Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	33,826	1.6	-18.0
Nifty-50	9,979	1.6	-18.0
Nifty-M 100	13,870	1.4	-18.9
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	3,081	0.8	-4.6
Nasdaq	9,608	0.6	7.1
FTSE 100	6,220	0.9	-17.5
DAX	12,021	3.7	-9.3
Hang Seng	9,876	0.4	-11.6
Nikkei 225	22,326	1.2	-5.6
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	38	2.7	-42.4
Gold ($/OZ)	1,728	-0.7	13.9
Cu (US$/MT)	5,507	0.9	-10.4
Almn (US$/MT)	1,520	0.7	-14.7
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	75.4	-0.2	5.6
USD/EUR	1.1	0.3	-0.4
USD/JPY	108.7	1.0	0.1
YIELD (%)	**Close**	**1MChg**	**CYTDchg**
10 Yrs G-Sec	5.8	-0.02	-0.8
10 Yrs AAA Corp	7.0	-0.03	-0.6
Flows (USD b)	**2-Jun**	**MTD**	**CYTD**
FIIs	1.00	1.91	-4.00
DIIs	0.06	0.00	11.48
Volumes (INRb)	**2-Jun**	**MTD***	**CYTD***
Cash	709	677	482
F&O	11,792	11,398	14,165

Note: *Average

Today's top research idea

Mahindra & Mahindra: A generational shift underway

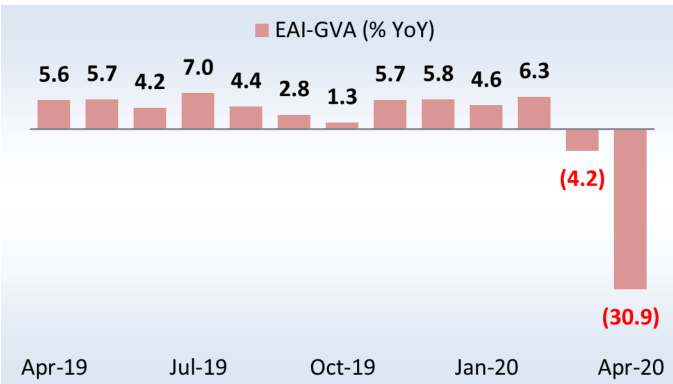
- MM senior leadership is in midst of a generational shift, at a time when all its key businesses are facing cyclical or structural challenges.
- After a gap of almost 24 years, MM would see a leadership change as Dr. Anish Shah would take over as MD & CEO from 2nd Apr'21, in turn becoming the 5th MD of MM over the last 40 years.
- While the cycle for tractors should turn positive in the near term and for LCVs too in the not so distant future, the new CEO would have to address two major issues - (a) restore its positioning in the fast growing SUV segment, and (b) circumvent the drag of underperforming subsidiaries in the core/non-core businesses.
- We believe MM's valuations reflect the challenges of the Passenger UV business as well due to no major changes on capital misallocation.
- Any positive surprises in the SUV business, positive evolution of the Ford India JV or correction of capital allocation by the new CEO should act as re-rating triggers.

Research covered

Cos/Sector	Key Highlights
Mahindra & Mahindra	A generational shift underway
Hindustan Unilever	Production ramp-up to 80–90% of normative levels a key positive
Britannia Inds.	Sales/EBITDA in line; 20%+ revenue growth in Apr-May'20
Interglobe Aviation	In the midst of precariousness
Motherson Sumi	Above est.; Robust all-round performance; Improving FCF
Automobiles	May-20 wholesales: Bajaj Auto
Cement	Volumes decline sharply, but margins remain strong
EcoScope (EAI)	India's economic activity index contracts 31% in Apr'20

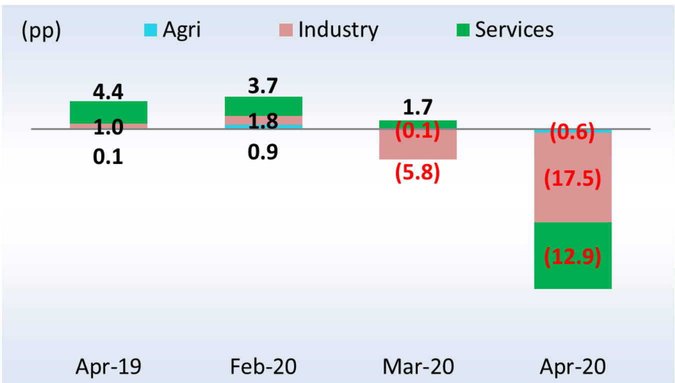
Chart of the Day: EcoScope (EAI) - India's economic activity index contracts 31% in Apr'20

India's EAI-GVA declined ~31% YoY in Apr'20...



Please refer to our earlier report for details

...led by massive contraction in non-farm sector



Contribution of different components to EAI-GDP growth

Source: Various national sources, CEIC, MOFSL

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Future group likely to sell in-house brands in bid to repay lenders

Kishore Biyani's Future group plans to sell some of its in-house brands as the retail-focused group faces pressure from lenders to reduce debt, two people aware of the development said. Some of the prominent in-house brands of the cash-strapped group …

2

PM Modi promises more reforms, vows to bring growth back

Prime Minister Narendra Modi on Tuesday pledged to accelerate structural reforms to boost growth prospects as the Indian economy heads into a recession that some forecasts say will be the deepest since Independence. "On the one hand, we have to take strict steps to fight this virus and save lives of our countrymen and on the other hand, we have to stabilize the economy and speed it up," Modi told businessmen at the annual session of Confederation of Indian Industry (CII), a lobby group for businesses. "We will together take up more structural reforms that will change the course of our country."

3

Quess Corp to work with government to bring migrant workers back to industries

Business services firm Quess Corp is planning to use its technology platforms to link migrant workers with factories and organisations, ensuring their organised return to work amid a labour shortage in cities. Quess is among India's largest private sector employers with over 3.8 lakh people on its rolls, who are deployed across e-commerce, facility management …

4

Electronics incentive schemes launched

Telecom and IT Minister Ravi Shankar Prasad on Tuesday launched three incentive schemes with a total outlay of about ₹48,000 crore to boost large-scale manufacturing of electronics in the country. The three schemes — Production Linked Incentive (outlay of nearly ₹41,000 crore), Component Manufacturing…

5

Unlockdown-1: 80% industrial units in Gujarat resume operations

Nearly 80% industrial units across Gujarat have resumed operations following the state government's permission to function with 100% workforce outside containment areas as part of unlockdown-1, according to Gujarat's industries commissioner Rahul Gupta. As per an official in the state energy department, the peak power demand in the state has crossed 340 million units. Last year's peak demand was around 390 million units in May end and beginning of June. With more industrial units opening up, current year's demand would catch up with last year's figure in next 10 to 15 days, said the official.

6

Fruit and vegetable output set to cross record 320 mt

Spectacular increase in the production of onions after the severe crop loss during the last monsoon season, together with relatively better yield in potato and banana ,has helped the country to have a record horticulture harvest of 320.48 million tonnes (mt) in the current crop year, according…

7

IndiGo to phase out 120 A320 ceos in 2 years; working with partners for better prices

IndiGo will phase out 120 A320 ceo planes, which have high maintenance costs, in the next two years as well as experiment with new network and revenue models as the country's largest domestic carrier tackles headwinds due to the coronavirus pandemic. Keeping a close tab …

2 June 2020

Update | Sector: Automobile

Mahindra and Mahindra

BSE SENSEX	S&P CNX
33,826	9,979

Bloomberg	MM IN
Equity Shares (m)	1,209
M.Cap.(INRb)/(USDb)	575 / 7.6
52-Week Range (INR)	675 / 246
1, 6, 12 Rel. Per (%)	26/4/-14
12M Avg Val (INR M)	2288

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	451	416	482
EBITDA	55.4	45.5	61.6
Adj. PAT*	35.1	25.9	37.6
Adj. EPS (INR)	29.5	21.7	31.5
EPS Gr. (%)	-31.5	-26.3	45.1
BV/Sh. (INR)	312	322	342
Ratios			
RoE (%)	10.1	6.3	8.8
RoCE (%)	9.5	6.1	8.4
Payout (%)	33	58	40
Valuations			
P/E (x)	15.7	21.3	14.7
P/BV (x)	1.5	1.4	1.4
Div. Yield (%)	2.2	2.2	2.2
FCF Yield*	2.7	5.8	6.4

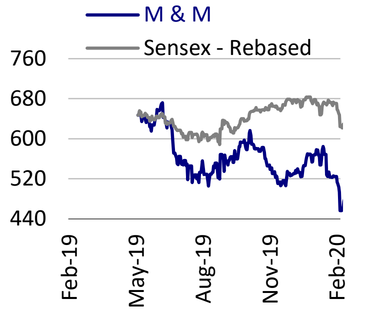
*(incl MVML)

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	18.9	18.9	20.4
DII	26.9	23.2	22.5
FII	41.3	41.4	39.2
Others	12.9	16.6	17.9

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR463 TP: INR576 (+25%) Buy

A generational shift underway

Best rural proxy | Valuations at discount to 1SD below 5-yr average P/E

- **Mahindra & Mahindra's (MM) senior leadership is in midst of a generational shift, at a time when all its key businesses are facing cyclical or structural challenges.**
- **While the cycle for tractors should turn positive in the near term and for LCVs too in the not so distant future, the new CEO would have to address two major issues – (a) restore its positioning in the fast growing SUV segment, and (b) circumvent the drag of underperforming subsidiaries in the core/non-core businesses.**
- **We believe MM's valuations reflect the challenges of the Passenger UV business as well as no major changes on capital allocation policy.**
- **Any positive surprises in the SUV business, positive evolution of the Ford India JV or correction of capital allocation by the new CEO should act as re-rating triggers.**

Management change – A generational shift underway

- After a gap of almost 24 years, MM would see a leadership change with both Executive Chairman (Mr. Anand Mahindra) and MD & CEO (Dr. Pawan Goenka) retiring in 2021. Dr. Anish Shah would take over as MD & CEO from 2nd Apr'21, in turn becoming the 5th MD of MM over the last 40 years.
- Dr. Shah's priorities seem clearly set out for the next few years, which includes (a) revisiting capital allocation in subsidiaries (over next 12 months), (b) funding of other group businesses, and (c) evaluating segregation of auto and FES business (over next 3-5 years).
- We believe there are several low hanging fruits in the form of loss-making non-core businesses (Aerospace, Global 2Ws, Retail etc.), which could be divested or closed. The initial signs on capital allocation are positive as is visible from the MM board's decision against investing a further USD406m in Ssangyong in Apr'20; this, despite giving an approval earlier in Feb'20.

Best rural proxy with 2 of 3 core businesses on strong footing

- MM has one of the highest exposures to rural markets (~65% of volumes), which are expected to be less impacted by the on-going impact of the COVID-19 pandemic. According to our estimates, rural markets should contribute ~62% to revenues, 81% to core PAT and ~70% to SOTP in FY22E.
- We have slotted MM's core business into three buckets viz. Tractors, Pick-up UVs and Passenger UVs. Tractors and Pick-up UVs are on strong footing in terms of outlook, MM's competitive positioning as well as industry-level consolidation. However, MM's SUVs business is severely challenged and we do not see any respite for MM in this category in the foreseeable future.

Tractors primed for fastest recovery in Autos |Reforms to potentially drive next phase of farm mechanization

- The Tractor segment is seeing volume recovery since Dec'19, driven by improvement in farm-level indicators such as output prices, lower input prices, higher government spends in rural areas and unusually strong water reservoir levels. Further, good Rabi crop and expected normal monsoons has further improved the outlook for farm income.

- The supply side getting back in shape post lifting of restrictions (expect normalized production by Aug'20) also augurs well for the Tractor segment's volume recovery from Sep'20.
- We do not expect any material change in either the competitive landscape or MM's positioning in this highly consolidated industry (top-4 player controlling over 80% of the market). We estimate Tractor industry volumes to be flat in FY21E (due to supply-side constraints) and grow 12-14% in FY22E, with MM also growing in line.

MM's positioning in LCVs to further strengthen under BS6

- Looking beyond the cyclical downturn, we believe fundamentals of the LCV segment are strong. Also, LCVs should continue to benefit from the increasing emergence of the 'hub and spoke' model. We estimate the LCV industry to deliver 8-10% CAGR over the next 5 years.
- MM enjoys market share of ~42.5% in the overall LCV segment and ~65% in the 2-3.5 ton LCV segment.
- Under BS6, MM's Pick-up business' competitive positioning should improve v/s SCVs/LCVs due to lower price inflation. While near-term volumes would be impacted due to COVID-19 and BS6 transition, we estimate volume CAGR of 7.5% over FY20-22E.

Competitive intensity in fast-growing SUV segment to stay high, MM remains vulnerable

- While MM is trying to catch up with competition on the products side, we see limited visibility for MM to make a comeback. Over the next 12-18 months, the company has several upgrades and new launches lined-up viz. (a) e-KUV100 (1HFY21), (b) new Thar (1HFY21), (c) new XUV500 (4QFY21), (d) new Scorpio (1QFY22), and (e) e-XUV300 (mid-CY21).
- We have not built in benefits of any imminent launches or material benefit on product development from MM's recent JV with Ford India. We estimate passenger UV volumes to decline ~1% CAGR over FY20-23E.

Valuation and view

- Despite MM's recent outperformance, valuations are still at substantial discount to its 5-year average (which captures both pain point of deterioration in UV market share and subsidiaries' performance).
- Implied Core P/E for MM is ~15.4x/10.6x FY21/22E Core EPS and 1x/1x Core P/BV, which implies ~25% discount to 1SD below 5-year average P/E and ~30% discount to 1SD below 5-year average P/B.
- We are lowering our EPS for FY21/22E by ~22%/4% to factor in the supply- side issues for Tractors and weaker volumes for Autos in FY21. We are now building in volume growth of 0%/12% for Tractors, -20%/22% for LCVs and -17%/10% for SUVs for FY21/22E.
- Our Jun'22E-based SOTP TP is ~INR576/share – an upside of ~25%. At our TP, implied Core P/E is ~13.6x (v/s 5-year average core P/E of ~15.9x and 10-year average of ~14.3x). Maintain **Buy**.

Hindustan Unilever

BSE SENSEX	S&P CNX
33,826	9,979

Hindustan Unilever Limited

Stock Info

Bloomberg	HUVR IN
Equity Shares (m)	2,165
M.Cap.(INRb)/(USDb)	4947.6 / 65.6
52-Week Range (INR)	2614 / 1660
1, 6, 12 Rel. Per (%)	-4/20/33
12M Avg Val (INR M)	6602
Free float (%)	38.1

Financials & Valuations (INR b)

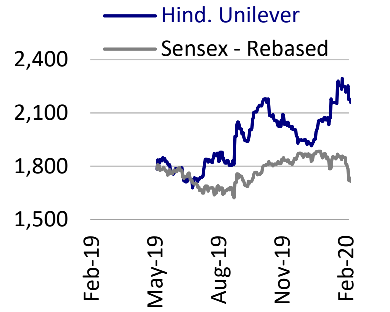
Y/E March	2020	2021E	2022E
Sales	387.9	398.5	457.9
Sales Gr. (%)	1.5	2.8	14.9
EBITDA	96.0	99.5	117.7
EBITDA mrg. (%)	24.8	25.0	25.7
Adj. PAT	67.4	70.6	85.7
Adj. EPS (INR)	31.2	32.7	39.7
EPS Gr. (%)	11.1	4.7	21.4
BV/Sh.(INR)	37.2	37.3	38.0
Ratios			
RoE (%)	86.0	87.7	105.3
RoCE (%)	119.8	119.8	142.0
Payout (%)	96.2	97.9	98.2
Valuations			
P/E (x)	67.1	64.1	52.8
P/BV (x)	56.4	56.1	55.1
EV/EBITDA (x)	46.6	44.8	37.8
Div. Yield (%)	1.2	1.5	1.9

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	67.2	67.2	67.2
DII	6.7	6.7	7.0
FII	12.1	12.3	11.8
Others	14.1	13.8	14.0

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR2,107 TP: INR2,420(+15%) Buy

Production ramp-up to 80–90% of normative levels a key positive

HUVR's update on COVID-19 impact on business operations

Impact on business, supply chain, demand

- Immediately following the nationwide lockdown on account of the COVID-19 crisis, operations came to a near standstill; HUVR was able to operate at ~5% of pre-COVID normative levels. The company was able to gradually improve operations to ~70% in April and has now successfully ramped up its production to 80–90% of normative levels.
- All its factories and warehouses, except one in Assam, are operating with the requisite government permissions and adherence to the highest safety standards.
- Almost all of its suppliers in India, which were not operating at all in the initial period of the lockdown, are now operational.
- With restrictions on mobility, the lockdown of retail spaces, and fear of loss of income, the impact on discretionary categories such as Hair Care, Skin Care, and Color Cosmetics is more accentuated. While the company is seeing some demand revival in these categories, the exact time these categories would take to fully recover remains to be seen.
- HUVR's out-of-home businesses, comprising ice-creams and food solutions as well as water in the Consumer Durables business, have been most severely impacted by the lockdown.

Steps undertaken to ensure smooth functioning of operations

- HUVR has collaborated, unlocked partnerships, and implemented innovative delivery models to operate in conformity with the lockdown regulations.
- Its B2B sales ordering app, Shikar and hyperlocal ordering platform, Humara Shop have witnessed increased adoption and use among traders and consumers in this lockdown period.

Financial impact

- The company does not foresee any incremental risk concerning its ability to service financial arrangements and the recoverability of assets, including inventory and receivables.

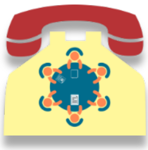
Update on GSK Consumer Healthcare merger

- The workmen at HUVR's Nabha plant are currently on strike; the company is working with stakeholders to find a resolution to the issue.
- The company would provide a detailed update on the GSKCH merger and synergy benefits in July.

Britannia Inds.

BSE SENSEX	S&P CNX
33,826	9,979

Concall Details



Date: 3rd June 2020
Time: 11:30 am IST
Dial-in:
+91 22 6280 1313/
+91 22 7115 8214

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	116.0	121.0	135.9
Gr. (%)	4.9	4.4	12.3
EBITDA	18.4	19.1	22.1
Margins (%)	15.9	15.8	16.3
Adj. PAT	14.1	13.9	16.1
EPS (INR)	58.6	58.0	66.9
EPS Gr. (%)	21.8	1.0	15.2
BV/Sh.(INR)	183.1	193.9	198.7
Ratios			
RoE (%)	32.6	30.2	34.1
RoCE (%)	24.2	23.2	26.6
Payout (%)	60.9	80.0	80.0
Valuations			
P/E (x)	58.8	59.5	51.6
P/BV (x)	18.8	17.8	17.4
EV/EBITDA (x)	44.5	42.3	36.5
Div. Yld (%)	1.0	1.3	1.6

CMP: INR3,450 Neutral

Sales/EBITDA in line; 20%+ revenue growth in Apr-May'20

- **BRIT's 4QFY20 consol. sales increased 2.5% YoY to INR28.7b** (in-line). Standalone sales were flat YoY at INR26.9b. We believe base business volume growth to be flat YoY and in line with our est. (no mention of volume growth in press release). Consol. EBITDA grew 4.1% YoY to INR4.5b (in-line), consol. PBT increased 1.6% YoY to INR4.6b (v/s est. INR4.4b), while consol. adj. PAT grew 26.5% YoY to INR3.7b (v/s est. INR3.4b).
- **Consol. gross margin contracted by 150bp YoY to 39.7%**. Management has indicated moderate inflation in the prices of key raw materials for the bakery business. Commodity prices at global level witnessed moderation due to low demand on account of lockdown in most parts across the world.
- As % of sales, higher staff cost (40bp YoY) and lower other expenses (-210bp YoY) meant that EBITDA margin expanded 20bp YoY to 15.8% (in-line).
- **FY20 consol. sales/EBITDA/adj. PAT** grew 4.9%/6.3%/21.9% YoY.
- **4QFY20 standalone sales/EBITDA/adj. PAT** grew 0.9%/1.9%/31.6% YoY. EBITDA margin was up 20bp to 16%.
- 4QFY20 subsidiary sales/EBITDA saw sharp 34.3%/67.2% YoY growth while adj. PAT registered a loss of INR88m against a profit of INR46m in the base quarter. Subsidiary EBITDA margin expanded 270bp YoY to 13.7% during the quarter.
- In FY20, the company placed/redeemed inter-corporate deposits (ICDs) of INR12.9b/INR12b. This led to net addition of INR892m ICDs, which is lower than peers.

Key takeaways from press release

- After 9 months of moderate growth, BRIT saw growth return in the first 2 months of 4QFY20, which was then hit by COVID-19 and the consequent lockdown in end-Mar'20. This impacted revenue/net profit growth by an est. 7-10%. During this period, BRIT continued to garner market share through its focus on distribution, diligence in marketplace and brand building through focused product campaigns.
- **BRIT has witnessed revenue growth of 20%/28% YoY in Apr'20/May'20.**

Consol. Quarterly Performance **(INR M)**

Y/E March	FY19				FY20				FY19	FY20	FY20	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Base business volume growth (%)	**11.0**	**11.0**	**7.0**	**7.0**	**3.0**	**3.0**	**3.0**	**0.0**	**9.0**	**2.3**	**0.0**	
Net Sales	**25,438**	**28,696**	**28,424**	**27,990**	**27,004**	**30,488**	**29,827**	**28,677**	**110,547**	**115,996**	**28,609**	0.2
YoY change (%)	12.4	12.7	10.7	10.3	6.2	6.2	4.9	2.5	11.5	4.9	2.2	
Gross Profit	**10,175**	**11,491**	**11,737**	**11,531**	**10,912**	**12,247**	**12,185**	**11,377**	**44,932**	**46,721**	**11,519**	
Margins (%)	40.0	40.0	41.3	41.2	40.4	40.2	40.9	39.7	40.6	40.3	40.3	
EBITDA	**3,894**	**4,544**	**4,518**	**4,366**	**3,947**	**4,922**	**5,020**	**4,543**	**17,334**	**18,432**	**4,543**	(0.0)
Margins (%)	15.3	15.8	15.9	15.6	14.6	16.1	16.8	15.8	15.7	15.9	15.9	
YoY growth (%)	18.5	20.3	13.4	9.9	1.4	8.3	11.1	4.1	15.4	6.3	4.1	
Depreciation	356	369	424	469	448	449	467	485	1,619	1,848	517	
Interest	24	24	30	13	101	161	237	270	91	769	253	
Other Income	420	440	600	618	675	682	652	786	2,065	2,794	637	
PBT	**3,933**	**4,590**	**4,664**	**4,502**	**4,072**	**4,994**	**4,969**	**4,574**	**17,689**	**18,609**	**4,409**	3.8
Tax	1,352	1,559	1,658	1,557	1,430	955	1,273	849	6,125	4,507	984	
Rate (%)	34.4	34.0	35.5	34.6	35.1	19.1	25.6	18.6	34.6	24.2	22.3	
Adjusted PAT	**2,581**	**3,031**	**3,007**	**2,946**	**2,642**	**4,038**	**3,696**	**3,725**	**11,564**	**14,102**	**3,425**	8.8
YoY change (%)	19.5	16.2	14.1	11.7	2.4	33.2	22.9	26.5	15.2	21.9	16.3	

E: MOFSL Estimates

Indigo

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	INDIGO IN
Equity Shares (m)	384
M.Cap.(INRb)/(USDb)	363.8 / 4.9
52-Week Range (INR)	1911 / 765
1, 6, 12 Rel. Per (%)	-5/-18/-29
12M Avg Val (INR M)	2774
Free float (%)	25.1

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	357.6	188.3	353.2
EBITDAR	45.4	-33.7	95.0
NP	-2.5	-64.9	29.6
EPS (INR)	-6.5	-168.9	77.1
EPS Gr. (%)	NM	2515.9	-145.7
BV/Sh (INR)	152.5	-16.4	51.5
Ratios			
Net D:E	0.9	-13.1	-1.7
RoE (%)	-3.9	-248.2	439.9
RoCE (%)	9.3	-27.3	26.5
Payout (%)	0.0	0.0	12.0
Valuations			
P/E (x)	-146.4	-5.6	12.3
P/BV (x)	6.2	-57.7	18.4
Adj.EV/EBITDAR(x)	9.9	-14.3	3.8
Div. Yield (%)	0.0	0.0	0.8
FCF Yield (%)	-20.1	-7.3	34.6

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	74.9	74.9	74.9
DII	9.2	5.7	5.1
FII	13.6	15.3	15.0
Others	2.4	4.2	5.0

FII Includes depository receipts

CMP: INR946 | TP: INR1,080 (+14%) | Neutral

In the midst of precariousness

In-line yield, RPK, and PAT for 4QFY20

- **With the global outbreak of COVID-19, entering into March, unit revenues began declining sharply as nationwide lockdown was enforced. Also, various countries announced their travel ban advisories halting international operations.**
- **The unprecedented impact led to only five aircraft additions during the quarter (+4.1% ASK growth v/s +20% guided by the company earlier).**
- **The company continued to accrue higher supplementary rentals, which it believes should reduce with the replacement of CEO aircraft with new NEO aircraft.**
- **INDIGO has also freezed supplementary rentals for nine months, with lessors allowing relief on 50% of rentals.**
- **Since aircraft operations resumed from 25th May, the company has been operating at 20% capacity only (v/s a cap limit of one-third capacity by MoCA); however, last week saw strong yield and load factors owing to pent-up demand.**
- **We believe in the long run, Aviation would witness continued headwind in terms of surplus capacity, the lack of confidence among passengers to resume travel, or demand for business travel.**
- **Furthermore, even INDIGO has not guided for any specific ASK growth plans, announcing strategic decisions only for the near/short term. In the current state of uncertainty in the industry, we remain Neutral on the stock.**

Higher accruals continue for rentals

- **INDIGO reported yield in line with est. at INR3.74 (+1.1% YoY).**
- **ASK growth increased 4% YoY to 23b and RPK growth 1% YoY to 19.1b. Thus, revenue improved 5% YoY to INR83b.**
- Reported EBITDAR came in at a loss of INR127m (v/s est. loss of INR751m and gains of INR20.6b in 4QFY19 and INR45.4b in FY20 (-5% YoY)).
- During the quarter, the company recognized ~INR2.7b in additional accruals toward supplementary rentals and repairs (over and above INR6.2b recognized up to 3QFY20, totaling INR8.9b for FY20).
- The company recorded forex loss of INR10.5b (v/s our est. of INR9.4b), resulting in **reported PAT loss of INR8.7b, in line with estimates (v/s loss of INR8.4b est. and gains of INR5.9b in 4QFY19). PAT for full-year FY20 stood at a loss of INR2.5b v/s profit of INR1.6b reported in FY19.**

COVID-19: ASK growth decreases, while CASK increases

- In 4QFY20, CASK jumped to INR4.17 v/s INR3.3 a year ago (~27% increase led by significant headwind from INR depreciation). Adjusting for MTM FX loss (INR depreciation), CASK could have been higher by 12–13% (v/s 27% recorded). CASK ex-fuel was much higher at INR2.9 (+44% YoY).
- **Cost was higher as fixed cost was spread over a smaller fleet capacity, with decline in load factor to 83% (-341bp YoY, -520bp QoQ).**
- In FY20, the company inducted 45 new aircraft, resulting in ASK growth of ~19% at 96.3b. PLF for the year stood at 86%, clocking RPK of 82.6b (+18.4% YoY). Yield saw a jump of 6% YoY to INR3.8/RPK. CASK ex-fuel spiked 18% YoY to INR2.43 (with CASK up 6% YoY to INR3.74).

Valuation and view

- SOPs announced by MoCA might not change the cost structure of the company if temporary in nature. Although, aircraft block hours have not been impacted, benefited by lower traffic (in both taxi time and air time).
- The company has cash of INR203.8b (INR89.3b in free cash and INR114.5b in restricted cash). **However, flying with lower PLFs would result in an influx in variable cost and consequently in further cash erosion than in the above-stated environment.**
- No dividends have been declared to preserve cash and maintain liquidity. The company has also deferred its capital expenditure plans. The total debt (incl. capitalized operating lease liability) was INR227.2b as of 31st Mar'20.
- INDIGO stated during its concall that it is planning a go-alone strategy – i.e., it would not participate in any consolidation in the industry, if it happens.
- In light of the COVID-19-led domestic capacity surplus (CAPA estimates 1/3rd capacity surplus) and the company's plan to replace 123 CEO aircraft over the next two years (which presents a huge challenge), **we believe the company would not see any new net capacity additions in FY21/FY22.**
- **We have built in average PLF of 45%, resulting in RPK growth of -48% (YoY) in FY21 and–7% in FY22 to FY20 levels (with 80% PLF).**
- The above adjustments to the model led to downward-revised EPS of –INR169/INR77 for FY21/FY22 (from –INR75/INR81).
- According to our analysis of the recently announced (temporary fare bands), airline fares YTD have a lower floor and cap than the one prescribed by MoCA. However, to note, the permanent enforcement of fare bands could be a huge dampener for the Aviation industry as a whole, weakening sentiment in the regulated Aviation market.
- **Building on all of the aforementioned factors, we continue to believe that long-term demand and stability in the sector remain a key challenge; thus, we remain cautious on the stock.** We value the company at 14x (revised down from 16x earlier) FY22 EPS of INR77 to arrive at a target price of INR1,080 from INR1,300 earlier. **Maintain Neutral.**

Quarterly performance (INR m)

Y/E March	FY19				FY20				FY19	FY20E	FY20	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs est
Net Sales	**65,120**	**61,853**	**79,162**	**78,833**	**94,201**	**81,052**	**99,317**	**82,991**	**2,84,968**	**3,57,560**	**78,765**	**5%**
YoY Change (%)	13.2	16.9	28.1	35.9	44.7	31.0	25.5	5.3	23.8	25.5	-0.1	
EBITDAR	**10,313**	**1,111**	**15,953**	**20,563**	**26,564**	**968**	**18,042**	**-127**	**47,940**	**45,447**	**-751**	**-83%**
Margins (%)	*15.8*	*1.8*	*20.2*	*26.1*	*28.2*	*1.2*	*18.2*	*-0.2*	*16.8*	*12.7*	*-1.0*	
EBITDA	**-110**	**-10,050**	**2,192**	**5,914**	**25,276**	**-142**	**16,699**	**-1,353**	**-2,055**	**40,480**	**-1,911**	**-29%**
Margins (%)	*-0.2*	*-16.2*	*2.8*	*7.5*	*26.8*	*-0.2*	*16.8*	*-1.6*	*-0.7*	*11.3*	*-2.4*	
Depreciation	1,553	1,820	2,038	2,185	9,009	10,287	10,377	10,063	7,596	39,736	10,488	-4%
Interest	1,087	1,300	1,377	1,326	4,842	4,235	4,805	4,877	5,090	18,759	4,692	4%
Other Income	3,064	3,289	3,131	3,764	3,669	4,346	3,986	3,359	13,248	15,360	3,880	-13%
PBT	**314**	**-9,881**	**1,908**	**6,167**	**15,094**	**-10,318**	**5,504**	**-12,934**	**-1,492**	**-2,655**	**-13,211**	**-2%**
Rate (%)	*11.3*	*34.0*	*0.0*	*4.4*	*20.3*	*-2.9*	*10.9*	*32.5*	*204.5*	*8.9*	*36.8*	
Reported PAT	**278**	**-6,521**	**1,908**	**5,895**	**12,031**	**-10,620**	**4,905**	**-8,735**	**1,560**	**-2,419**	**-8,352**	**5%**
EPS	**0.7**	**-17.0**	**5.0**	**15.3**	**31.3**	**-27.6**	**12.8**	**-22.7**	**4.1**	**-6.3**	**-21.7**	**5%**
YoY Change (%)	*-96.6*	*-218.2*	*-75.0*	*401.1*	*4,225.4*	*62.8*	*157.0*	*-248.2*	*-93.0*	*-255.1*	*-241.7*	

E: MOFSL Estimates

Motherson Sumi

Estimate change	↓
TP change	↑
Rating change	↔

Bloomberg	MSS IN
Equity Shares (m)	3,158
M.Cap.(INRb)/(USDb)	321.8 / 4
52-Week Range (INR)	151 / 49
1, 6, 12 Rel. Per (%)	16/-6/3
12M Avg Val (INR M)	1441

Financials & Valuations (INR b)

Y/E March	FY20	FY21E	FY22E
Sales	635.4	587.1	687.4
EBITDA	52.0	45.8	70.9
Adj. PAT	11.7	7.4	17.6
EPS (INR)	3.7	2.4	5.6
EPS Gr. (%)	-27.5	-36.4	136.2
BV/Sh. (INR)	35.7	37.3	41.1
Ratios			
Net D:E	0.5	0.5	0.2
RoE (%)	10.5	6.5	14.2
RoCE (%)	6.4	5.1	10.9
Payout (%)	31.5	31.5	31.5
Valuations			
P/E (x)	27.5	43.2	18.3
P/BV (x)	2.9	2.7	2.5
Div. Yield (%)	1.0	0.6	1.5
FCF Yield (%)	13.4	1.0	10.3

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	61.7	61.7	61.7
DII	13.6	12.6	9.7
FII	15.5	16.4	18.1
Others	9.2	9.3	10.5

FII Includes depository receipts

CMP: INR 102 TP: INR 117 (+15%) Buy

Above est.; Robust all-round performance; Improving FCF

Green-field plants of SMP progressing toward break-even, but for COVID-19

- Motherson Sumi's (MSS) 4QFY20 operating performance was driven by strong all-round performance in India and margin surprise in PKC and SMR. MSS is well positioned to come out stronger from this crisis, driven by strong order-book, for which it is already fully invested.
- We have lowered our FY21/FY22E consol. EPS by 23.5%/3% to factor in the business loss due to COVID-19 in all key businesses. Maintain **Buy** with TP of INR117 (Jun'22E SOTP).

Strong operating leverage despite weak revenues

- 4QFY20 consol. revenue/EBITDA/PAT stood at -11.7%/12%/55% to INR151.6b/INR13.9b/INR1.8. FY20 consol. revenue was flat with EBITDA/PAT declining 3%/27.5%.
- India business sales declined 6% YoY to ~INR17.4b (v/s est. ~INR14.6b). EBITDA margins expanded 190bp QoQ (-125bp YoY) to 16.9% (v/s est. ~13.2%).
- SMR revenues in EUR declined ~12% YoY (in-line) and EBITDA margins expanded ~300bp YoY (+400bp QoQ) to ~14.6% (v/s est. 10.8%). Management has indicated there were no one-offs in SMR's margins.
- SMP revenues declined 11.6% YoY (-8.5% QoQ) with EBITDA margins decreasing 60bp QoQ (+230bp YoY) to 4.2% (v/s est. 4.5%).
- PKC revenues declined 17.5% YoY (v/s est. 13% fall); EBITDA margins declined ~50bp YoY (-140bp QoQ) to 8.1% (v/s est. 6.2%).

Highlights from management commentary

- **Operation status:** Over 60% of MSS' plant is operating at >50% utilization. Expect utilization to be >75% by end-Jun'20 for all plants (Excl. India).
- **Greenfield plant progressing toward breakeven:** Greenfield plant in Hungary had attained EBITDA breakeven before COVID-19 hit operations. At the US plant, losses are reducing. They have reduced headcount with help of Daimler's support by improving efficiency.
- MSS sees many M&A opportunities, but due to ample liquidity thrown by the government, target companies have got a lifeline.
- Entire order-book of EUR13.6b (as of Mar'20) would be taken up for execution in the coming years.
- **Capex:** <INR20b for normal business. New order wins would not require material new capex. M&As would be additional.
- **Next 5-year plan: The company has a t**arget of reaching revenues of USD33-35b and diversifying the group with Aerospace, Defense and Healthcare.

Valuation and view

- We cut our FY21/FY22E consol. EPS by 23.5%/2.7%. Our positive view on MSS remains intact (stabilization of green-field plant + execution of strong order book of SMRPBV + India recovery). Maintain **Buy** with TP of ~INR117 (Jun'22E SOTP).

Automobiles

BAJAJ

Bajaj Auto

CMP: INR2,796 TP: INR2,467 (-12%) Neutral

Above est.; Wholesales at ~127k units (-70% YoY)

Exports fare better than domestic

- BJAUT's wholesales declined ~70% YoY to ~127k units (our estimate: 106.8k) in May'20. Domestic volumes were down ~83% YoY and exports decreased 52.5% YoY.
- Motorcycle volumes declined ~69% YoY to 112.8k units (v/s est. of 99.2k). Domestic motorcycle dispatches fell ~81% to 39.3k units and exports decreased ~54% YoY to ~73.5k units. We estimate motorcycle volumes for domestic/exports to decline ~19%/17%, implying residual decline of ~1%/7%.
- 3W volumes decreased ~73.5% YoY to ~14.3k units (v/s est. of ~7.5k), with domestic volumes down ~97% and exports ~44% YoY. We estimate 3W volumes for domestic/exports to decline ~16%/13%, implying residual decline of ~1%/1.5%.
- We cut our earnings estimates for FY21/FY22 by ~2.8%/7.6% to factor the impact of COVID-19-led lockdown on domestic demand. A favorable INR is diluting the impact of the volume cut, in our view.
- The stock trades at 17.4x/15.9x FY21/22E consol. EPS. Maintain **Neutral.**

Stock Info

Bloomberg	BJAUT IN
Equity Shares (m)	289
M.Cap.(INRb)/(USDb)	809 / 10.6
52-Week Range (INR)	3315 / 1793
1, 6, 12 Rel. Per (%)	6/6/10

Financial & Valuation (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	299	252	283
EBITDA	51	43.3	49.7
Consol PAT	54.2	46.6	51
EPS (INR)	187	161	176
EPS Gr. (%)	13.3	-14	9.4
BV/Sh. (INR)	689	750	813
RoE (%)	26	22.4	22.6
RoCE (%)	23.8	20.5	20.6
Valuation			
P/E (x)	14.9	17.4	15.9
P/BV (x)	4.1	3.7	3.4
EV/EBITDA (x)	12.3	14	11.8
Div. Yield (%)	4.3	2.7	3.0

Snapshot of volumes for May'20

Company Sales	YoY May'20	YoY May'19	YoY (%) chg	MoM Apr'20	MoM (%) chg	FY21 YTD	(%) chg	FY21	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY21 YTD Monthly Run rate
Bajaj Auto	**127,128**	**419,235**	**-69.7**	**37,878**	**235.6**	**165,006**	**-80.4**	**3,804,792**	**-17.6**	**-3.5**	**363,979**	**82,503**
Motorcycles	112,798	365,068	-69.1	32,009	252.4	144,807	-80.2	3,234,914	-18.1	-3.9	309,011	72,404
Total Two-Wheelers	112,798	365,068	-69.1	32,009	252.4	144,807	-80.2	3,234,914	-18.1	-3.9	309,011	72,404
Three-Wheelers	14,330	54,167	-73.5	5,869	144.2	20,199	-81.8	569,878	-14.6	-1.2	54,968	10,100
Domestic	40,074	235,824	-83.0	0	NA	40,074	-91.4	1,990,699	-18.6	-1.3	195,063	20,037
Exports	87,054	183,411	-52.5	37,878	129.8	124,932	-66.7	1,814,093	-16.4	-6.0	168,916	62,466

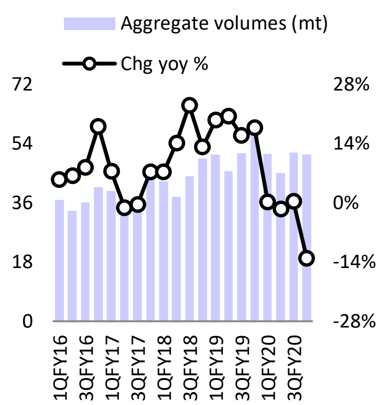
Cement

Volumes decline sharply, but margins remain strong

In this note, we assess the performance of the Indian cement sector in light of the Mar-20 results announced thus far. The four largest companies (UltraTech, Shree, ACC, and Ambuja), as well as several mid-caps (Birla Corp, JK Lakshmi, Orient, etc.), which account for ~60% of the total industry capacity, have reported their results. We highlight the following:

- **4QFY20 industry volumes declined 13% YoY, as expected, due to COVID-19 lockdown, and 1QFY21 volumes are likely to decline ~40% YoY due to continued lockdown.**
- **Realization improved 3% QoQ (5.5% YoY), driving an improvement in average EBITDA per ton by 27% QoQ (31% YoY) to INR1,179/t. Total cost per ton also declined 3% QoQ and 1% YoY) to INR3,673/t, led by lower power and fuel and freight cost.**
- **For FY20, all large players reported decline in net working capital by three–eight days of sales, whereas mid-sized players such as Birla Corp, JKLC, and Orient reported an increase in net working capital.**
- **Given the weak demand outlook, several companies (Shree, JK Lakshmi, ACC, and Orient) have kept their expansion plans on hold, while several others (Ambuja, UltraTech, and Birla Corp) have postponed the commissioning of ongoing expansions by 3–12 months. We estimate nearly 15mtpa of planned capacities have been pushed beyond FY22.**

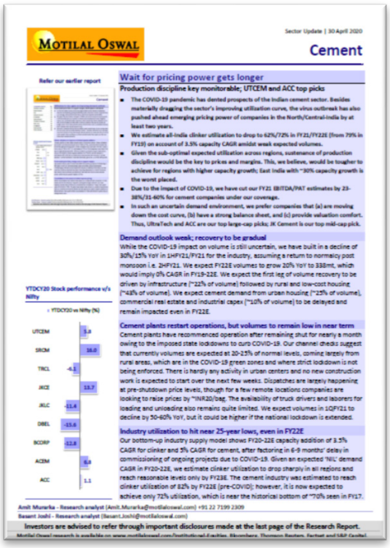
Aggregate volumes declined 13% YoY



Demand impacted by lockdown; expect ~40% YoY decline in 1QFY21

- Industry volumes declined 13% YoY in 4QFY20, as expected, due to national lockdown and plant shutdowns from March 24 to combat COVID-19.
- We expect 1QFY21 volumes to decline ~40% YoY due to extended lockdown in April and May. April volumes fell 86% YoY (as per core industry data released by the Office of the Economic Advisor of India), but May has recovered strongly to decline only 10-15% YoY as per our channel checks.
- Most of the companies in the post-results conference calls reported utilization has improved to 70–80% currently as demand is strong in the rural and semi-urban areas with lower COVID-19 cases. Demand in urban areas however remains weak due to higher COVID-19 cases as well as migrant laborers leaving for their villages slowing down the pace of construction activity.

Refer to our earlier report



Realization improves on price hikes across regions (except South)

- Average industry realization (based on companies that have reported) increased 5.5% YoY / 3% QoQ, led by major price hikes in the North (15% YoY) and Central (8% YoY) regions. Prices rose 4–5% YoY in the West and East regions, and fell 2% YoY in the South region.
- As a result, companies with a higher exposure in North/Central (such as Shree, Ambuja, and JK Lakshmi) witnessed a realization increase of 6–10% YoY. On the other hand, companies with a higher exposure in South/East witnessed flat realization (such as Orient and ACC) or lower realization (Sagar Cement) YoY.
- **According to our channel checks, cement prices have increased INR10–20/bag YTDFY21 across regions, except South, where hikes are higher by INR40–80/bag. These hikes are supported by supply constraints (in logistics and labor) and a strong production discipline in a weak demand environment.**

Cost remains benign, but offset by negative operating leverage

- The total cost per ton for the industry declined 1% YoY (and 3% QoQ) to INR3,673/t in 4QFY20 despite the adverse effect of negative operating leverage (lower fixed cost absorption due to lower volumes on account of COVID-19). The reduction was led by lower power and fuel and freight costs.
- UltraTech (UTCEM) reported average petcoke consumption cost in 4QFY20 was USD70/t v/s USD80/t in 3QFY20. Spot petcoke price is USD60/t, the full benefit of which would be realized in Q2FY21 due to the two-month lag in consumption.
- During the quarter, on a per ton basis, other expenses (INR726/t) and staff costs (INR295/t) were higher by 14% YoY and 25% YoY, respectively, due to negative operating leverage (13% YoY decline in volumes).
- UTCEM targets a 10% reduction in overhead cost (advertising, travel, etc.) in FY21. Other companies are also focused on reducing fixed cost.
- Although variable cost is likely to decline in FY21 on account of lower fuel and other input costs, this benefit is likely to be negated by higher per ton fixed cost (staff and other expenses). We estimate the total cost to rise 3% YoY in FY21.

Working capital decline for large players; balance sheet improves

- In FY20, all large players (ACC, Ambuja, UTCEM, and SRCM) reported a reduction in net working capital (NWC) by 3-8 days. On the other hand, Birla Corp, Orient, and JKLC reported an increase in net working capital by 4-12 days.
- The balance sheet positions of most of the cement companies improved in FY20. While UTCEM reduced net debt by 24% YoY to INR164b, ACC and Ambuja reported a 51% and 42% YoY increase, respectively, in net cash. Shree reported a net cash balance of INR41.2b (v/s net debt of INR2b in FY19). While net debt for Birla Corp remained flat at INR35.0b, it declined 9% YoY to INR11b for Orient Cement. JKLC's net debt declined 18% YoY to INR10.1b.
- Net debt to EBITDA improved significantly in the industry, with the highest net debt to EBITDA reported by Orient Cement (3.1x v/s 3.9x in FY19), and the lowest by UTCEM (1.7x v/s 3.0x in FY19). ACC, Ambuja, Shree Cement, and Heidelberg Cement reported net cash to EBITDA in the range of 1.1–2.2x.

Focus on cash conservation; capacity expansions on hold

- Due to the adverse demand environment caused by COVID-19, companies have shifted their focus from growth to cash conservation.
- While all new capacities that were in the planning stage have been put on hold indefinitely, projects in the execution stage have been delayed by three–nine months due to the unavailability of labor and focus on cash conservation.
- UTCEM has deferred capex for its 2.2mtpa Cuttack grinding unit to FY22. The company has guided for a lower capex spend of 10b in FY21 (v/s INR17b in FY20), most of which is on account of normal maintenance capex.
- JKLC has put its planned capex for a new 2.5–3mtpa integrated plant in the North on hold, which would have amounted to capex of INR14–15b.
- Shree has also put its expansion plans in East and South on hold.

- Birla Corp has put capex of INR2.5b for its 1.2mtpa Kundanganj grinding unit on hold. The commissioning of the Mukutban greenfield capacity of 3.9mtpa has been postponed by about three months to Jun'21.

Valuation and view

- The COVID-19 pandemic has dented the prospects of the Indian Cement sector. We estimate all-India clinker utilization to drop to 62%/72% in FY21/FY22E (from 79% in FY19) on account of a 3.5% capacity CAGR amid weak expected volumes.
- Given the sub-optimal expected utilization across regions, the sustenance of production discipline would be critical to prices and margins. This, we believe, would be tougher to achieve for regions with higher capacity growth; East India, with ~30% capacity growth, is the worst placed.
- In such an uncertain demand environment, we prefer companies that: a) are moving down the cost curve, b) have strong balance sheets, and c) provide valuation comfort. Thus, UltraTech and ACC are our top large-cap picks and JK Cement our top mid-cap pick.

Cement: Valuation summary

	CMP (INR)	Mcap (USD b)	RECO	P/E (x)			EV/EBITDA (x)			EV/Ton(x)		
				FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
UltraTech	3,833	14.6	Buy	26.0	41.3	24.1	13.4	15.6	11.6	150	144	139
Shree Cement	21,184	10.1	Neutral	48.7	70.9	40.7	19.4	23.3	16.6	234	200	188
Ambuja Cement	191	5.0	Neutral	16.9	25.3	19.6	9.2	11.7	8.9	88	84	83
ACC	1,288	3.2	Buy	17.8	31.7	20.0	8.0	11.8	7.6	77	77	69
The Ramco Cement	641	2.0	Neutral	27.0	42.4	26.8	15.1	18.3	13.5	110	111	112
Dalmia Bharat	564	1.4	Buy	49.3	NA	72.0	6.1	8.0	5.7	66	53	46
JK Cement	1,201	1.2	Buy	20.4	33.5	16.9	9.8	11.2	7.7	92	91	86
Birla Corp	532	0.5	Buy	8.1	13.9	8.8	4.5	5.5	5.4	52	53	55
India Cement	127	0.5	Neutral	34.9	60.0	18.7	10.1	10.8	8.1	60	59	58
JK Lakshmi	241	0.4	Buy	10.7	18.5	11.9	5.5	6.8	5.2	37	36	33

India's economic activity index contracts 31% in Apr'20

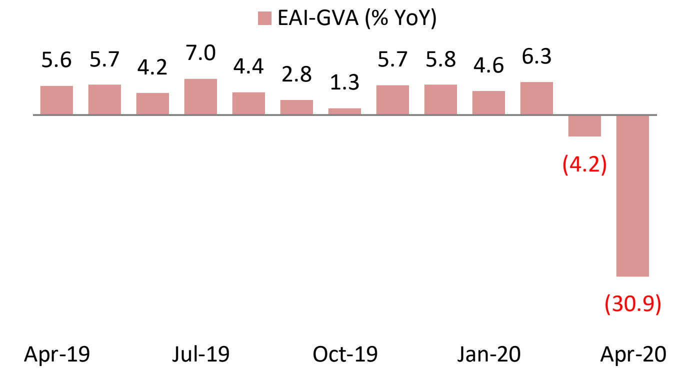
Expect 15-20% YoY decline in 1QFY21 real GDP

- **Our in-house Economic Activity Index (EAI) for India's real GVA (called EAI-GVA) suggests 30.9% YoY decline in Apr'20, marking its second consecutive contraction (v/s 4.2% decline in Mar'20 and 5.6% growth in Apr'19). Industrial activities contracted by almost two-third (including an estimated crash of ~80% in construction activities), while services sector (notwithstanding ~21% YoY growth in fiscal real spending) shrank by one-fifth in the first month of FY21. Farm activities also declined slowly; however, non-farm GVA declined faster at ~34% in Apr'20.**
- **EAI-GDP index (our in-house measure of official GDP) also contracted 31.5% YoY in Apr'20, following very-high growth of 22.6% a month ago (led by massive jump in real spending of the central government) and 4.5% growth a year ago. Although fiscal spending saw robust growth in Apr'20 as well, substantial decline of 25% in private consumption led to ~23% YoY decline in total consumption spending. Further, investments plunged ~58% YoY in Apr'20, marking its 10th contraction over the past 11 months.**
- **Overall, Apr'20 was by far the worst month in terms of economic activities due to the nationwide lockdown led by the COVID-19 pandemic. The decline of ~31%, nonetheless, seems better than expectations. As the economy has started to gradually open up from May'20, the contraction in real GVA/GDP in 1QFY21 could be closer to 15% (v/s our forecast of ~20% decline). Considering the uncertainty, however, we choose to maintain our forecast of ~5% contraction in real GDP for FY21.**

Preliminary estimates reveal that India's EAI for GVA contracted by ~31% in the first month of FY21.

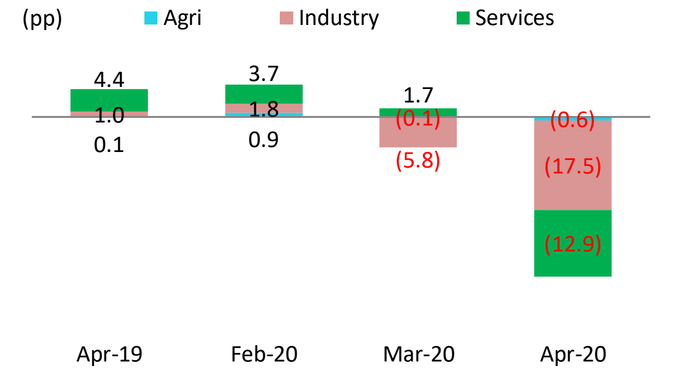
- **EAI-GVA declines ~31% YoY in Apr'20…:** Preliminary estimates reveal that India's EAI for GVA contracted by almost one-third in the first month of FY21, marking its second consecutive decline *(Exhibit 1)*. The sharp decline in economic activity was broad-based with a decline of almost two-third in the industrial sector (including ~80% crash in construction activities) and the shrinkage of almost one-fifth in the services sector *(Exhibit 2)*.
- **…with EAI-GDP also reporting a similar decline:** EAI-GDP also posted its worst-ever contraction of 31.5% YoY in Apr'20, following extremely high growth of 22.6% a month ago and 4.5% a year ago *(Exhibit 3)*. Private consumption declined by a quarter in Apr'20, which was again supported by robust fiscal spending. Investments, however, declined 58% YoY in Apr'20, marking its 10th decline over the past 11 months *(Exhibit 4)*.

India's EAI-GVA declined ~31% YoY in Apr'20…



Please refer to our earlier report for details

…led by massive contraction in non-farm sector



Contribution of different components to EAI-GDP growth

Source: Various national sources, CEIC, MOFSL

DILIP BUILDCON : WE HAVE SEEN EROSION OF LABOUR OF 40-50% ON ALL OUR SITES; Rohan Suryavanshi, Head, Strategy & Planning

- While the work has started, the progress has obviously been hit and we are doing about 50% to 70% of what we would have done in the usual time. But we have put in SOP that all our sites and all our employees are maintaining social distancing norms.
- Q4 was alright except the last 14 days, which got impacted. But we were able to post decent revenues.
- While the supply chain and the transportation has been taken care of more or less, the biggest issue that remains at all the sites is obviously the challenge of labour.
- Have seen erosion of labour of almost 40-50% less from the original number. Will definitely see labour impacted for the next couple of months as well.

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TOO MUCH INEQUALITY TENDS TO RETARD ECONOMIC GROWTH

- Inequality in society is like air pollution. Everyone is affected by it to a varying extent. It's also an inevitable consequence of economic activity; i.e., people pursuing their dreams, some of them racing ahead, some falling behind. Inequality also arises and persists because of past factors that entrench disparity between social classes across generations. Kids from lower-income families do not have access to good-quality schools and can be trapped in low-paying jobs, or worse, fall into drug use and crime. The cycle can perpetuate. If inequality, measured by income, wealth, opportunity, or access to quality public services, is inevitable and much of it is inherited, should we worry about it? Depends on your perspective. If you are a diehard free market proponent who roots for small government, you may say let economic growth generate wealth, and let the rich do philanthropy to take care of the less fortunate. In this perspective, inequality is beyond the domain of economic policy, though it's a moral issue. State interference only makes it worse, they say. The other perspective is of the “bleeding heart liberal", who will insist on a large role for government in taking money from the rich and giving it to the poor. Their motivation is also morality and fairness, but unlike free marketeers, they see a solution only in coercive tax-and-spend policies.

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BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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