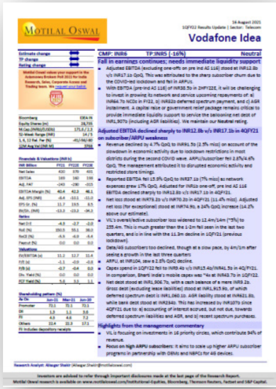
Click below for Results Update

Vodafone Idea Neutral

Current Price INR 6

Capex and network investments

- VIL added ~6,400 4G FDD sites primarily through the re-farming of 2G/3G spectrum to expand its 4G coverage and capacity.
- VIL's overall broadband site count declined to 447,114, v/s 452,650 in 4QFY21 as it continued to actively shutdown 3G sites.
- Till date, VIL has deployed ~63,000 TDD sites in addition to the deployment of ~13,800 Massive MIMO sites and ~12,800 small cells.
- It launched an integrated IoT platform under Vi Business, which offers end-to-end IoT solutions, a first in the market. This is a strategic step towards making Vi Business an IoT ecosystem integrator for Indian enterprises, positions VIL as an ecosystem play, and drives its transformation from a Telco to Techco.



Cost saving initiatives

- After achieving targeted merger opex synergies of INR84b, VIL aims to achieve INR40b in annualized cost savings by CY21. It has already achieved ~70% of the targeted annualized savings on a run-rate basis in 1QFY22.

Fundraise

- Vodafone paid USD200m (INR15.3b) as contingent liability towards AGR in Apr'20:
- The Vodafone group infused USD200m (INR15.3b) in VIL under terms of the contingent liability mechanism towards its AGR liability.
- The total exposure of the Vodafone group towards VIL by way of the contingent liability mechanism stood at INR84b. The net balance stands at INR69b.

Indus stake sale

- VIL relinquished its 11.13% stake in Indus for INR37.6b in Nov'19.
- Of this, INR24b will be adjusted towards rental prepayments (at 6% interest accrual), so the net amount received will be INR14b.
- Bharti Infratel has sought security of one-year forward payments in the form of: a) security deposit by VIL (i.e. INR24b), b) pledge of Vodafone's stake in Bharti Infratel, and c) corporate guarantees by Vodafone.
- Prior to this, it had raised: a) INR250b through a rights issue in Apr'19, and also b) INR135b in Feb'18 through ABG/Vodafone (promoter) equity infusion and a QIP just ahead of the merger.

Fundraise details in the last couple of years and pending money to be received

- In FY22, VIL repaid a principal of INR60b, including interest of INR64.7b.
- Against this, operating cash flow would be ~INR70b in FY22. It has deferred its upcoming spectrum payment.
- The board in Sep'20 approved a fund raising plan of up to INR250,000m, but is yet to complete the same.
- Total amount received in the last two years is INR29b.
- Of this, INR15b has been infused by Vodafone towards contingent liability payment. (This is not an equity infusion, but a liability compensation, so there no incremental stake).
- And INR14b through the Indus stake sale.

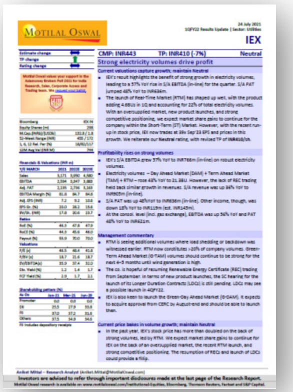
Auditors raise concerns over VIL's ability to remain an ongoing concern

- The group has classified long-term debt of INR79,944m (net of the waiver received) from non-current borrowings to current maturities for not meeting specified financial ratios and certain covenant clauses under various financial agreements as of 30th Jun'21.
- As a result of the earlier ratings downgrade, certain lenders had asked for higher interest rates and additional margin money/security against existing facilities.
- Subsequent to the quarter ending, there has been a further rating downgrade by Care to 'Care B-: Under Credit watch with Negative Implications'.
- The group has also written to DoT for deferment of the spectrum payment installment of INR82,117m payable as of 9th Apr'22.
- The company needs to provide additional bank guarantees of INR9.8b to avail an additional one-year moratorium on spectrum instalments of INR64.4b.
- The Supreme Court dismissed the company's application for modification in the calculation of AGR dues on 23rd Jul'21. The company has filed a review petition on 10th Aug'21.

UTILITIES

- **Torrent Power (TPW) has noted it expects demand for its distribution franchise (DF) circles to reach pre-COVID levels by end-FY22. The co. has won the bid for Daman and Diu and Dadra & Nagar Haveli, but is waiting for the issuance of an LOA. TPW expects capex within the distribution license (DL) and DF circles to continue at INR12b and INR2.5b p.a., respectively. NTPC is focused on spearheading the energy transition (targeting 60GW of renewables capacity by 2032) and exploring opportunities within green hydrogen. The co. expects to monetize its renewables and trading subsidiaries over the next 18 months. PWGR is looking at opportunities ushered in by the government's distribution reform schemes. The company sees an incremental INR2t in funding/investment needs for DISCOMs to upgrade their distribution networks and Smart Meters. It is looking to engage with DISCOMs for the same and provide technical solutions and investment support. PWGR expects capitalization in FY22 to stand at INR150b, with capex of INR75b. For FY23, it expects capitalization to come in at INR120–150b, with capex of INR75–100b.**

Click below for
Detailed Concall Transcript &
Results Update



Indian Energy Exchange — Neutral

Current Price INR 401

Volumes

- **RTM:** Additional volumes are seen where load shedding or backdown was witnessed earlier. RTM now constitutes >20% of company volumes.
- **G-TAM:** Volumes should continue to be strong for the next 4–5 months until wind generation is high.
- **REC:** No REC trading is happening yet. The next hearing is in August. The order may come in September, and it could start trading thereafter.
- **Open Access (OA):** Currently, OA is decreasing due to barriers created by state regulatory commissions. In 1QFY22, 15% of volumes were for OA v/s volumes of 26% in 1QFY21.
- ESCerts trading happens once in three years and may commence in Aug.

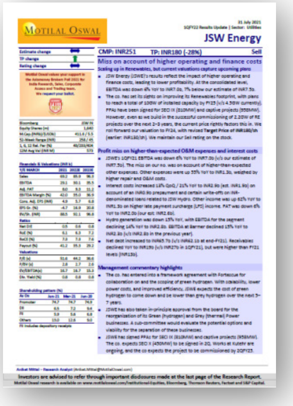
New products

- **LDCs**: Only urgent matters are being taken up by the Supreme Court; the case has not come up for hearing. It may see a possible launch in 4QFY22.
- **G-DAM:** Approval from CERC is expected by August-end, and it should be able to launch then.
- Cross-border: This is expected to be an 8–10BU market over the next five years.

Others

- **MBED:** While the MoP has invited comments, DISCOMs and generators have expressed their reservations. Issues pertain to a) the ability to re-schedule power and b) the difference in PPA capacities signed across states. The settlement process is also complicated.
- **Relinquishment:** 4–5GW capacity under LT PPA could be relinquished after the ministry guidelines are established.

Click below for
Results Update

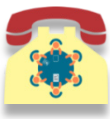


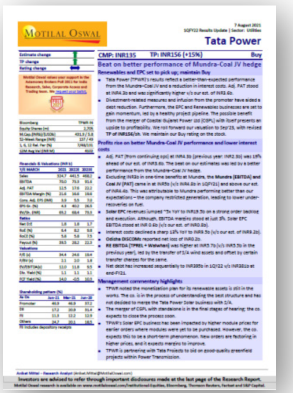
JSW Energy — Buy

Current Price INR 236

- The co. has entered into a framework agreement with Fortescue for collaboration on and the scoping of green hydrogen. With scalability, lower power costs, and improved efficiency, JSWE expects the cost of green hydrogen to come down and be lower than grey hydrogen over the next 5–7 years.
- JSWE has also taken in-principle approval from the board for the reorganization of its Green (hydrogen) and Grey (thermal) Power businesses. A sub-committee would evaluate the potential options and viability for the separation of these businesses.
- JSWE has signed PPAs for SECI IX (810MW) and captive projects (958MW). The co. expects SECI X (450MW) to be signed in 2Q. The co. has placed an order for solar modules and signed term sheets for wind turbines. JSWE expects solar panels for 225MW of projects to start coming in from Sep and expects to receive all the panels by Dec.
- Works at Kutehr are ongoing, and the co expects the project to be commissioned by 2QFY25. The co. has spent INR6.5b on the project.
- JSWE received approval for a capacity uprating by 91MW to 1,091MW at Karcham Wangtoo. Of this, operations for 45MW of capacity have commenced; operations for the remaining capacity would commence over the next fiscal.
- The co has replaced loans with a USD-denominated green bond (USD707m) with a coupon rate of 4.125% for a 10-year tenure. The all-in cost would be 8% in INR terms.

Click below for
Detailed Concall Transcript &
Results Update



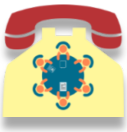


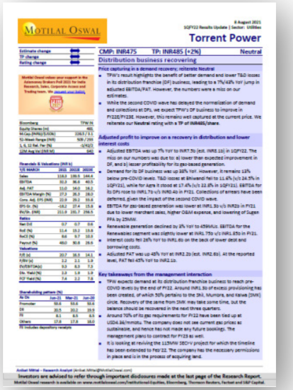
Tata Power — Buy

Current Price INR 126

- TPWR noted the monetization plan for its renewable assets is still in the works. The co. expects is in the process of understanding the best structure and has not decided to merge the Tata Power Solar business with S/A.
- The merger of CGPL with standalone is in the final stages of hearing; the co. Expects to close the process soon.
- TPWR's Solar EPC business has been impacted by higher module prices for earlier orders where modules were yet to be purchased. However, the co. expects this to be a short-term phenomenon. New orders are factoring in higher prices, and it expects margins to improve.
- TPWR is partnering with Tata Projects to bid on good-quality Greenfield projects within Power Transmission.
- Odisha DISCOMs have felt the impact of COVID and the cyclone. These have impacted the restoration of networks and collections. Technical losses, though, have been brought down close to the trajectory of the vesting order.
- The co. noted that while its PPA in Trombay is up to Mar'24, there is some consideration on having a large embedded generation in Mumbai. The co. is looking to extend its PPA for some more years until the embedded generation is enhanced.

Click below for
Detailed Concall Transcript &
Results Update





Torrent Power **Neutral**

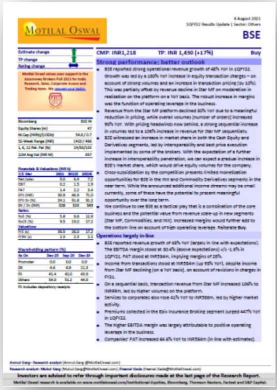
Current Price INR 453

- The company sold 130MUs in merchant volumes at a contribution of INR0.02/kWh v/s 921MUs sold at a contribution of INR0.38/kWh in 1QFY21.
- TPW expects demand at its distribution franchise business to reach pre-COVID levels by the end of FY22. Around INR1.3b of excess provisioning has been created, of which 50% pertains to the Shil, Mumbra, and Kalwa (SMK) circle. Recovery of the same from SMK may take some time, but the balance should be recovered in the next three quarters.
- Around 70% of its gas requirements for FY22 have been tied up at USD4.36/mmbtu. The company does not see current gas prices as sustainable, and hence has not made any future bookings. The management plans to contract for FY23 as well.
- It is looking at reviving the 115MW SECI-V project for which the timeline has been extended to Feb'22. The company has the necessary permissions in place and is in the process of acquiring land.
- The management is expecting low teen IRRs for the solar project that it has recently bid. It is continuously watching module prices and will take a call on the ordering of the modules. There can be an extension to the COD provided by GUVNL due to the second COVID wave.
- Capex within the distribution license and franchise circles is expected to continue at INR15b p.a., of which DL is INR12b. The management expects DL capex to be higher than INR12b in FY22 due to the spillover of the lower capex in FY21.
- On the retirement of AMGEN, TPW is in discussion with the government and is hopeful on an extension being granted for the project.

BSE — Buy

Current Price INR 1,110

Click below for
Detailed Concall Transcript &
Results Update



Cash Market

- BSE's market share has increased to 7.2% (from 6.3% earlier) on the back of increasing interoperability.
- Higher participation has been seen from HFTs.
- BSE has also increased its transaction charges to match those of the Competition.

Star MF

- This is the largest mutual fund distribution platform; total transactions have grown 90% YoY.
- BSE's Star MF platform continues to see new peaks in transactions every month and consistent equity inflow.
- The platform is generating profits, with PBT margins at 35%. Transaction charges stand at INR3.4 per transaction – charges declined by some basis points due to an increase in volumes.

Interoperability

- Most brokers had earlier not diversified to other exchanges or were not open to diversifying. Since the occurrence in February 2021 (halt in NSE trading), brokers have realized the importance of diversifying, which has benefitted BSE.
- Diversification by brokers would lead to the correct implementation of interoperability.

Other highlights

- Treasury income has declined given that NAV has declined, and the management expects a lot of volatility going forward as well.
- Better technology, newer products/instruments, interoperability, and a robust increase in market share for Derivatives are the key volume drivers for the company.
- Transaction charges were increased by 10% effective 1st March 2021. However, this has not impacted volumes.
- CDSL's current stake stands at 20%, which the management intends to bring down to 15% by Oct'23.

Container Corp — Buy

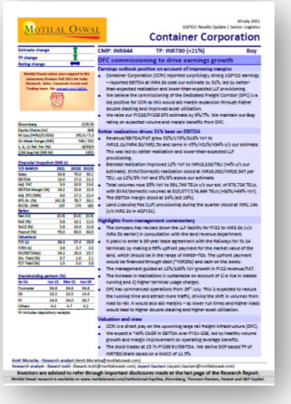
Current Price INR 650

कॉनकॉर CONCOR

Click below for
Results Update

Operational highlights

- Empty running charges for EXIM/Domestic stood at INR260m/INR460m in1QFY22.
- The lead distance for EXIM/Domestic stood at 704km/1,377km.
- Rebates and discounts stood at INR260m for 1QFY22.
- Around 807 double-stack trains were used in 1QFY22 (4QFY21: 786).
- In 1QFY22, rail freight margins stood at 30% (30% in 4QFY21 as well).
- Port-wise market share at JNPT/Mundra/Pipavav stood at33.36%/37.55%/9.16%.


Container Corporation
DFC commissioning to drive earnings growth

No immediate plans for tariff hike

- It has no immediate plans for any tariff hikes and is focusing on growing volumes.
- The increase in realizations is sustainable on account of 1) a rise in loaded running and 2) higher terminal usage charges.
- Margins would improve further as it is in the process of upgrading the capacity of containers and rakes and has already achieved capacity upgrades for 60% of its rake fleet.

CCRI revises down LLF to INR3.8b for FY22 (from INR4.5b)

- The company booked LLF charges of INR1.1b in 1QFY22, as per the earlier guidance for INR4.5b LLF charges for FY22. However, it has revised the charges to INR3.8b for FY22 in consultation the with land revenue department.
- It plans to enter a 35-year lease agreement with the Railways for its 24 terminals by making a 99% upfront payment for the market value of the land, which should be in the range of INR60–70b.
- The Company would utilize cash balance of INR25b and avail short-term loans up to INR35b to make the payment.

Guidance for FY22

- It has guided for 12% revenue growth and PAT growth of 100% YoY in FY22.
- The FY22 capex guidance stands at INR5b (INR4.5b in FY21), of which INR3.0bwould be used for the procurement of equipment and rakes, while INR2.0bwould be used to build/enhance IT and infrastructure and for land acquisitions.
- The management expects to improve volume share in the Domestic business to30% by 4QFY22 v/s 20% in 1QFY22, and targets 40% levels over the next 3–4years.

Long-term plans

- It plans to procure 8,000 containers per year during FY22–26, which would aid growth in the Domestic business. It has procured 24k containers in the last three years and has a total of 37k containers.
- It plans to procure 270 rakes (25-ton axle load) over FY22–26, of which 48 would-be procured in FY22. It currently has 12 such rakes.
- It has guided for capex of INR5.0–8.0b per year over the next three years.

Exploring bulk transportation opportunities

- CCRI undertook bulk transportation of 300kt food grains in FY21 and plans to ramp this up further.
- It would commence operations for the bulk transportation of cement in 1QFY23 (capacity of 0.5mt).
- Bulk transportation does not involve bagging and de-bagging, and would result in cost savings and lesser wastage.
- The management has identified plenty of opportunities for the transportation of commodities such as sugar, cement, salt, oil, etc., and is working on a plan for the same.
- Currently, these commodities are transported in railway wagons. Given the shortage of wagons in India, containers offer a good alternative and could provide flexibility in terms of multi-modal transportation.

DFC benefits

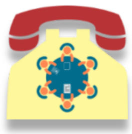
- DFC commenced operations from 29th July.

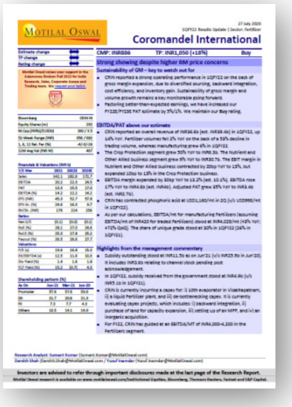
- DFC would reduce the running time and attract more traffic, driving the shift in volumes from road to rail.
- It would aid margins – as lower run times and higher loads would lead to higher double stacking and higher asset utilization.

Coromandel Intl — Buy

Current Price INR 822

Click below for Detailed Concall Transcript & Results Update





Industry

- Global food prices have continued to remain high on the back of strong demand from cereals and vegetable oil, lower inventory, and stockpiling by China
- Indian Agri exports in 1QFY22 grew 40% to USD8.9b.
- Reservoir level in South and West India is above its long term average, which bodes well for acreages.
- Crop sowing is down 9% YoY, but is likely to catch up going forward.
- DAP and complex industry primary sales were down 14% YoY to 4.4MMT.
- Major RM prices have firmed up on the back of strong demand.
- Channel inventory is low currently, and so demand for Fertilizers is expected to remain strong.

Fertilizer segment

- CRIN's market share has moved up to 18.1% in 1QFY22 v/s 16.4% in 1QFY21.
- Capacity utilization for the DAP and NPK plant stood at 73% in 1QFY22 due to RM constraints.
- Phosphoric acid production for CRIN has touched a new high in 1QFY22.
- CRIN has raised MRP in NPK grade, taking into account higher RM cost. It has also factored in the benefit of backward integration and increase in subsidy.
- The company has contracted phosphoric acid at USD1,160/mt in 2Q (v/s USD998/mt in 1QFY22).
- For FY22, CRIN has guided at an EBITDA/MT of INR4,000-4,200.

Crop Protection

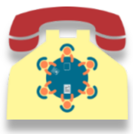
- Six new molecules were launched in 1QFY22 (four insecticides, one fungicide, and one herbicide). Three products are combination molecules and one product has 9(3) registration.
- Exports grew 60% YoY in 1QFY22, driven by sales of Mancozeb. B2B sales drove sales in the domestic Crop Protection business on the back of mancozeb (+50% YoY) and acephate. The lion's share of growth is driven by volume growth.
- The company expects double-digit revenue growth in the Crop Protection business over the next couple of years.

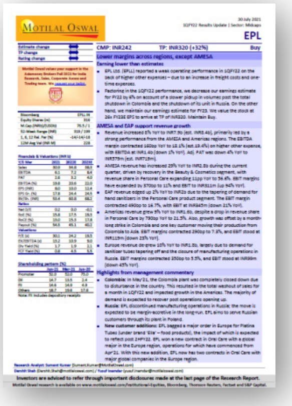
Financials

- CRIN is currently incurring a capex for: i) 10th evaporator in Visakhapatnam, ii) a liquid Fertilizer plant, and iii) de-bottlenecking capex. It is currently evaluating capex projects, which includes: i) backward integration, ii) purchase of land for capacity expansion, iii) setting up of an MPP, and iv) an inorganic acquisition.
- Subsidy/non-subsidy revenue share stood at 76%/24% in 1QFY22 (v/s 80%/20% in 1QFY21). Subsidy/non-subsidy EBITDA share stood at 74%/26% in 1QFY22 (v/s 79%/21% in 1QFY21).
- Subsidy outstanding stood at INR11.5b as on Jun'21 (v/s INR25.9b in Jun'20). It includes INR3.6b relating to channel stock pending post acknowledgement.
- In 1QFY22, subsidy received from the government stood at INR4.9b (v/s INR5.1b in 1QFY21).

- Gross margin expanded in 1QFY22 on the back of diversified sourcing, backward integration, cost efficiency, and inventory gain.
- Shifting to the digital medium v/s the physical medium for spends has led to some cost savings.
- After the Kharif season, the company expects RM prices to soften.

Click below for
Detailed Concall Transcript &
Results Update





EPL — Buy

Current Price INR 224

AMESA

- The AMESA biz grew 29% YoY to INR2,819m. EBIT surged 94% YoY to INR311m. The EBIT margin expanded 370bp YoY to 11%.
- In AMESA, EPL saw an increase in wallet share and new customer additions.
- One of the leading customers had to shut down operations in 1QFY22 for 2–3 weeks due to pandemic-related restrictions in India, which thereby offset the AMESA performance. One of EPL's plants was also shut down for 3–4 days.
- Revenue contribution from Personal Care increased to 56.6% in 1QFY22 (v/s 46% in 1QFY21); growth was seen majorly owing to recovery in the B&C category from the on-going COVID-19 outbreak.

EAP

- The EAP biz grew 2% YoY to INR2,060m. EBIT de-grew 21% YoY to INR345m. The EBIT margin contracted 490bp YoY to 16.7%.
- Revenue contribution from Personal Care decreased to 38.3% in 1QFY22 (v/s 44.9% in 1QFY20) due to demand for sanitizer tubes tapering off in the Pharma category. However, robust growth was seen in the B&C category.
- A strong business pipeline in the B&C and Pharma categories and a higher focus on fast-growing regional players would drive robust growth in FY22.

Americas

- The Americas biz grew 9% YoY to INR1,639m. EBIT fell 23% YoY to INR119m. The EBIT margin contracted 290bp YoY to 7.3%.
- In May'21, the Colombia plant was completely closed down due to a disturbance in the country. This resulted in the total washout of sales for a month in 1QFY22. The majority of demand is expected to return post the resumption of operations and business activity. The share of Oral Care in Colombia is very low, and the country's performance is driven by Personal Care (B&C and Pharma).
- The lower margins were attributable to one-off cost incurred in the geography due to the lower availability of labor. The Americas' performance is expected to rebound from 2QFY22.
- Revenue contribution from Personal Care decreased to 21.5% in 1QFY22 (v/s 29.4% 1QFY21). Growth was impacted by lower off-take in the Personal Care category, a month-long strike in Colombia, and one key customer moving their production from Colombia to Asia.
- New customer wins across categories and the cross-selling of Personal Care products to existing Oral Care customers would lead to productive growth in the Americas region.

Europe

- The Europe biz de-grew 10% YoY to INR1,784m. EBIT fell 45% YoY to INR99m. The EBIT margin contracted 350bp YoY to 5.5%.

- Russia: EPL discontinued manufacturing operations in Russia; the move is expected to be margin-accretive in the long-run. EPL aims to serve Russian customers through its plant in Poland.
- Europe margins are expected to reach the double digits in the near term.
- Revenue contribution from Personal Care decreased to 61.2% in 1QFY22 (v/s 70% in 1QFY21) due to demand for sanitizer tubes tapering off and the closure of Russia mfg. operations.
- New customer additions: EPL bagged a major order in Europe for Platina Tubes (under brand 'Ella' – food products), the impact of which is expected to reflect post 2HFY22.
- EPL won a new contract in Oral Care with a global major in the Europe region, operations for which have commenced from Apr'21. With this new addition, EPL now has two contracts in Oral Care with major global companies in the Europe region.

Other highlights

- **India:** India standalone reported revenue grew 17.3% (excluding the Creative Stylo acquisition).
- **Price hike:** EPL has taken a price hike of 90%+ in its overall portfolio. Some benefits were recorded in 1QFY22 and the remainder would reflect in 2QFY22.
- **Phoenix 2:** EPL has 350 projects under 'Phoenix 2' to improve operational efficiency. The impact of this would reflect in the latter part of FY22 and FY23.
- **Logistic hurdles:** The non-availability of containers, congestion at ports, and a sharp increase in freight cost have substantially affected business performance. Supply disruption was also felt between China to the US.
- **RM:** RM prices remain high. The company maintains raw material inventory for up to 45–50 days. Cumulative loss due to the above reasons was in the range of INR180m in 1QFY22.
- The contractual pass-through in long-term contracts has a three-month lag.
- **Capacity:** EPL does not need to carry out Greenfield expansion; the existing capacity is completely capable of meeting the higher demand.
- **Capex:** 1QFY22 capex stood at INR531m.
- **Debt:** Net debt declined to INR2.45b in 1QFY22 despite the cash proceeds paid (INR1.7b) for the Creative Stylo acquisition.
- Volume growth in 1QFY22 was better v/s 1QFY21.

Godrej Agrovet — Buy

Current Price INR 639

Click below for Detailed Concall Transcript & Results Update

Animal Feed

- The demand uptick in Feed categories of cattle, broiler and layer led to strong volume growth (18% YoY). This, coupled with price hikes taken in 1QFY22, resulted in revenue growth of 34% YoY.
- Segment EBIT grew 33% YoY, despite a higher increase in key commodity prices. Realization of R&D benefits and strategic raw material stocking supported profitability levels.
- The Aqua Feed business was adversely impacted by a limited ability to pass on the raw material price increase in Shrimp Feed. It hiked Shrimp Feed prices by INR7,000/MT over the last two months. It would require one more price increase to maintain contribution margin.

Godrej Agrovet

CMP: INR648 TP: INR760 (+17%) Buy

Higher commodity prices underplay robust revenue growth

- Volume growth in Feeds in 1QFY22 (YoY) | Cattle Feed: 10%, Broiler Feed: 70%, Layer Feed: 20%, and Aqua Feed: 4%.
- The government is looking to allow imports of soymeal, which will reduce feed prices. The entire cost decrease is unlikely to be passed on to the customers by the industry.
- In one month, chicken prices are likely to recover on the back of an improvement in demand.

Standalone Crop Protection

- Revenue in the segment in 1QFY22 was driven by higher sales of in-house products over 1QFY21. Sales could have been higher, but a good and early start of the southwest monsoon was followed by a long gap of 25-30 days, which affected the sowing of major crops and thereby demand for Agrochemicals in Jun'21
- Raw material prices increased sharply due to an increase in demand and limited supply from China. However, the entire cost inflation could not be passed on, resulting in margin pressure.
- The Herbicides segment of the Agrochemical industry has been impacted due to delayed rain. GOAGRO's key product Hitweed has been impacted as the spray of herbicides, which typically happens during 20-30th June each year, has been hit. The overall performance of GOAGRO during the Kharif season would be impacted as these sales have been lost.

Oil Palm business

- Revenue in this segment grew 84% YoY in 1QFY22 due to increase in CPO and PKO prices. Volume growth stood at 7% in 1QFY22 on the back of improvement in the oil extraction ratio to 16.95% (v/s 16% last year) and higher (2% YoY) arrival of fresh fruit bunches. Crude Palm Oil prices increased by 76% YoY in 1QFY22.
- Volumes have been impacted in 1Q due to a shift in the season, but the management remains confident of growing volumes in FY22 v/s FY21.

Dairy

- After the pick-up seen in 4QFY21, demand for milk and milk products was impacted by micro lockdowns in southern states. However, volumes and sales have grown across the product portfolio on a lower base of 1QFY21.
- EBITDA has been impacted by an increase in procurement costs, which started increasing from Jan'21 onwards. Due to limited demand, Dairy companies in South India have not hiked prices.
- It launched a Mango Recharge energy drink to expand volumes and grow the 'whey' category for Godrej Jersey.
- Earlier the company used to cater to the Institutional segment, which has been impacted due to COVID-19 and lower focus on value-added products. However, the management is now focusing on increasing the share of value added products (VAP) and up scaling the business.

Astec Lifesciences

- Revenue growth was driven by the domestic business as exports declined in 1QFY22. Prices of key products declined in international markets, which caused sales to be lower, despite an increase in volumes. Segment-wise, revenue growth was driven by enterprise sales as the same in the contract manufacturing business is typically lower in 1QFY22.

- EBITDA was impacted by raw material cost inflation, which restricted the increase in gross profit. Fixed overheads have increased due to normalization of business activity.
- The herbicide plant will be operationalized in 2Q and will contribute to revenue in FY22. The R&D center is expected to be completed in the 3QFY23.

Godrej Tyson Foods

- Prices of poultry and poultry products were impacted by lower demand from the HORECA segment and lower out-of-home consumption. Raw material costs rose due to a sharp surge in commodity prices. This adversely impacted margin.
- With the easing of restrictions in many states, demand and prices have increased. This will increase profitability levels from Jul'21 onwards.

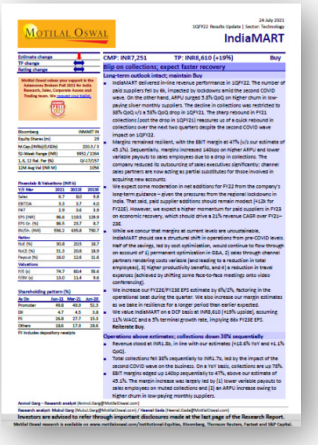
Other highlights

- The company has made an investment of INR260m in KSE.

IndiaMart Intermesh — Buy

Current Price INR 7,112

Click below for
Detailed Concall Transcript
&
Results Update



ARPU

- Realization increased 6% QoQ, largely led by higher churn in low-paying monthly suppliers. The company did not witness any price increase during the quarter. Other customer tranches have not seen any meaningful decline.
- The company does not plan to launch differential pricing contracts as of yet, due to muted economic activity among suppliers.

Hiring

- Overall hiring levels have gone up after several quarters as the company was able to recruit people at campus interviews, which have now commenced.
- IndiaMART has been reducing the outsourcing of sales employees and moving towards channel sales and sales through its own employees.

Strategy

- The company is currently enabling business and discovery for MSMEs, wherein it aids with (1) buyer and supplier negotiations and (2) quotations and invoicing.
- Going ahead, it plans to further expand into the commerce side of the business, including (1) payments, (2) logistics/tracking, and (3) transactional financing.
- On the inorganic front, the company has done several SaaS-based investments, which would help scale the company's presence in MSME operations. It would undertake more SaaS-based acquisitions/investments and implement the vertical commerce model in the future.

Channel partner sales

- IndiaMART has adopted the strategy to use channel partners in client acquisitions, along with its own salesforce.
- Channel partners are paid only if they convert a paid supplier, the cost of which is lower than the current customer acquisition cost for the company. The use of a partner-based ecosystem would make costs more variable.

Data

- IndiMART is able to collect the behaviour and usage data of buyers, which helps in better targeting buyers to the relevant MSMEs. This makes IndiaMART's relevancy far higher than any other platform.
- The company is able to create an enhanced buyer profile, ensuring better targeting as well as retargeting.

Margins

- The management expects only half of the margin benefit from COVID to sustain. Sustainable margins are expected to be in the 40% range.
- Currently, the traffic on the platform is organic. However, going ahead, if targeting poses a concern, the management would not shy away from advertising.

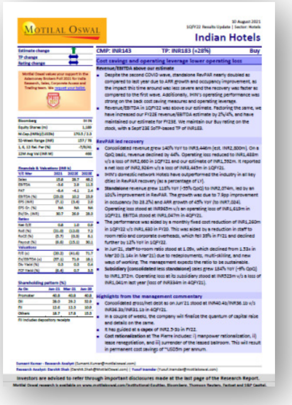
Competition

- It is not seeing any increase in competitive intensity despite higher marketing and advertisement campaigns by the competition.
- IndiaMART would continue to work on gaining buyer and supplier traction to emerge as the market leader in this space.
- Buyer fulfilment is currently at ~40% on the portal (as per customer surveys).This has increased from 20% 3–4 years ago.

Indian Hotels — Buy

Current Price INR 139

Click below for Results Update



- **Demand recovery:** The industry is expected to project accelerated growth in2HFY22 across domestic and international Hotels.
- **Leisure/corporate demand:** Current demand from the Leisure segment is high. Corporate bookings are also gradually picking up, leading to higher bookings in Ginger Hotels. The company also saw increased demand due to 'staycation' demand in urban areas. With a further reduction in restrictions, demand from corporates is expected to grow further.
- **Higher demand from the Leisure segment:** Tier I and II cities saw higher demand in terms of leisure and 'staycation' bookings. Non-leisure booking is also gradually increasing.
- **International business:** Hotels in London and Cape Town were shut for a large part of 1QFY22. During the last 10 days of 1QFY22, both Hotels were functional and saw good demand. Hotels were open in San Francisco and New York and so performed well, with over 40% occupancy and at higher rates (ARR higher than pre-COVID levels). Dubai and Maldives were seasonally weak during 1QFY22.
- **US performance:** Despite increasing COVID-19 cases in the US, the business is still performing well. IHIN has a presence in New York and San Francisco. The two cities have shown a higher resilience with respect to spread/control ofCOVID-19. The US government has allowed fully vaccinated people to travel, which in turn is expected to push international travel. In the medium term, the region is expected to perform well.
- **In the US**, revenue contribution from Banquets stood at USD30m on a top line ofUSD80m. Currently, its Banquets are under renovation and no revenue will be recorded in FY22. Non-Banquet revenue (USD50m) is expected to grow sharply in the US.
- **New Hotel openings:** IHIN opened three new hotels across brands: i) the strategically located leisure hotel Vivanta Thiruvananthapuram in Kerala, ii) strengthened India's religious tourism circuit with the launch of Pilibhit House, an IHIN SeleQtions Hotel in Haridwar, Uttarakhand, and iii) further tapped into the potential of East India as a business and tourism destination with the launch of Vivanta Bhubaneswar in Odisha.

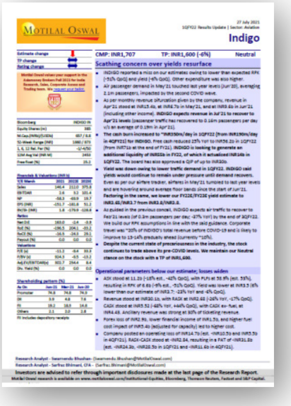
- **The company also signed two new hotels**, a 775 room Hotel, which will be a combination of a 450 room Vivanta and a 325 room Ginger Hotel, at Bengaluru in partnership with Bengaluru Airport City.
- **Revenue for Qmin** is accounted in the properties themselves, and each property pays it a fee. Enterprise revenue of INR300m was recorded in this segment in1QFY22.
- **Employee costs** were higher as there were no pay cuts in 1QFY22 v/s lower salary levels in 1QFY21. IHIN did not receive employee subsidy in 1QFY22 as compared to last year for its international hotels.
- In terms of revenue, Ginger Hotels managed to record 60% of pre-COVID levels in 1QFY22. F&B revenue grew 3x YoY, with operating losses lower than the 85%clocked in 1QFY21.
- **Revenge tourism:** IHIN saw an increase in average rates in Tier I cities, almost double on a lower base. This trend is expected to continue further, as the company saw a higher occupancy rate, followed by an increase in average rates. All leisure destinations have surpassed pre-COVID levels. Revenge tourism has led to an increase in 'staycation' bookings in metros. A similar trend is expected to continue in the medium-term.
- **Capex:** IHIN plans to spend INR2b towards a Ginger Hotel in Santa Cruz, Mumbai and INR1.05b on renovation of the Taj Mahal, New Delhi. Another GBP7m andUSD6m will be spent on the London Chambers at St. James Court and on the renovation of the ballroom at The Pierre, New York.
- **Staff-to-room ratio:** IHIN managed to reduce its staff-to-room ratio to 1.09x in1QFY22 (v/s 1.53x in 1QFY21). The management plans to maintain a similar run-rate going forward as well.
- **Asset monetization:** With an improvement in prices, asset monetization is expected to kick-start again.
- **Headwinds:** Weddings with a guest limit, no international travel, and restrictions on other miscellaneous events have affected IHIN's performance. With a gradual reduction in restrictions, a faster bounce back in demand is expected.
- Consolidated gross/net debt as on Jun'21 stood at INR40.4b/INR36.1b v/sINR36.3b/INR31.1b in 4QFY21.
- In a couple of weeks, the company will finalize the quantum of capital raise and details on the same.
- It has guided at a capex of INR2.5-3b in FY22.
- **Cost rationalization at The Pierre includes:** i) manpower rationalization, ii) lease renegotiation, and iii) surrender of the leased ballroom. This will result in permanent cost savings of ~USD5m per annum.

Other highlights

- IHIN's food delivery platform – Qmin – expanded its offerings with the launch of the first Qmin Food Truck in Mumbai.
- The Company is looking to open over 10 Hotels in FY22.

IndiGo

Click below for
Detailed Concall Transcript &
Results Update



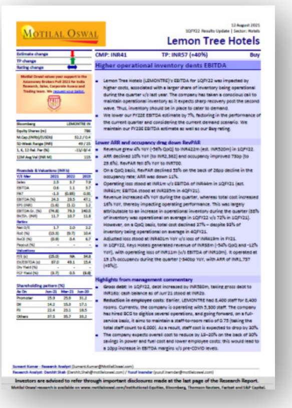
Interglobe Aviation — Neutral

Current Price INR 1,657

- Monthly revenue bifurcation stood at INR15.4b in Apr'21, at INR6.7b in May'21, at INR9.6b in Jun'21 (including other income). INDIGO expects revenue in Jul'21 to recover to Apr'21 levels. Cash burn increased to INR350m/day in 1QFY22 from INR190b/day in 1QFY21.
- Free cash reduced by 25% YoY to INR56.2b in 1QFY22 (from INR71b at the end of FY21). Restricted cash stood at INR114.5b (flat compared to the end of FY21). INDIGO targets to generate INR55b of additional liquidity in FY22 – actualized INR14b in 1QFY22.
- Yields fell owing to lower traffic demand. The management expects it to remain under pressure until demand recovers.
  - Metro-to-metro was weak in 1QFY22, although it is now picking up.
  - INDIGO has increased capacity to 65% from 47% on metro-to-non-metro (aiding better margin and demand).
  - The yield difference between Corporate and Retail has fallen.
  - Corporate travel was 20% of INDIGO's total revenue before the COVID-19 outbreak and is likely to improve to 13-14% gradually in the coming months (currently at 10%).
- The primary focus is on adding capacity to reach pre-COVID levels as soon as possible (constrained at 65% for now). Scheduled international travel remains challenging. The company is soliciting higher capacity from the government. Once the caps are removed, the airline would further fly more judiciously.
- Company expects domestic capacity to reach pre-COVID levels by the end of CY21. Air travel is expected to pick up rapidly as the number of COVID-19 cases decline further.
- INDIGO retired eight aircrafts QoQ (it has a fleet size of 277 aircrafts). It returned 15 A320ceo aircrafts, and inducted two A320neo, two A321neo, and three ATR aircraft.

lemon tree HOTELS

Click below for
Results Update



Lemon Tree Hotels — Buy

Current Price INR 39

- Business outlook: Due to lockdowns and restrictions (amid the second wave) domestic hospitality was severely affected. With increasing cases, LEMONTRE saw a sequential drop in occupancy over Apr'21 to mid-Jun'21. However, post mid-Jun'21, the company saw a gradual increase in occupancy with the easing of travel restrictions.
- Interest cost: The company managed to lower its interest cost by 15bp to 8.15% v/s the earlier rate of 8.3%.
- Occupancy and ARR were low over mid-Apr'21 to mid-Jun'21. Occupancy fell to 20% (all-time low). From mid-Jun'21 onwards, occupancy started to increase.
- Retail segment: The majority of the recent demand has primarily been driven by the Retail segment, which roughly contributed ~40% to demand pre-COVID. The Retail segment's revenue contribution has increased to 50%.
- 40% of LEMONTRE's demand is met through the Retail segment. Retail rates are 1.2x higher than average rates – as these are last-minute bookings. Lower rates are applied to large corporates, which contribute ~20% to LEMONTRE's demand (currently pegged at 3%). SME contributes 25%, meetings/incentives 10%, and

foreigners 10%. LEMONTRE is seeing slow demand from corporates and foreigners (due to travel restrictions) – this is expected to bounce back over the near term (roughly by 4QFY22).

- EBITDA/PBT breakeven: The company's PBT breakeven happens at a daily revenue run-rate of INR16m and cash breakeven (including interest obligation) happens at INR15m. In Jul'21 and Aug'21, the company managed to make INR10m per day in each month. With the normalization of operations, LEMONTRE plans to achieve a daily revenue run-rate of INR12.5–13m in 3QFY22. Also, if restrictions are lowered and operations rebound to pre-COVID levels, LEMONTRE plans to achieve a per day revenue run-rate of INR17.5–20m in 4QFY22.
- Expenses: Currently, operating expenses stand at INR2b. On a fully stable basis, opex may increase to INR2.8b and corporate expense to INR450–600m (v/s INR300m currently). Depreciation and interest would remain stable.
- Capex: The capex run-rate stands at ~INR2b.
- Aurika Mumbai: The overall capex requirement for Aurika Mumbai is INR6b, of which INR900m would be spent over the next 12 months. The entire construction is expected to be completed by Jun'22. The company plans to achieve INR11,000 per room per day from Aurika Mumbai after operations have started.
- Aurika Udaipur commenced operations in Jul'21. During this month, the company managed to achieve INR33m in revenue, and operating margins stood at 57%.
- Demand: Of LEMONTRE's demand of 400 rooms per day, 11% of demand comes from IT companies and is concentrated in Bengaluru and Gurugram. Currently, demand has fallen to 40 rooms per day due to the pandemic and related issues.
- Reduction in employee costs: Earlier, LEMONTRE had 8,400 staff for 8,400 rooms. Currently, the company is operating with 5,300 staff. It has hired BCG to digitize several operations, and going forward, on a full-service basis, it aims to maintain a staff-to-room ratio of 0.75 (taking the total staff count to 6,000). As a result, staff cost is expected to drop by 30%.
- Higher other expenses were due to higher commissions to travel agents – no commissions were paid during this period last year as guests consisted of quarantine guests. In 1QFY22, the majority of the revenue was recorded in the Retail segment, thereby leading to higher commissions to various agents.
- Gross debt: In 1QFY22, debt increased by INR580m, taking gross debt to INR16b; the cash balance as of Jun'21 stood at INR2b.
- The company expects overall cost to reduce by 18–20% on the back of 30% savings in power and fuel cost and lower employee costs. This would lead to a 10pp increase in EBITDA margins v/s pre-COVID levels.

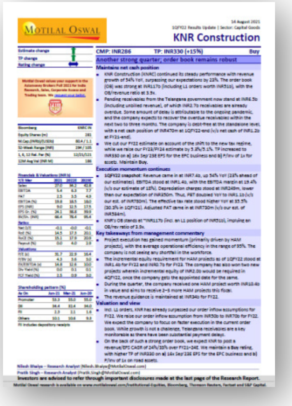
KNR Constructions — Buy

Current Price INR 287

Click below for
Detailed Concall Transcript &
Results Update

Business update

- Project execution has gained momentum, with the average operational efficiency at 95%. The company is not seeing any shortfall in the workforce.
- One of the HAM projects (KNR Tirumala) received a PCOD on 10th May, 142 days ahead of schedule.



- The incremental equity requirement for HAM projects as of 1QFY22 stands at INR1.35b for FY22 and INR0.65b for FY23. The company has also won two new projects wherein incremental equity of INR2b would be required in 4QFY22, as the company expects the appointed date in 4QFY22.
- The 1QFY22 revenue split stood as follows: 52% for HAM, 28% for Irrigation, and 20% for Other EPC.
- During the quarter, execution was primarily driven by HAM projects.

Order book

- The INR66b OB (excluding L1) split was as follows: 54% – EPC HAM and 46% – Irrigation.
- During the quarter, the company received one HAM project valued at INR10.4b and aims to get 2–3 more HAM projects this fiscal.
- KNR targets an order inflow of INR20–30b in the remaining fiscal.

Margins

- Rising raw material prices have posed challenges in terms of project costs and margins. However, in some contracts, there was an escalation clause due to which the net impact on margins was low.

Receivables / Working capital

- Pending receivables from the Telangana government now stand at INR6.5b (including unbilled revenue). The overdue amount of INR2.7b is expected to be received over the next 2–3 months.
- Total receivables stand at INR7b, with INR4b from HAM projects, while the remaining toward irrigation projects at 1QFY22-end.

Other

- KNR incurred capex of INR0.42b in 1QFY22 and expects this to be in the range of INR1.4–1.5b for the whole year.
- Tax rate – the company has shifted to the new tax rate regime. However, some deferred tax realization has come due to the transition to the new regime. Hence, one can expect an effective tax rate of 30–35% for the whole year (current tax would be in the range of 25–27%).
- At the standalone level, the company remains net cash at INR0.47b.

MCX — Buy

Current Price INR 1,507

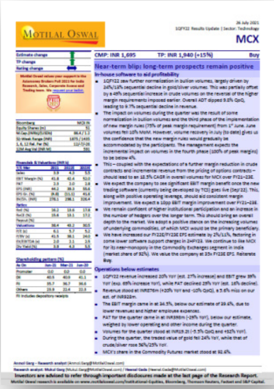
Click below for Detailed Concall Transcript & Results Update

Operational highlights

- Peak margin rules impacted ADT during the quarter. However, given that this has now been changed to 75%, volumes should start increasing. The management expects the impact to be in the range of 3–4% going forward.
- Within Metals, MCX is increasing the number of delivery centers. MCX has designated warehouses in Thane, Raipur, and Chennai.
- Brokers are now consolidating their unique client codes through onboarding for all asset classes. As a result, the number of codes uploaded has increased despite traded numbers being the same.
- Realization during the quarter declined on a YoY basis due to an increase in volumes. This is because as the concentration increases, realizations decrease.

Options

- The management stated the options volume has been increasing. Furthermore, it intends to charge on options transactions from 1st Oct’21.



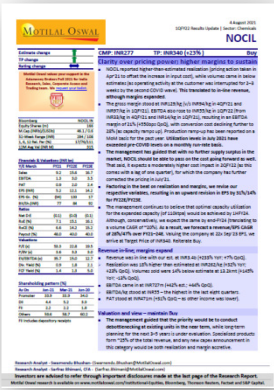
- The premium stans at INR50 per 0.1m up to INR50m and an incremental INR40 on turnover exceeding that.
- MCX has also introduced silver mini options contracts.
- Furthermore, as margins are high for crude, options in this space are gaining traction.
- The company expects a reduction in crude margins over time.

Trading software

- The first drop of new trading software has been delivered, which is expected to be tested. The second and third drops should be delivered subsequently. The management expects the TCS platform to be used from September next year.
- AMC would be a small component of the software cost and should commence after a year. Moreover, the total amount paid for the software would be amortized over six years.
- The Holding Company had entered into an agreement in Aug'18 with a software vendor to develop a trading system for the spot market. As per the milestones, payments were made to the said software vendor from time to time.
- On account of the non-fulfilment of the project scope within the timelines and disputes arising between the parties, the board constituted an empowered committee to evaluate the financial and technical aspects of the said system developed by the vendor.

NOCIL LIMITED

Click below for Detailed Concall Transcript & Results Update



NOCIL — Buy

Current Price INR 242

Snapshot of 1QFY22

- NOCIL took pricing action (in Apr'21) during the quarter to offset the increase in input cost. Thus, realization was 18% higher than estimated at INR262/kg (+32% YoY; +23% QoQ). The company expects a moderately higher cost impact in 2QFY22 (as this comes with a lag of one quarter), although it has further corrected the pricing in July'21. With no further supply surplus in the market, the company should be able to pass on the cost going forward as well.
- EBITDA margin expansion was driven by higher realization; the company aimed to maintain absolute profitability during the quarter. Cost optimization on higher volumes further led to better margins. Some lower cost product was used in 1QFY22 (from the previous quarter); some cost impact is expected in 2QFY22.
- Volumes sold were 14% below estimate at 13.2kmt (+145% YoY; -13% QoQ) – as operating activity at the customer was interrupted (for 2–3 weeks) by the second COVID wave.

Capacity utilization and growth guidance

- NOCIL expects a higher utilization rate at its plant going forward (utilization rate at 68–70% of 110ktpa in 1QFY22). Long-standing relations and larger capacity would help NOCIL grow at a higher rate.
- Reports from the Tyre industry indicate a positive outlook going ahead, with strong recovery in demand for both replacement and OEM, coupled with robust demand for Indian tyres in the international market. Restrictions on tyre imports continue to aid domestic industry.
- NOCIL aims to ramp up capacity to optimal levels by Sep'23; its global market share would reach 7–8% (from 5% currently). The revenue guidance at full utilization stands at 1.8x/2x based on 2019/2018 prices.
- The guidance is to take the share of exports to 40% from current levels.

- The priority would be to conduct debottlenecking (long-term planning for the next 3–5 years is under evaluation).

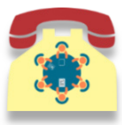
Industry dataset

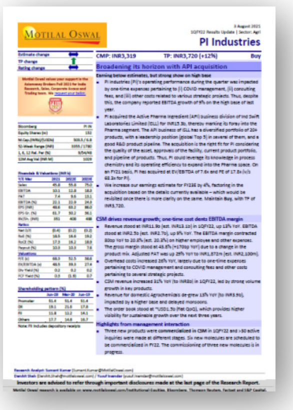
- Global rubber consumption stands at ~30mtpa, of which rubber chemicals account for ~3.5% of demand. Currently, 75% share of rubber chemicals is exported from China, 20% from Europe, and the rest from India.
  - There have been no announcements for capacity additions in this space recently.
  - Although, some marginal expansion is seen by private domestic competitors.
- Customers are looking for China+1, and NOCIL's expanded capacity provides a ready opportunity to add more customers.
- The domestic Tyre industry's investments stand at INR250–300b (Apollo Tyres has established a plant in Andhra Pradesh, MRF in Gujarat, and CEAT in Chennai).

P I Industries — Buy

Current Price INR 3,184

Click below for
Detailed Concall Transcript &
Results Update





CSM

- Another MPP planned is expected to be commercialized in 2QFY22.
- Product research efforts yield results: PI has got two promising leads – one for a novel fungicide and another for a novel broad-spectrum insecticide, with sizable potential market opportunity in progressing to the development phase. Both have shown promising results in the initial evaluations. Currently, discussions are underway with global innovators for the development partnership.
- Three new products were commercialized in CSM in 1QFY22 and >30 active inquiries were made at different stages. Six new molecules are scheduled to be commercialized in FY22. The commissioning of three new molecules is in progress.

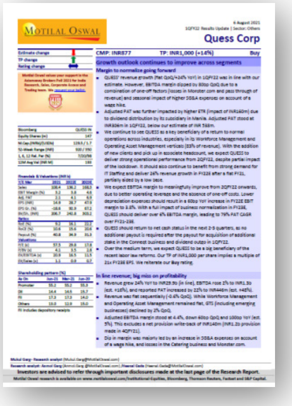
Domestic

- Launches in the domestic business: Three new products are expected to be launched in 2Q, which would strengthen its position in Rice, Cotton, and Horticulture portfolio.
- The company expects domestic business to return in 2QFY22.
- In Jivagro, PI intends to be one of the leading players in the Horticulture segment in India. It targets a >25% revenue CAGR over the next 4–5 years. Jivagro products are available in new packs in 2QFY22. It plans to introduce 12 co-branded and two new products in 2QFY22.

Financial

- The company generated CFO of INR2,500m in 1QFY22. PI has increased inventory levels to avert supply chain disruptions.
- Capex for 1QFY22 stood at INR710m and spend of INR3,500m is targeted for FY22. The company would further look for inorganic acquisitions and invest in organic growth opportunities.
- Currently, PI has surplus cash net of debt of INR21.9b (including QIP proceeds).
- We maintain our original guidance of >15% organic revenue growth for FY22.

Click below for
Detailed Concall Transcript &
Results Update



Quess Corp — Buy

Current Price INR 824

1QFY22 performance

- Headcount in General Staffing grew 15% YoY, and QUESS added 48 new customers in 1QFY22.
- The management continues to see technology adoption across the industry, leading to a healthy and robust demand pipeline. However, fear of a third COVID wave has made clients cautious, leading to deferment in hiring.
- IT Staffing continues to be in a demand rich environment, and the management is focused on ramping up the company's delivery capabilities.
- In case of the Facilities Management business, traction seen in 4QFY21 was absent in 1QFY22 and this impacted the business majorly. The management is seeing momentum in the Industrial business segment.
- The Training and Skill Development business witnessed a few shutdowns, but the management will continue with its B2G business.
- Monster.com witnessed a 69% YoY growth as product performance continues to improve. The management said the retention rate and spending by key customers is improving.

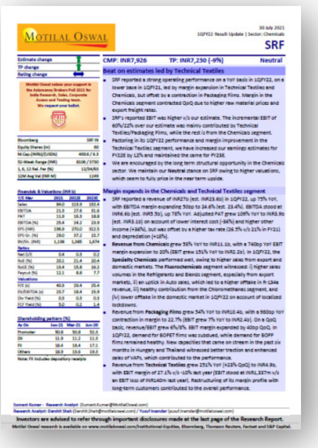
Profitability

- Margin in 1QFY22 was impacted by seasonality in the Conneqt business and the second wave of the COVID-led lockdown. Increase in SG&A expenses due to wage hikes also posed a headwind, though this is expected to normalize in coming quarters.
- Going forward, the management said it is confident that margin will only improve hereon as businesses start to recover.
- Profitability was impacted on account of higher taxes paid in the form of DDT of INR160m.

Outlook

- QUESS is strongly positioned to capture the upcoming growth opportunities in the market.
- The company is on track to achieve 20% RoE and 20% OCF CAGR by FY23.

Click below for
Results Update



SRF — Neutral

Current Price INR 8,902

Specialty Chemicals segment

- The Specialty Chemicals Business performed well in 1QFY22 owing to higher sales from export and domestic markets.
- The segment registered healthy performance owing to: i) higher sales from export and domestic markets, ii) strong focus on adding new products to strengthen its overall product range, iii) increase in raw material prices and export freight rates in 1QFY22, but it seems to be a short-term phenomenon, and iv) focus on expanding its Pharma product profile.
- SRF continues to invest in capacity expansion to maintain its growth momentum. These include: i) two new plants commissioned at Dahej, ii) successfully completed campaigns for two key products, and iii) existing expansion plans are on track.
- The second wave of COVID-induced lockdowns resulted in a disruption in supply chains, leading to an overall increase in raw material prices and export freight across geographies.

- Two dedicated facilities at Dahej have commenced operations, which will cater to the Agrochemicals segment

Fluorochemicals business

- This segment delivered a robust performance due to: i) higher sales volumes in the Refrigerants and Blends segment, especially from export markets, ii) an uptick in Auto sales, which led to a higher offtake in R-134a revenue, iii) healthy contribution from the Chloromethanes segment, and (iv) lower offtake in the domestic market in 1QFY22 on account of localized lockdowns.
- Capex: The board of directors has approved a project for integrated expansion of fluorocarbon-based Refrigerant capacity at Dahej, at a projected cost of INR5.5b, to meet the growing demand for Refrigerants in the domestic and export market. The same is expected to be completed in 24 months. Around 40% of production would be used for internal consumption and the balance would be sold in the market.
- To cater to the growing Power requirements of new and upcoming plants at Dahej, the board has approved installation of a 200KV grid at a cost of INR1,350m.

Packaging Films segment

- The segment continues to perform well, despite the impact of the second COVID wave on domestic markets, owing to: i) new capacities that came on stream in Hungary and Thailand, ii) growing product portfolio, with two new products, and increasing contribution from value-added products, and (iii) adverse impact from the surge in export freight rates.
- Globally, several new lines are scheduled to commence in BOPET and BOPP. This will impact industry margins in the future.
- In 1QFY22, demand for BOPET films was subdued, while demand for BOPP films remained healthy.
- Exports freight costs across geographies are witnessing an upward trend.
- All Packaging Films produced by the company are recyclable.

Technical Textiles segment

- Restructuring of its margin profile with long-term customers has contributed to the overall performance of the Technical Textiles business. Higher sales volumes from the Nylon Tyre Cord Fabrics, Belting Fabrics, and Polyester Industrial Yarn segments augured well for the business.
- Price negotiation with customers and increase in import prices has led to substantial growth in the Technical Textile segment. The growth trajectory is expected to continue for the next 12-18 months.

Other highlights

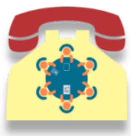
- Logistics: SRF faced logistic hurdles due to increase in freight cost and congestion at the ports. Also, lower manpower availability due to the second COVID wave led to lower capacity utilization levels.
- Increase in raw material prices and export freight rates impacted performance in 1QFY22. However, the price increase seems to be a short-term phenomenon.
- SRF plans to spend INR20b/INR15b on capex in FY22/FY23. Of the INR20b capex for FY22, INR10-11b/INR4-5b is expected to be utilized towards the Chemicals/Packaging Films segment, INR2b pertains to budgeted capex for capacities that will come up by the end of FY22 or early FY23, and the balance will be utilized for capex activity in the Advanced Textile segment. Of the INR15b capex for FY23, INR8-10b pertains to capex for projects announced by the

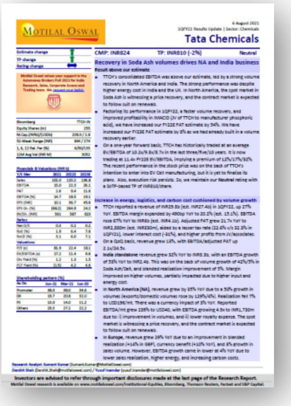
company and balance would be towards capex that it would announce going forward.

- Commercialization of new PTFE plant is expected to start from Nov'22.
- Volumes: The company saw a significant YoY growth in volumes as the same in FY21 was sharply affected due to the lockdown. Also, shut down of capacities in China has benefitted domestic players like SRF.
- Capacity utilization was better in 4QFY21 as compared to 1QFY22, despite the first quarter being a seasonally strong quarter. This was due to restrictions pertaining to the second COVID wave and corresponding lockdown, coupled with labor and logistics issues.

TATA CHEMICALS LIMITED

Click below for
Detailed Concall Transcript &
Results Update





Tata Chemicals — Neutral

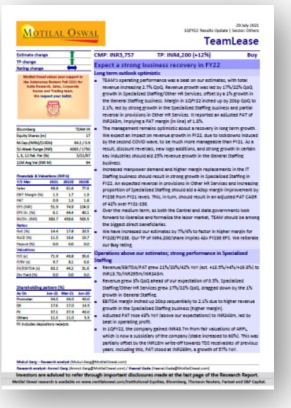
Current Price INR 840

- **Demand:** TTCH saw a sharp recovery in demand for Soda Ash and other products. Soda Ash prices revived in the spot market. The demand environment across geographies is positive and is gradually improving. Soda Ash volumes saw a substantial increase in 1QFY22.
- **Growing demand for Lithium Ion batteries:** For every tonne of Lithium Ion, a tonne of Soda Ash is required. Across the globe, multiple projects are underway and are expected to support Soda Ash demand in the near-to-medium term.
- **Glass demand:** With a pick-up in solar cell production, solar glass sales are expected to increase and in turn support demand of Soda Ash.
- **Soda Ash spot prices** have increased considerably in 1QFY22. South Asia prices are USD40 higher than global prices. However, contract prices remain at similar levels, as prices were negotiated during the peak of the pandemic (when supplies were high as well). As contracts open up, prices are expected to improve on a sequential basis.
- During the pandemic, higher distribution and promotion of detergent and container glass supported demand. The latter is resilient and in line with FMCG demand. Flat glass sales to the Automobile and Real Estate sector were severely affected due to pandemic.
- **Challenges:** Rising input cost, supply-chain issue in shipping, and increase in carbon prices to over EUR50/MT (from EUR30/MT) are some of the challenges faced by TTCH in 4QFY21 and 1QFY22. Spot market prices are already up by USD40/MT. The company is in place to pass-on the increase in RM cost.
- **Europe:** The European business was affected due to increase in carbon prices.
- **Its UK operations** remained steady, but margin was impacted due to lower sales realization, higher energy, and increasing carbon costs.
- Post the de-bottlenecking project in NA, Soda Ash capacity is expected to increase by 180,000-200,000MT.
- **India:** Domestic Soda Ash volumes have grown sequentially. However, domestic volumes dropped sequentially to 167KMT due to lockdown-related challenges. Despite a drop in volumes on a quarterly basis, efficient RM management and operational efficiency led to an increase in margin.
- **Kenya:** The improved margin is on account of lower power and fuel costs. In its Kenya operations, the management continues to focus on cost optimization and plant efficiencies.
- **Salt capacity addition:** TTCH plans to increase Salt capacity by 0.33MMT, taking its overall capacity to 1.5MMT by 1HFY23. Of the new addition, 0.17MMT is expected to be added by 2HFY22 and the balance by 1HFY23.

- **Capex:** The company is incurring a capex of INR27b at its Mithapur plant. Of this, INR9.5b has already been incurred and the balance would be spent till FY24.
- Consolidated gross debt stood at INR72.8b v/s INR69.3b as on Mar'21. Cash and equivalents stood at INR32.9b as compared to INR31b as on Mar'21.
- **Logistics issue:** Non-availability of containers and ships have affected the movement of goods and led to an increase in freight cost. However, shipping costs have been passed on to customers, with no major impact on margin.
- **Nutraceuticals and Prebiotics:** Both new businesses have shown healthy growth. COVID-19 affected segmental performance in 1QFY22. TTCH is awaiting customer approvals, post which this segment is expected to grow further.
- **Specialty products:** At present, the Specialty products unit is operating at 65-70% utilization levels. TTCH aims to achieve 100% utilization by 4QFY22 and be EBIT neutral by 4QFY22. Post reaching peak utilization levels, it plans on increasing capacity further.
- **The Energy business is still under review.**
- The movement in carbon prices is expected to increase the cost by GBP1-2m per quarter in the UK business.
- **The three key priorities of TTCH:** i) invest and grow in India, ii) focus on cash generation across geographies, and (iii) deleveraging its international debt.

TeamLease™ Putting India to work

Click below for
Detailed Concall Transcript &
Results Update



TeamLease Services **Buy**

Current Price INR 3,969

Demand and industry outlook

- Specialized Staffing witnessed strong growth in 1QFY22, while the same in General Staffing was flattish. It added new client logos in 1QFY22.
- Industry sentiment is returning, and TEAM continues to remain focused on productivity to capture upcoming opportunities.
- Entering into 2QFY22, the management said a lot of demand is returning as companies are not cutting down, despite anticipation of a third COVID wave. This is driving strong growth.
- E-commerce, Food Tech and Industrial are the key growth segments for the company.

General Staffing

- The company was severely hit in Apr'21 and May'21 owing to the second wave of COVID-led lockdowns, but rebounded in Jun'21.
- Net positive headcount growth was witnessed in Consumer, e-commerce, Telecom, and Healthcare.
- Around 46% of customers in this segment saw a net growth as against 33% in 4QFY21.
- While 1QFY22 had some discounts, it should be minimal from the next quarter.
- The management is focused on net headcount growth of associates and productivity improvements.

Specialized Staffing

- TEAM saw a strong gain in market share. Its focus towards the higher margin business has increased.
- The vertical saw 27 new deal wins, which is expected to improve going forward.
- It is sitting on a good order book. The strong demand should result in a robust performance in 2Q as well as FY22.

Margin outlook

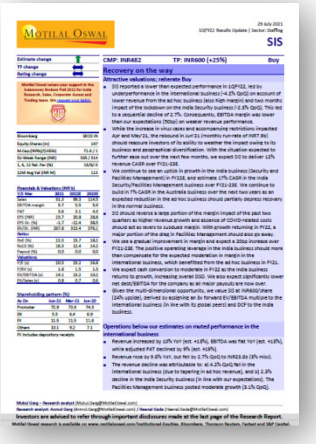
- The management expects further margin expansion in FY22. Profit contribution would increase in Other HR services from 2QFY22.

- Margin in specialized Staffing is seeing a strong improvement and investments in this segment will pay off in the subsequent quarters.

Other highlights

- The company collected INR15m of provisions made in the Government Training business in FY21.
- The management expects PAPM to stabilize, with an improvement in the product mix.
- It is targeting a RoCE of 30% over the next five years.

Click below for
Detailed Concall Transcript &
Results Update



SIS — Buy

Current Price INR 430

1QFY22 performance and outlook

- The dip in the international business was on account of normalization of revenue and margin to pre-COVID levels after a record performance in FY21.
- The ad hoc business will gradually taper off over the next two quarters. However, the decline will be compensated by growth in the regular business.
- Within the India business, Apr-May'21 had been impacted by the second wave of COVID-related lockdowns. It started seeing a recovery from Jun'21. This has impacted the recovery in margin.
- Currently, the Railways are operating at 25% of pre-COVID levels, and IT/ITeS companies are still vaccinating people. As these offices open up, the management expects Facilities Management to pick up considerably.
- Cash generation for the company is slow, given the management's focus on growth in the Indian market. In case of the International business, low growth is helping deliver massive cash flows.
- Henderson has been performing moderately and should return to recovery once things normalize.

One SIS

- One SIS is positioned to compete with the JLLs and CBREs of the world. Unlike its peers, SIS intends to secure outsourcing contracts by itself, which avoids the second layer of margin.
- SIS is also taking this proposition to Tier II cities, which are untapped by other companies.

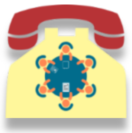
Outlook

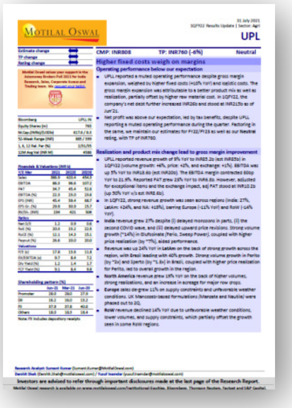
- The India Security business is back to pre-COVID levels, while the Facilities Management near to a complete recovery and is expected to be the biggest winner among all segments.
- SIS is looking to double its market share in Security, Facilities Management, and Cash Logistics over the next 4-5 years.
- The management guided at margin to be in the 5.7-6% range.

Other highlights

- The cost of interest for the company is particularly low, as the borrowing rate in Australia is sub-2%, while that in India is sub-7.5%. This brings the overall borrowing rate below 6%, benefitting the company.

Click below for
Detailed Concall Transcript &
Results Update





UPL — Neutral

Current Price INR 728

LatAm

- Robust growth in the region was led by Brazil with 40% revenue growth, whereas other countries have remained nearly flat v/s 1QFY21.
- The region's performance was affected by severe drought in Mexico, offset by increased demand in Chile and Paraguay. UPLL did not lose market share in the LatAm region. Mexico's drought conditions are expected to improve before the end of FY22.
- In Brazil, strong volume growth in Perito (by ~2x) and Sperto (by ~1.8x), coupled with higher price realization for Perito, led to overall growth in the region.
- Furthermore, UPLL expects upward price revision in Unizeb Gold, Sperto, and Perito in 2QFY22E to improve price realization.

Europe

- Europe's 1QFY22 performance was affected by frost. Despite headwinds, UPLL is launching new products and new solutions in the Europe region, particularly in the Bio-Solutions product category.
- In Europe, it is focusing on Bio-Solutions; growth in this segment is expected to surpass that in the Chemicals segment.
- Furthermore, the region's performance was also impacted by unfavourable weather conditions, a contracted market in key areas, and supply constraints.
- Most of the decline was seen in south European countries. The Propanil non-derogation in Iberia impacted sales v/s 1QFY21. The entry of Clethodim generics in France impacted sales (v/s the same quarter last year). UK Mancozeb-based formulations (Manzate and Nautile) were phased out to 2QFY22.

India

- Despite delayed monsoons in various parts of the country, the second COVID wave, and delayed upward price revision, the market grew by 6–7% in 1QFY22.
- Favourable commodity prices (+14% in food grains and 36–48% in cash crops, pulses, etc.) further supported growth in India.
- Strong volume growth of 14% in Glufosinate, coupled with higher price realization (by ~7%), also contributed to overall growth.

North America

- Higher commodity prices and a strong seasonal outlook, coupled with an increase (1-5%) in acreage in most major row crops, led the performance in the region.
- The US administration would maintain the tariff structure for Chinese imports.
- Overall price realization adequately compensated for the marginal cost increase.
- Furthermore, strong growth in post-patent products, along with an increase in other segments, is expected to drive future growth.

RoW

- Growth was seen in the SE Asia and AME regions despite COVID-related challenges; the upside was attributable to favourable commodity prices.
- Glufosinate supply constraints in Vietnam were offset by higher sales in Thailand. China was impacted by Glufosinate supply constraints and unfavourable weather, which impacted citrus sales.
- Japan sales were down by ~30% v/s 1QFY21 due to lower H&NS, along with the depreciation of the Japanese yen.

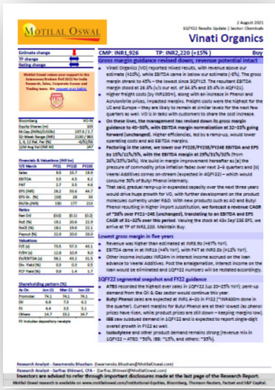
Other highlights

- **Natural Plant Protection (NPP):** Sales in the Bio-Solutions and NPP range of products stood at USD350–375m in FY21. Going forward, growth is expected to be faster v/s other businesses. The NPP platform is expected to contribute 8–10% to overall revenue.

- **Gross margins:** Margins expanded on better price realization and an improved product mix, despite an increase in supply chain, RM, and intermediary costs as well as logistic costs.
- **Pre-orders:** UPLL had close to USD500m+ worth of advance orders in Brazil in the first five months of CY21.
- **Tax guidance and deferred assets:** The tax rate is expected to be in the range of 15–18% in FY22. In 1QFY22, large deferred tax assets were created v/s last year (for Europe and Brazil). With the execution of orders in Brazil in 2Q/3QFY22 and a pickup in the Europe business in 3Q/4QFY22, deferred tax assets are expected to be reversed.
- **Logistics costs** are likely to stay at the same levels for the next three quarters
- **Debt:** Gross debt as of Jun'21 stood at INR251b (v/s INR238b as of Mar'21). Net debt stood at INR215b as of Jun'21 (v/s INR189b as of Mar'21). In 1QFY22, UPLL borrowed USD250m in sustainability loans, taking the total sustainability loans to USD750m. Loans were utilized entirely for acquisition loan repayments – acquisition loans currently stand at USD1.5b. Sustainability loans were taken at the rate of LIBOR +30bp.

Vinati Organics Limited

Click below for Results Update



Vinati Organics — Buy

Current Price INR 1,855

- Higher freight costs (by INR100m during the quarter), along with an increase in Phenol and Acrylonitrile prices, impacted margins. Freight costs were the highest for the US and Europe – they are likely to remain at similar levels for next few quarters as well. Since freight costs are high, company is in talks to share the cost with its customers. Acrylonitrile prices declined 25–30% over June–July from the peak of Feb'21.

Segmental snapshot for 1QFY22 and guidance for FY22

- ATBS recorded the highest ever sales (up 20–25% YoY) in 1QFY22; realization was also higher, led by an increase in raw material costs. ATBS' contribution to overall sales was still 50% in 1QFY22.
- Utilization stood at 70–75% of the ATBS nameplate capacity in 1QFY22; it is likely to see pent-up demand from O&G this year. 10–15% YoY growth is expected over the next 2–3 years, reaching 100% utilization of 40ktpa.
- Butyl Phenol sales are expected at INR1.6–2b in FY22 (INR400m in 1QFY22).
- Current margins for Butyl Phenol are at their lowest (as phenol prices have risen, while product prices are still down – keeping margins low).
- IBB saw subdued demand in 1QFY22 and is expected to report single-digit overall growth in FY22 as well.
- The IBB unit is running at 70% utilization, presenting enough room for a ramp-up over the next 2–3 years.
- Isobutylene and other product demand remains strong.

Others highlights

- Massive floods in Mahad on 22nd/23rd July have impacted operations, due to which the plant is expected to be closed for 22–25 days. That said, the company has sufficient stock available to cater to client demand.
- Veeral Additives – The merger scheme has been submitted. Approvals from SEBI and NCLT are awaited. The merger would get approved by Jan'22, by which time the plant would also be up and running. AO would contribute ~25% to total sales 2–3 years down the line.

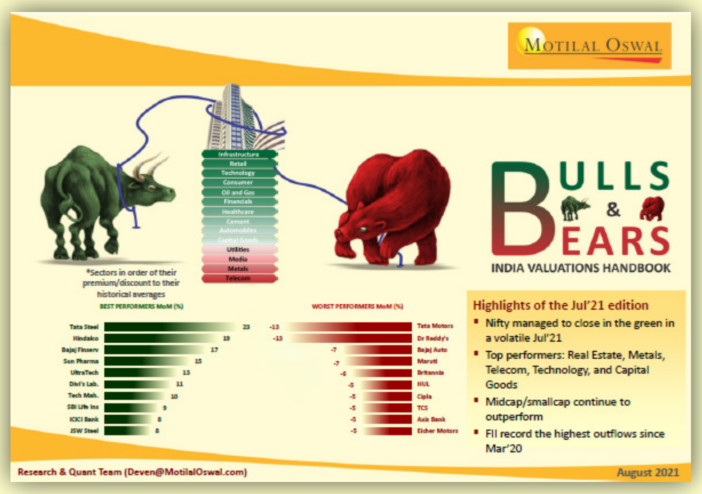
- Para Amino Phenol (PAP, an intermediate for Paracetamol): The pilot plant did not give the required results; therefore, it is on hold for now.
- The R&D focus remains on new projects.

GALLERY


MOTILAL OSWAL
4QFY21 | June 2021
VOICES
VOICES
India Inc on Call
Research & Quant Team (Gautam.Duggad@MotilalOswal.com)
Investors are advised to refer through important disclosures made at the last page of the Research Report.

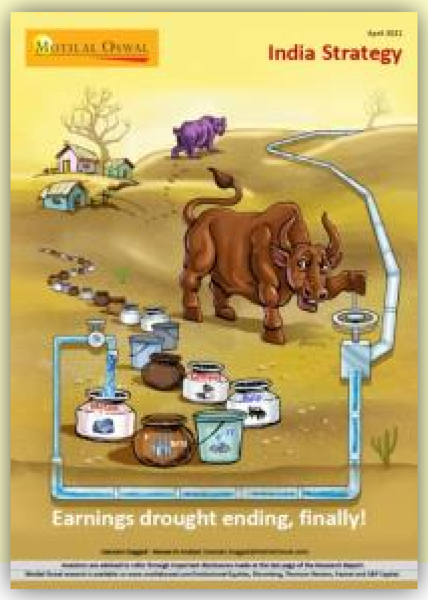

MOTILAL OSWAL
3QFY21 | February 2021
VOICES
VOICES
India Inc on Call
Research & Quant Team (Gautam.Duggad@MotilalOswal.com)
Investors are advised to refer through important disclosures made at the last page of the Research Report.


MOTILAL OSWAL
2QFY21 | November 2020
VOICES
VOICES
India Inc on Call
Research & Quant Team (Gautam.Duggad@MotilalOswal.com)
Investors are advised to refer through important disclosures made at the last page of the Research Report.


MOTILAL OSWAL
BULLS & BEARS
INDIA VALUATIONS HANDBOOK
*Sectors in order of their premium/discount to their historical averages
Highlights of the Jul'21 edition
Nifty managed to close in the green in a volatile Jul'21
Top performers: Real Estate, Metals, Telecom, Technology, and Capital Goods
Midcap/smallcap continue to outperform
FII record the highest outflows since Mar'20
Research & Quant Team (Deven@MotilalOswal.com)
August 2021


MOTILAL OSWAL
FUND FOLIO
Indian Mutual Fund Tracker
Equity
INR63b
Equities see fourth consecutive month of inflows
INR33.7t
MF industry AUM rises 1.9% MoM to reach new highs
Amount garnered through SIPs (+3.8% MoM)
INR91.6b
Deven Mistry – Research Analyst (Deven@MotilalOswal.com)
Investors are advised to refer to important disclosures made at the last page of the Research Report
July 2021


MOTILAL OSWAL
July 2021
India Strategy
Earnings
Smallcaps
Liquidity
IPOs
Midcaps
Vaccinated to grow!
Gautam Duggad - Research Analyst (Gautam.Duggad@MotilalOswal.com)


MOTILAL OSWAL
April 2021
India Strategy
Earnings drought ending, finally!


MOTILAL OSWAL
January 2021
India Strategy
Nifty
14,000
Booster shots!

NOTES

Disclosures:
The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx

MOFSL, it's associates, Research Analyst or their relative may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company in the past 12 months. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the past 12 months. MOFSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the past 12 months , MOFSL or any of its associates may have:
a) managed or co-managed public offering of securities from subject company of this research report,
b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
d) Subject Company may have been a client of MOFSL or its associates in the past 12 months.

MOFSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Terms & Conditions:
This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.
Analyst Certification
The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	Companies where there is interest
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)
This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:
This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited(SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.:
Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.