

Market snapshot



Today's top research theme

Motilal Oswal values your support in the Asiamoney Brokers Poll 2020 for India Research, Sales and Trading team. We request your ballot.



Fund Folio (July 2020): Net inflows in equities plummet to 4-year low; SIP contribution tanks below INR80b

Equities - India	Close	Chg .%	CYTD.%
Sensex	36,694	0.3	-11.1
Nifty-50	10,803	0.3	-11.2
Nifty-M 100	15,217	-0.2	-11.0
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	3,155	-0.9	-2.3
Nasdaq	10,391	-2.1	15.8
FTSE 100	6,176	1.3	-18.1
DAX	12,800	1.3	-3.4
Hang Seng	10,576	0.3	-5.3
Nikkei 225	22,785	2.2	-3.7
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	42	-2.2	-36.8
Gold (\$/OZ)	1,803	0.2	18.8
Cu (US\$/MT)	6,580	2.5	7.0
Almn (US\$/MT)	1,657	-0.2	-7.0
Currency	Close	Chg .%	CYTD.%
USD/INR	75.2	0.0	5.3
USD/EUR	1.1	0.4	1.2
USD/JPY	107.3	0.3	-1.2
YIELD (%)	Close	1MChg	CYTDchg
10 Yrs G-Sec	5.8	0.03	-0.8
10 Yrs AAA Corp	6.7	0.02	-0.9
Flows (USD b)	13-Jul	MTD	CYTD
FII's	0.03	-0.24	-2.71
DII's	-0.20	0.06	12.12
Volumes (INRb)	13-Jul	MTD*	CYTD*
Cash	556	586	516
F&O	11,678	17,509	14,855

Note: *Average

- Equity AUM (incl. ELSS) of domestic MFs increased 7.7% MoM to INR7.4t in Jun'20. This was led by a rise in market indices (Nifty +7.5% MoM) and increase in sales of equity schemes (up 6% MoM to INR146b). At the same time, redemptions increased 74.9% MoM to INR142b, leading to a decline in net inflows from INR56b in the previous month to INR3b in Jun'20 – the lowest in 4 years.
- MF industry's AUM increased 3.8% MoM (INR1t) to INR25.5t in Jun'20, primarily led by equity funds (INR528b) and income funds (INR503b).
- Contribution of systematic investment plans (SIPs) declined for the third successive month to INR79.3b (down 2.4% MoM).
- Oil and Gas' weight increased 60bp MoM to 9.4% to climb a new high after moderating in the previous month. The sector has climbed back to the third position in the allocation of mutual funds.
- NBFCs' weight increased by 60bp MoM to 8.2% after declining for 3 consecutive months. Healthcare's weight moderated after rising for 5 successive months to 7.8% (-50bp MoM).



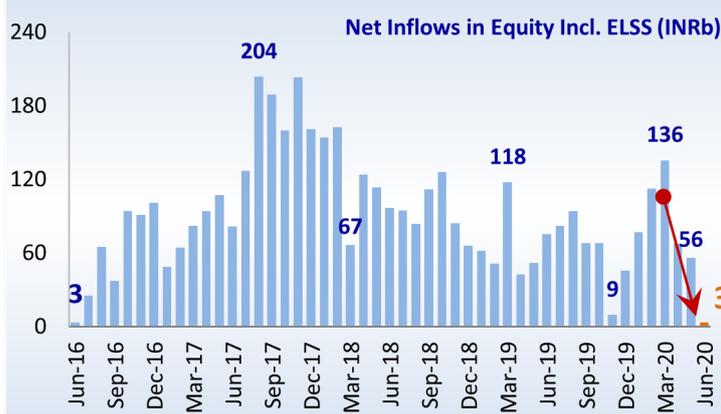
Research covered

Cos/Sector	Key Highlights
Fund Folio (July 2020)	Net inflows in equities plummet to 4-year low; SIP contribution tanks below INR80b
SAIL	High leverage and fixed costs remain key concerns
EcoScope	CPI inflation in Jun'20 much higher than expectation
Agri	Good rains stimulate sowing area

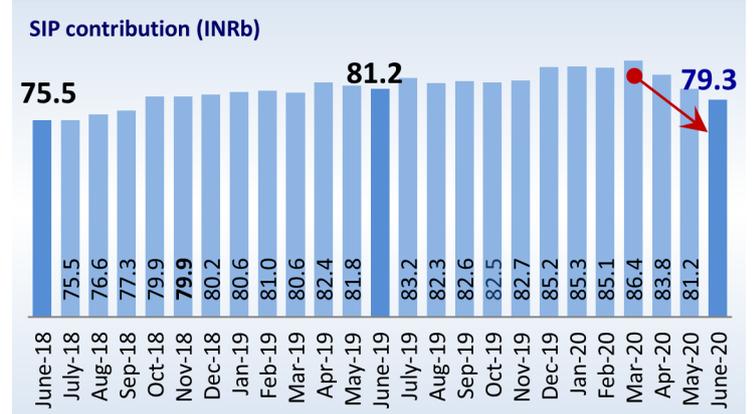


Chart of the Day: Fund Folio - July 2020 (Net inflows in equities plummet to 4-year low; SIP contribution tanks below INR80b)

MFs saw lowest monthly net inflows in 4 years



SIP contribution declined for the third successive month by 2.4% to INR79.3b – slips below INR80b mark for the first time since Nov'18



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

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



Kindly click on textbox for the detailed news link

1

Retail Inflation above 6% in June, economists expect further rate cuts

Retail inflation in India firmed up in June, breaching the tolerance band of 4% with a margin of 2% set by the Monetary Policy Committee. Miscellaneous items, clothing and footwear, and pan, tobacco and intoxicants pushed inflation up, prompting independent economists...

2

Despite weak demand, steel firms hike prices by up to ₹750/tonne

In a surprise move, steel companies have hiked prices of hot-rolled coils by ₹750 a tonne to ₹36,250 and of cold-rolled coils by ₹500 a tonne to ₹41,000 on the back of rise in iron ore prices and higher costs incurred due to the Covid pandemic. The increase in steel prices comes despite the tepid demand due to the monsoon season and a slowdown in infrastructure projects.

3

Two coronavirus vaccines given fast-track status by US

Two experimental coronavirus vaccines being developed by German biotech firm BioNTech and US pharmaceutical giant Pfizer have received the US Food and Drug Administration's 'fast track' designation. The vaccines, BNT162b1 and BNT162b2, are the two most advanced of the four vaccines being developed by the companies. These two vaccines are currently being evaluated...

4

Google plans to invest ₹75,000 crore in India to boost digital economy

Technology giant Google has announced that it plans to invest over ₹75,000 crore (\$10 billion) in India over a period of 5-7 years. Google and Alphabet CEO Sundar Pichai made the announcement today at 'Google for India' virtual event. The Google's investment in India will be made through equity...

5

PepsiCo India beverages and snack sales fell by double digits in the past 12 weeks

PepsiCo India's beverages and snacks sales fell by double-digit in the 12-week period ended June 13 amidst the coronavirus pandemic, an earnings statement by the New York based beverages and snacks maker said. The maker of Pepsi cola and Lay's snacks said in its statement that in the Africa, Middle East and South Asia (AMESA) regions, its "beverage volume declined 25%, reflecting double-digit declines in India and Pakistan, a low-single-digit decline in Nigeria and a high-single-digit decline in the Middle East."

6

CIL dues from state power gencos mount to Rs 22,000 crore amid tepid demand

Coal India's dues from state-owned power generation companies have risen to Rs 22,000 crore amid muted demand and high production, sources said on Monday. The mining behemoth is also not in a position to regulate supplies to the power companies...

7

Indian solar units firm up big capex plans

As the government trains its focus on local manufacturing of solar power equipment as part of its strategy to make an 'Atmanirbhar Bharat', Indian solar equipment manufacturers are toeing the line and scaling up capacities. Some of the firms that FE spoke to have revealed plans to add over 4-5 giga watts (GW)...

FUND FOLIO (July 2020): Net inflows in equities plummet to 4-year low; SIP contribution tanks below INR80b

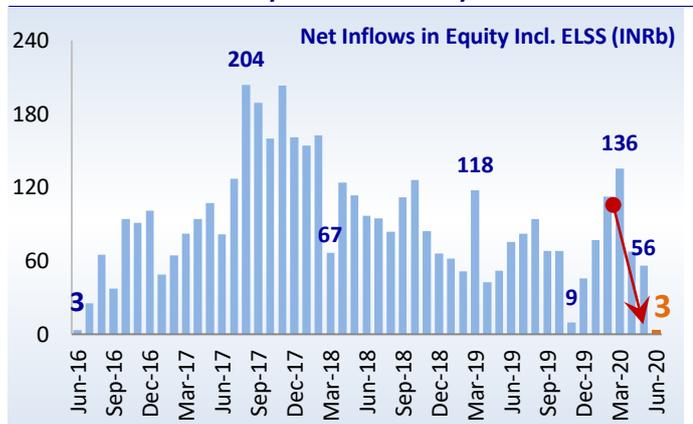
Key observations

- After consolidating in May'20 (down 2.8% MoM), the Nifty headed north in Jun'20 (up 7.5% MoM) to cross the 10k mark and close at 10,302. Strong momentum in Jun'20 was witnessed despite the Indo-China border conflict and weak corporate earnings. FII inflows of USD2.5b in Jun'20 were the highest in 7 months while DII inflows remained muted at USD0.3b.
- MF industry's AUM increased 3.8% MoM (INR1t) to INR25.5t in Jun'20, primarily led by equity funds (INR528b) and income funds (INR503b).
- Equity AUM (incl. ELSS) of domestic MFs increased 7.7% MoM to INR7.4t in Jun'20. This was led by a rise in market indices (Nifty +7.5% MoM) and increase in sales of equity schemes (up 6% MoM to INR146b). At the same time, redemptions increased 74.9% MoM to INR142b, leading to a decline in net inflows from INR56b in the previous month to INR3b in Jun'20 – the lowest in 4 years.
- Contribution of systematic investment plans (SIPs) declined for the third successive month to INR79.3b (down 2.4% MoM). Notably, the contribution of SIPs has slipped below the INR80b mark for the first time since Nov'18.

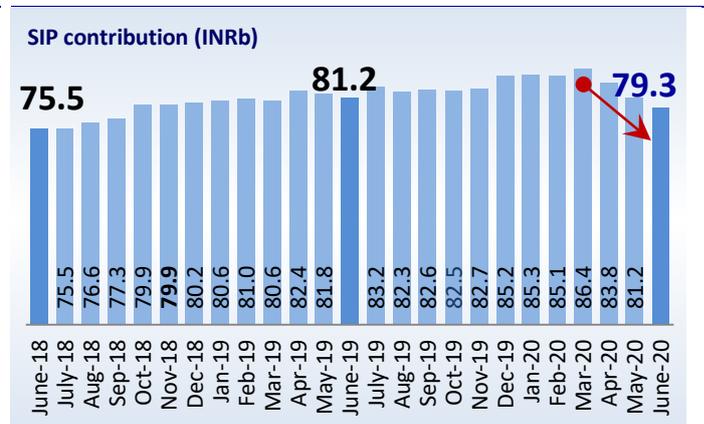
Some interesting facts

- The month saw notable change in sector and stock allocation of funds. On MoM basis, the weights of Oil & Gas, NBFCs and Banks (Private & PSU) increased, while that of Healthcare, Utilities, Technology, Consumer, Capital Goods, Cement and Chemicals moderated.
- Oil and Gas' weight increased 60bp MoM to 9.4% to climb a new high after moderating in the previous month. The sector has climbed back to the third position in the allocation of mutual funds.
- NBFCs' weight increased by 60bp MoM to 8.2% after declining for 3 consecutive months.
- Healthcare's weight moderated after rising for 5 consecutive months to 7.8% (-50bp MoM).
- In terms of MoM value increase, 6 of the top-10 stocks were from Financials: HDFC Bank (+INR59.1b), Kotak Mah Bank (+INR52.2b), Bajaj Finance (+INR31.3b), ICICI Bank (+INR30.4b), SBI (+INR16.5b) and SBI Life Insurance (+INR13.1b).
- Stocks exhibiting maximum decrease in value MoM were Larsen & Toubro (-INR8.9b), ONGC (-INR8.4b), NTPC (-INR5.3b), Coal India (-INR4.4b) and Cipla (-INR4.2b).

MFs saw lowest monthly net inflows in 4 years



SIP contribution declined for the third successive month by 2.4% to INR79.3b – slips below INR80b mark for the first time since Nov'18





Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR36 TP: INR34 (-5%) Neutral

High leverage and fixed costs remain key concerns

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Bloomberg	SAIL IN
Equity Shares (m)	4,130
M.Cap.(INRb)/(USD\$b)	147.7 / 2
52-Week Range (INR)	52 / 20
1, 6, 12 Rel. Per (%)	9/-16/-19
12M Avg Val (INR M)	1137
Free float (%)	25.0

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	616.6	578.7	656.9
EBITDA	57.1	52.3	89.2
Adj. PAT	-1.9	-10.7	15.0
EBITDA Margin (%)	9.3	9.0	13.6
Cons. Adj. EPS (INR)	-0.5	-2.6	3.6
EPS Gr. (%)	-107.5	452.7	-239.3
BV/Sh. (INR)	100.5	97.4	100.6

Ratios

Net D:E	1.3	1.3	1.1
RoE (%)	-0.5	-2.6	3.7
RoCE (%)	3.3	2.1	6.1

Valuations

P/E (x)			
P/BV (x)	-76.0	-13.7	9.9
EV/EBITDA(x)	0.4	0.4	0.4
FCF Yield (%)	11.9	12.7	6.8

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	75.0	75.0	75.0
DII	14.6	14.8	15.0
FII	2.9	3.6	4.1
Others	7.5	6.7	6.0

FII Includes depository receipts

COVID-19 impact to result in PAT loss in FY21

- Given its high fixed cost structure, SAIL remains exposed to any industry downturn. While it reported improvement in the 4QFY20 result, the company is once again expected to report PAT loss in FY21, weighed by the COVID-19 impact.
- We maintain our FY21/FY22 estimates and **Neutral** rating. Leverage remains elevated at ~9x net debt / EBITDA, which is a key concern.

Improved realizations aid improvement in EBITDA

- Standalone revenue declined merely 2% QoQ to INR162b in 4QFY20 (our est.: INR166b) despite volumes declining 8% QoQ (9% YoY) to 3.7mt (our estimate: 3.8mt) on COVID-19 impacting off-take. This was attributed to a 7% QoQ improvement in realization to INR43,194/t (our estimate: INR43,243/t).
- Adj. EBITDA stood at INR19.5b, up 96% QoQ (our estimate: INR20.6b).
- EBITDA/t improved 114% QoQ to INR5,218/t, driven by higher realization (our estimate: INR5,355/t).
- During the quarter, the company valued sub-grade iron ore fines inventory lying at its mines at INR38b based on net-realizable value. Earlier, the company was not valuing this as it was neither able to consume nor sell the inventory. Similarly, it identified and valued scrap and slag lying at various locations at INR7.1b. Thus, the company recognized inventory of INR45.1b in its 4QFY20 results under head "changes in inventory". We have classified it as an exceptional gain.
- The company reported PAT of INR27.3b. Adj. for exceptional items, adj. PAT stood at INR2.91b (our estimate: INR2.96b).
- Net debt rose to INR534b in FY20 v/s INR445b in FY19, on account of higher working capital, led by an increase in receivables from the Railways (~INR45-47b), a rise in finished steel inventory, and the recognition of lease liabilities in accordance with Ind-AS 116 (INR2.6b).
- FY20 rev./EBITDA was down 8%/42% to INR616b/INR57b. Adj. PAT loss stood at INR4.1b (v/s profit of INR24.3b).
- FY20 OCF stood negative at INR6.5b (v/s positive at INR73b in FY19), weighed by decline in EBITDA (INR40b) and an increase in working capital by INR106b.

1QFY21 NSR down just INR700/t

- COVID-19 impacted the dispatch of steel in Mar/Apr'20. Finished steel inventory, which stood at 1.7mt at FY20-end, rose to 2.0mt over Apr-May'20, but declined to 1.65mt in Jun'20.
- Avg. NSR stood at INR38,400/t in 4QFY20, which declined to INR37,700/t in 1QFY21. Although NSR for flats declined by INR3,000/t QoQ, a higher proportion of rails in the overall volume mix led to lower decline in NSR.

- In 1QFY21, SAIL sold 2.2mt of steel, of which exports stood at 0.5mt. Sales in Jun'20 stood at INR1.28mt.
- SAIL expects to sell 15.0mt of steel in FY21, targeting exports of 2.4mt.
- SAIL expects a marginal reduction of INR1.0b in employee cost in FY21 (FY20: INR87.8b).
- The capex spend for FY20 stood at INR41.1b (v/s INR43.0b in FY19). SAIL guides for capex spend of INR40.0b for FY21.

Valuation and view

- We expect sales volumes to decline ~4% in FY21 on weak domestic demand; however, we expect volumes to grow at ~10% to 15.1mt in FY22, implying a CAGR of 3% over FY20–22.
- We expect 2HFY21 to be better operationally, with recovery coming in volumes from key sectors such as Infra and Construction. We expect the adverse impact of lower prices and negative operating leverage to be offset by lower raw material cost in FY21; as a result, we build in moderate decline in margins.
- High working capital due to higher receivables from the Railways and completed steel inventory accumulation led to elevated debt levels in FY20. Leverage remains elevated at ~9.3x net debt / EBITDA, which is a key concern and exposes the company to any volatility in steel prices. We expect net debt to reduce by INR72b over FY20–22E to INR461b, factoring a reduction in working capital through receipts from the Railways and the part liquidation of iron ore inventory.
- We value the stock at 6.5x FY22E EV/EBITDA at INR34/sh. Maintain **Neutral**.

Quarterly Performance (Standalone) – INR m

Y/E March	FY19				FY20				FY19	FY20	FY20E vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Sales (m tons)	3.3	3.5	3.2	4.1	3.2	3.1	4.1	3.7	14.1	14.2	3.8	-2
Change (YoY %)	8.0	-1.8	-14.1	10.4	-0.7	-9.4	26.4	-9.4	0.2	0.8	-6.8	
Realization (INR per ton)	48,631	48,109	48,921	44,788	45,614	44,878	40,443	43,194	47,444	43,328	43,243	0
Change (YoY %)	27.2	25.1	20.4	-1.6	-6.2	-6.7	-17.3	-3.6	16.1	-8.7	-3.4	
Net Sales	1,59,072	1,67,180	1,58,358	1,85,063	1,48,200	1,41,274	1,65,413	1,61,718	6,69,673	6,16,606	1,66,487	-3
Change (%)	37.4	22.8	3.3	8.6	-6.8	-15.5	4.5	-12.6	16.3	-7.9	-10.0	
NSR to RM Spread (INR/t)	28,993	26,401	29,602	22,151	24,841	24,712	18,495	26,930	26,492	23,538	23,231	
EBITDA	25,764	23,650	25,782	22,145	15,819	11,597	9,976	19,538	97,341	56,930	20,617	-5
EBITDA per ton (INR)	7,877	6,806	7,965	5,359	4,869	3,684	2,439	5,218	6,896	4,000	5,355	-3
Interest	7,554	7,711	8,251	8,034	7,884	9,404	8,494	9,086	31,549	34,868	8,704	
Depreciation	8,136	8,261	8,547	8,903	8,725	9,011	9,263	10,552	33,847	37,551	9,460	
Other Income	978	1,143	747	2,461	1,828	1,587	1,866	4,570	5,328	9,852	1,550	
PBT (before EO Inc.)	11,052	8,822	9,731	7,669	1,039	-5,230	-5,914	4,469	37,273	-5,636	4,003	12
EO Income(exp)	-2,774	-342	-233	-546				37,342	-3,894	37,342		
PBT (after EO Inc.)	8,278	8,480	9,498	7,123	1,039	-5,230	-5,914	41,812	33,379	31,707	4,003	944
Total Tax	2,874	2,943	3,334	2,439	351	-1,802	-1,618	14,560	11,591	11,491	1,041	
% Tax	34.7	34.7	35.1	34.2	33.8	34.5	27.4	34.8	34.7	36.2	26.0	
Reported PAT	5,404	5,537	6,163	4,684	688	-3,428	-4,296	27,252	21,789	20,216	2,962	820
Adjusted PAT	7,215	5,760	6,314	5,043	688	-3,428	-4,296	2,913	24,330	-4,123	2,962	-2
Change (YoY %)	na	na	322.4	-25.1	-90.5	-159.5	-168.0	-42.2	na	-116.9	-41.3	



CPI inflation in Jun'20 much higher than expectation

RBI still likely to prioritize extremely weak growth in next policy meeting

- Much higher than our expectation of 5.1% YoY and market consensus of 5.3% YoY, headline inflation in Jun'20 came in at 6.1% YoY (v/s 6.3% YoY in May'20 and 7.2% YoY in Apr'20). Thus, average headline inflation in 1QFY21 stood at 6.5% YoY (v/s 6.7% in 4QFY20 and 3.1% in 1QFY20).
- The headline inflation eased MoM largely due to softer food inflation. Food (excluding non-alcoholic beverages and prepared meals) inflation in Jun'20 stood at an 8-month low of 7.9% YoY (v/s 9.2% in May'20) with all items except 'Oil and Fats' and 'Meat and Fish' exhibiting lower inflation during the month.
- 'Vegetables' registered a 15-month low inflation of 1.9% YoY during Jun'20 (v/s 5.5% in May'20). Interestingly, the Consumer Price Index (CPI) excluding vegetables still stood at 70-month high of 6.4% YoY in Jun'20 (v/s 6.3% in May'20). Even core inflation (inflation in 'Housing, 'Clothing and Footwear' and 'Miscellaneous Items' combined) came in at an elevated level of 4.9% YoY in Jun'20.
- Although higher core inflation looks disturbing and surprising, note that it was driven by higher inflation in 'Personal Care and Effects' and 'Retail Fuel' in Jun'20, which is totally believable. While inflation in 'Personal Care and Effects' surged to nearly an 8-year high of 12.4% YoY, that in 'Retail Fuel' rose to a 20-month high of 7.1% YoY in Jun'20. Additionally, while inflation in 'Recreation and Amusement' eased, it remained broadly unchanged in 'Health'.
- Overall, retail inflation was much higher than expected, which certainly raises our initial forecast values for the remainder of FY21. Nevertheless, due to large-scale uncertainty around these numbers, we await data for Jul'20 before revising our forecasts. That said we still believe that the RBI in its policy meeting on 6th Aug'20 would accord more weightage to weak growth vis-à-vis inflation.

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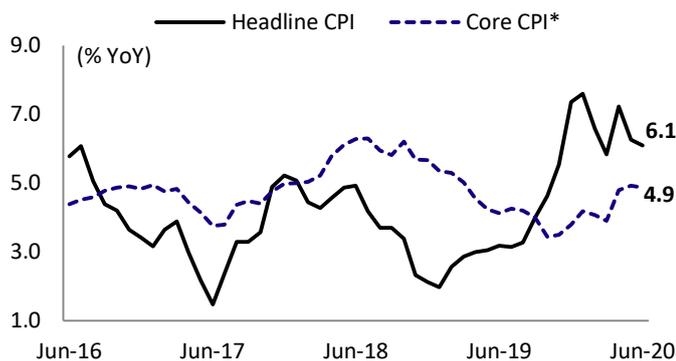
I. Retail inflation higher than expectation

- **CPI inflation eases to three-month low in Jun'20...:** Higher than our expectation of 5.1% YoY and market consensus of 5.3% YoY, headline inflation in Jun'20 came in at 6.1% YoY (v/s 6.3% YoY in May'20 and 7.2% YoY in Apr'20) (*Exhibit 1*). Notwithstanding the incomplete price collection exercise during Apr-May'20, the CSO undertook a separate exercise based on the 'imputation methodology' to arrive at the missing index values of many sub-groups. With this, headline inflation in 1QFY21 stood at 6.5% YoY (v/s 6.7% in 4QFY20 and 3.1% in 1QFY20) (*Exhibit 2*).
- **...due to softer food inflation...:** Food (excluding non-alcoholic beverages and prepared meals) inflation in Jun'20 stood at an 8-month low of 7.9% YoY compared to 9.2% in May'20. All items within food except 'Oil and Fats' and 'Meat and Fish' exhibited lower inflation during the month. Notably, 'Fruits' registered a minor deflation of 0.7% YoY in Jun'20 – its first in 10 months (*Exhibit 3*). Interestingly, while 'Vegetable' inflation was subdued at 1.9% YoY during Jun'20 (v/s 5.5% in May'20), CPI excluding vegetables still stood at 70-month high of 6.4% YoY in Jun'20 (v/s 6.3% in May'20). Separately, all non-food items except 'Housing' and 'Miscellaneous items' saw higher inflation in Jun'20 compared to a month ago.
- **...even as higher-than-expected core inflation keeps headline number elevated:** Core inflation (inflation in 'Housing, 'Clothing and Footwear' and 'Miscellaneous Items' combined) came in at an elevated level of 4.9% YoY in Jun'20, similar to last month. While inflation in all the above three components

of core remained largely flat in Jun'20 (v/s in May'20), core inflation in 1QFY21 stood at 5-quarter high of 4.9%, much higher than our expectation (*Exhibit 4*).

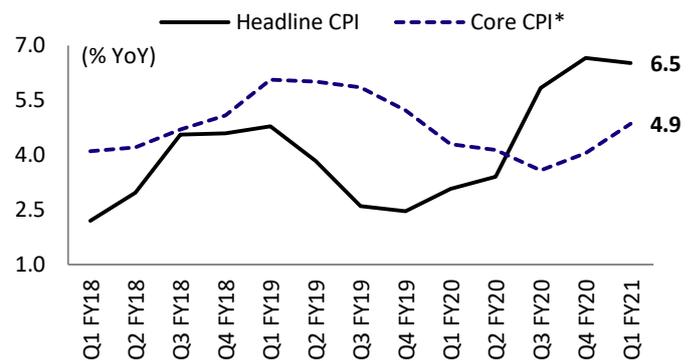
- **RBI might still accord more weightage to weak growth:** Retail inflation has come in much higher than expected, which certainly raises our initial forecast values for the remainder of FY21. Nevertheless, due to large-scale uncertainty around these numbers, we would still await Jul'20 data release before revising our forecasts. Therefore, we still believe that the severity of weaker growth is likely to be given more weightage by the RBI vis-à-vis inflation in the upcoming policy meeting decision on 6th Aug'20.

CPI inflation in Jun'20 higher than expected...



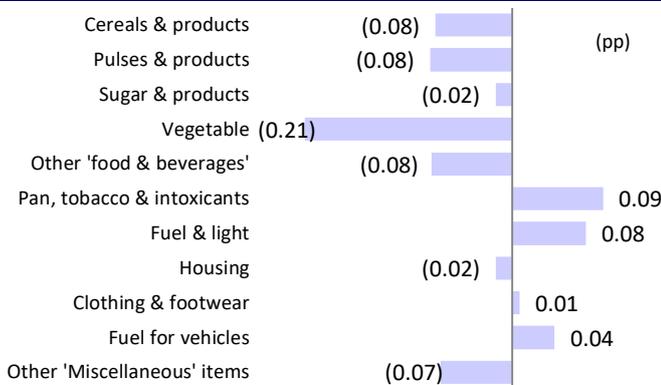
* 'Housing', 'Clothing and Footwear' and 'Miscellaneous items'

...and 1QFY21 headline inflation lower marginally



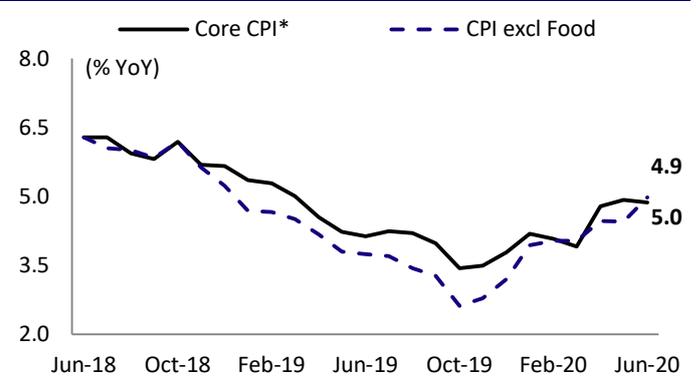
Source: Central Statistics Office (CSO), MOFSL

Food inflation eased in Jun'20...



* 'Housing', 'Clothing and Footwear' and 'Miscellaneous items'

...and core inflation remains at elevated levels



Source: Central Statistics Office (CSO), MOFSL

CPI and key components (% YoY)

% YoY	FY18	FY19	FY20	Jun-19	Apr-20	May-20	Jun-20
Overall CPI	3.6	3.4	4.8	3.2	7.2	6.3	6.1
Food & beverages	2.2	0.7	6.0	2.4	10.5	8.4	7.3
Cereal & products	3.5	2.1	2.8	1.3	7.8	7.3	6.5
Pulses & products	(21.0)	(8.3)	9.9	5.7	22.8	21.1	16.7
Meat & fish	3.2	4.0	9.3	9.0	9.3	16.0	16.2
Milk & products	4.1	1.8	2.9	0.7	9.4	8.8	8.4
Fruits & vegetables	5.5	(2.8)	14.5	1.7	16.5	4.3	1.1
Pan, tobacco & intoxicants	6.9	6.2	4.2	4.2	5.9	6.3	9.7
Fuel & light	6.2	5.8	1.3	2.2	2.9	1.6	2.7
Housing	6.5	6.7	4.5	4.8	3.9	3.7	3.5
Clothing & footwear	4.7	4.1	1.6	1.5	3.5	3.4	3.5
Miscellaneous	3.7	5.9	4.4	4.5	5.4	5.8	5.7
Transport & communication	2.7	5.2	2.4	0.7	5.9	6.1	7.1
Core CPI#	4.5	5.8	4.0	4.1	4.8	4.9	4.9

'Housing', 'Clothing and Footwear' and 'Miscellaneous items'

Source: CSO, MOFSL

Agriculture

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Pan-India sowing is up 44% YoY (as of 10th Jul'20)

Crop (m hectare)	Area Sown	
	2020-21	% Change YOY
Rice	12.1	26%
Pulses	6.4	162%
Arhar	2.6	199%
Urdbean	2.0	179%
Moongbean	1.5	147%
Kulthi	0.0	-50%
Other pulses	0.3	26%
Coarse cereals	9.3	30%
Jowar	0.7	41%
Bajra	2.8	59%
Ragi	0.2	37%
Small millets	0.2	32%
Maize	5.4	17%
Oilseeds	13.9	85%
Groundnut	3.3	62%
Soyabean	10.1	96%
Sunflower	0.1	87%
Sesamum	0.4	52%
Niger	0.0	27%
Castor	0.0	13%
Sugarcane	5.1	1%
Jute & Mesta	0.7	1%
Cotton	10.5	35%
Total	58.0	44%

Source: Agricoop, MOFSL

Good rains stimulate sowing area

Amid the mayhem of the COVID-19 crisis, kharif crop sowing has thus far beaten last year's figures. The total acreage stood at 44% as of 9th July 2020, higher v/s the comparable period last year (as sowing was delayed in FY19 on the late arrival of the monsoons across pan-India). Favorable monsoons this year are largely supporting the kharif sowing. Here are the key highlights:

Rainfall above 13% of normal levels

- Currently, rainfall in pan-India is 13% higher at 307.4mm than normal levels (of 270.9mm).
- Key agricultural areas such as the Gujarat region excluding Saurashtra and Kutch and western Uttar Pradesh have witnessed deficit rainfall of 35% and 23%, respectively, vis-à-vis normal levels. However, the remaining (key agriculture) areas have witnessed large excess to normal rainfall.
- Normal rainfall was recorded in western Rajasthan (-13% compared with normal rainfall), eastern Rajasthan (-15%), eastern Madhya Pradesh (+16%), Odisha (+3%), Vidarbha (-5%), coastal Karnataka (+1), and southern Karnataka (-1%).
- Western Madhya Pradesh (+28%), Bihar (+54%), Chhattisgarh (+20%), Marathwada (+45%), Madhya Maharashtra (27%), northern Karnataka (+32%), Telangana (+33%), and coastal Andhra Pradesh (+40%) witnessed excess rainfall.
- Key agricultural areas that witnessed large excess rainfall include eastern Uttar Pradesh, Saurashtra and Kutch, and Rayalaseema, with rainfall above 62%, 122%, and 100%, respectively, v/s normal rainfall levels.

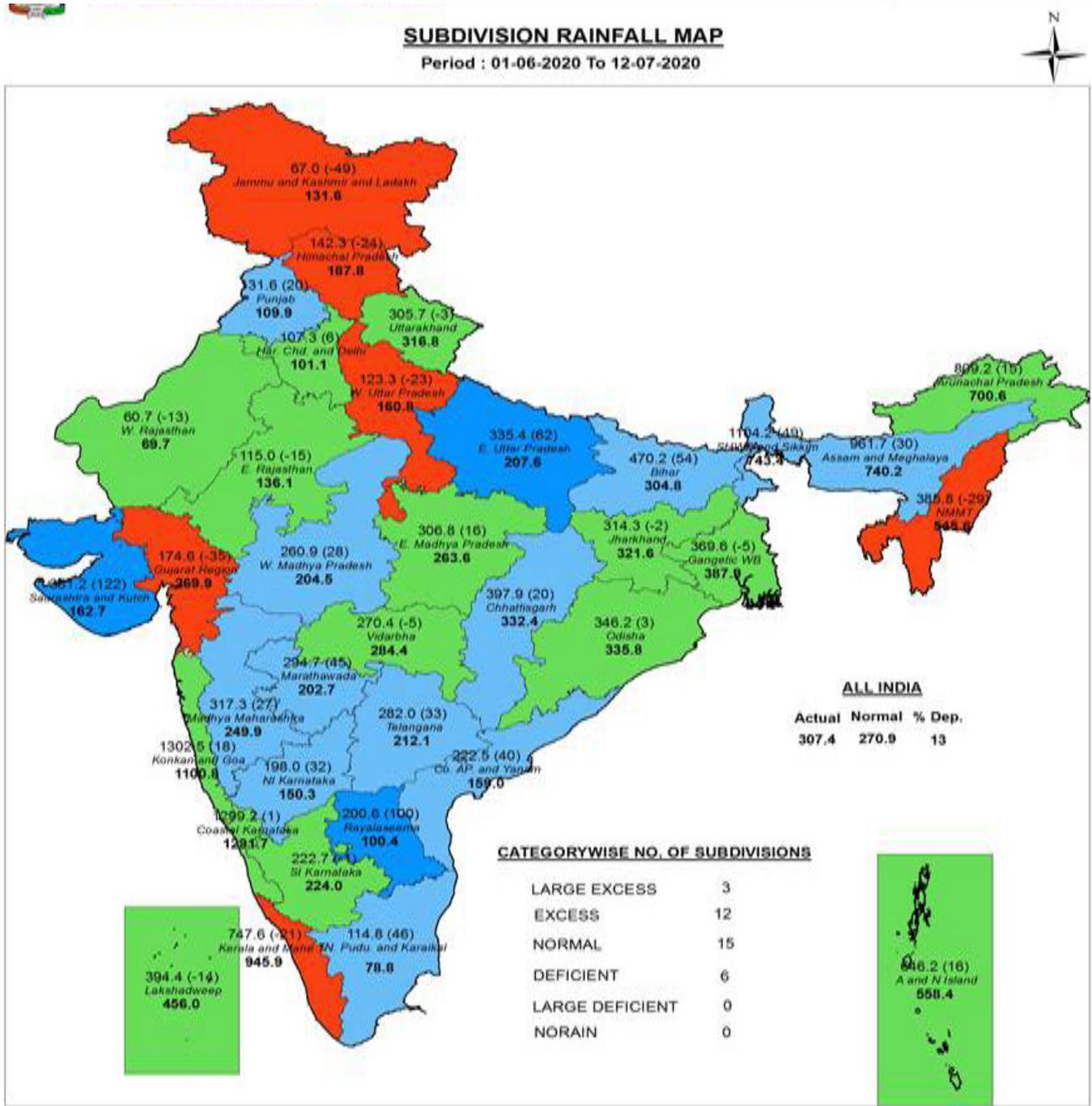
Normal rainfall and early sowing drive 44% growth in sowing area

- All-India sowing was up by 44% YoY to 58mh as of 10th July 2020, with all the key crops' sowing areas being larger than last year.
- The above-mentioned key crops are cotton (+35% YoY to 10.5mh), rice (+26% to 12.1mh), coarse cereals (+30% to 9.3mh), maize (+17% to 5.4mh), pulses (+162% to 6.4mh), oilseed (+85% to 13.9mh), sugarcane (+1% to 5.1mh), and soybean (+96% to 10.1mh).
- **Rice:** Uttar Pradesh (UP) and Chhattisgarh – which account for 15% and 10%, respectively, of normal sowing area of rice in India – witnessed 52% and 25% YoY growth in rice sowing area, whereas West Bengal (accounting for 10% of rice sowing area) witnessed 17% decline in sowing area.
- **Soybean:** Madhya Pradesh (MP) and Maharashtra – which account for 51% and 33%, respectively, of the normal soyabean sowing area in India – witnessed 86% and 187% YoY growth in soybean sowing area.
- **Maize:** The maize sowing area of Maharashtra (which accounts for 10% of India's maize acreage) was up 2.7x YoY; Karnataka and MP (each forms ~15% of India's maize acreage) were up 56% and 17%, respectively.
- **Cotton:** Maharashtra and Telangana – which account for 34% and 14%, respectively, of normal sowing area of cotton in India – witnessed 67% and 68% YoY growth in sowing area; on the other hand, Gujarat, which accounts for 22% of cotton sowing area, witnessed 3% decline.

View

- Thus, higher sowing area, led by normal rainfall, bodes well for fertilizer and agrochemical consumption in the ongoing kharif season.

Rainfall is 13% above normal levels



Legend
■ Large Excess [60% or more] ■ Excess [20% to 59%] ■ Normal [-19% to 19%] ■ Deficient [-59% to -20%] ■ Large Deficient [-99% to -60%] No Rain [-100%] No Data

NOTES :
 a) RainFall figures are based on operation data.
 b) Small figures indicate actual rainfall (mm), while bold figures indicate Normal rainfall (mm).
 c) Percentage Departures of rainfall are shown in brackets.

Source: IMD, MOFSL

Pan-India sowing is up 44% YoY (as of 10th Jul'20)

Sr No	Crop (m hectare)	Normal Area (DES)	Area Sown		
			2020-21	2019-20	% Change YOY
1	Rice	39.6	12.1	9.6	26%
2	Pulses	12.0	6.4	2.4	162%
a	Arhar	4.3	2.6	0.9	199%
b	Urdbean	3.1	2.0	0.7	179%
c	Moongbean	2.8	1.5	0.6	147%
d	Kulthi	0.2	0.0	0.0	-50%
e	Other pulses	1.6	0.3	0.2	26%
3	Coarse cereals	18.8	9.3	7.2	30%
a	Jowar	2.2	0.7	0.5	41%
b	Bajra	7.4	2.8	1.8	59%
c	Ragi	1.2	0.2	0.1	37%
d	Small millets	0.6	0.2	0.1	32%
e	Maize	7.5	5.4	4.6	17%
4	Oilseeds	18.2	13.9	7.5	85%
a	Groundnut	4.2	3.3	2.0	62%
b	Soyabean	11.1	10.1	5.2	96%
c	Sunflower	0.2	0.1	0.0	87%
d	Sesamum	1.4	0.4	0.3	52%
e	Niger	0.2	0.0	0.0	27%
f	Castor	1.0	0.0	0.0	13%
5	Sugarcane	4.8	5.1	5.1	1%
6	Jute & Mesta	0.8	0.7	0.7	1%
7	Cotton	12.1	10.5	7.8	35%
	Total	106.4	58.0	40.3	44%

Pan-India rice sowing grew 26% YoY (in lakh hectare)

State	Normal Area (NA)	% contribution to NA	NA of corresponding week	Area sown 2020	Area sown 2019	% change YoY	% ch to NA of corresponding week
Uttar Pradesh	58.8	15%	15.4	22.3	14.7	52%	45%
West Bengal	41.2	10%	3.3	1.2	1.4	-17%	-65%
Chhattisgarh	38.0	10%	17.5	19.4	15.5	25%	10%
Odisha	37.3	9%	10.2	8.8	8.8	1%	-13%
Bihar	31.7	8%	6.0	9.3	4.4	111%	54%
Punjab	29.4	7%	25.3	22.7	25.3	-10%	-10%
Madhya Pradesh	20.8	5%	4.2	8.1	1.8	341%	95%
Assam	20.6	5%	5.4	1.0	3.1	-67%	-81%
Tamil Nadu	16.1	4%	1.3	1.0	0.8	24%	-24%
Jharkhand	15.6	4%	1.8	2.7	1.8	50%	54%
Andhra Pradesh	15.2	4%	1.7	2.0	1.4	45%	14%
Maharashtra	14.9	4%	1.4	2.2	0.6	247%	64%
Haryana	13.4	3%	7.8	6.4	5.9	8%	-18%
Others	43.5	11%	13.9	13.6	10.2	34%	-2%
Total	396.3	100%	115.1	120.8	95.7	26%	5%

Pan India soybean sowing grew 96% YoY (in lakh hectare)

State	Normal Area (NA)	% contribution to NA	NA of corresponding week	Area sown 2020	Area sown 2019	% change YoY	% ch to NA of corresponding week
Madhya Pradesh	56.4	51%	40.0	51.2	27.5	86%	28%
Maharashtra	36.8	33%	18.6	35.3	12.3	187%	90%
Rajasthan	10.5	9%	8.1	8.1	8.1	0%	0%
Karnataka	2.7	2%	2.4	2.9	1.3	116%	23%
Telangana	2.3	2%	1.6	1.5	0.9	73%	-10%
Others	2.8	3%	0.7	0.7	0.4	51%	-7%
Total	111.5	100%	72.6	101.5	51.7	96%	40%

Source: Agricoop, MOFSL

Pan-India maize sowing grew 17% YoY (in lakh hectare)

State	Normal Area (NA)	% contribution to NA	NA of corresponding week	Area sown 2020	Area sown 2019	% change YoY	% ch to NA of corresponding week
Karnataka	12.0	16%	6.6	6.7	4.3	56%	2%
Madhya Pradesh	11.4	15%	9.2	10.8	9.3	17%	17%
Rajasthan	8.9	12%	7.5	5.9	9.4	-38%	-22%
Maharashtra	7.6	10%	4.1	7.2	2.7	166%	75%
Uttar Pradesh	6.7	9%	3.9	5.0	4.4	14%	29%
Telangana	5.1	7%	2.4	0.3	1.5	-81%	-89%
Gujarat	3.1	4%	2.0	1.9	1.9	-1%	-3%
Jammu & Kashmir	3.0	4%	1.8	1.9	1.7	13%	4%
Himachal Pradesh	2.9	4%	0.6	2.9	2.9	0%	400%
Jharkhand	2.7	4%	1.0	1.8	0.9	102%	89%
Bihar	2.6	3%	2.4	2.9	2.0	45%	21%
Others	8.8	12%	5.0	6.9	5.5	25%	39%
Total	74.7	100%	46.4	54.2	46.5	17%	17%

Source: Agricoop, MOFSL

Pan-India cotton sowing grew 35% YoY (in lakh hectare)

State	Normal Area (NA)	% contribution to NA	NA of corresponding week	2020-21	2019-20	% change YoY	% ch to NA of corresponding week
Maharashtra	41.5	34%	29.6	38.0	22.8	67%	28%
Gujarat	26.0	22%	17.4	18.3	18.8	-3%	5%
Telangana	17.0	14%	11.4	18.2	10.8	68%	60%
Andhra Pradesh	6.6	5%	1.6	1.9	0.8	130%	14%
Karnataka	6.5	5%	2.1	2.8	1.2	133%	35%
Haryana	6.1	5%	6.2	7.4	6.8	9%	20%
Madhya Pradesh	5.7	5%	5.1	5.9	5.2	13%	15%
Others	11.7	10%	9.3	12.4	11.4	9%	34%
Total	121.0	100%	82.6	104.8	77.7	35%	27%

Source: Agricoop, MOFSL



INFO EDGE: ZOMATO MODEL NOT UNDER THREAT; ACTIVITY ON ALL PLATFORMS ALMOST BACK TO NORMAL; Hitesh Oberoi, MD & CEO

- The activities on all our platforms - both 99acres and Naukri and even Shiksha to a large extent and Jeevansathi -- are almost back to normal. From an activity standpoint, company is back to maybe 90% of what we were about a year ago. Company is growing 25-30% in the emerging markets already but in the big cities like Mumbai, Delhi, we are still down 25-30%.
- June has been a lot better. Our own JobSpeak Index which we publish every month has gone up by 33%. We were at minus 61% in April and May. In June we were at minus 44%. The JobSpeak Index tracks is more closely linked to revenue than to the activity on the platform. Some green shoots, especially in sectors like IT, healthcare and pharma and tech can be seen but in certain other sectors like travel, tourism, hospitality and auto, things continue to be 70-80% below where they were last year.
- About a year ago, Zomato was losing \$40 million a month. Then they brought it down to \$20 million a month pre-Covid. They may be down to maybe \$14-15-18 dollars a month of pre-Covid burn. April and May were very bad for all the companies, including Zomato and Swiggy and everybody else. What has happened is that because of Covid, the volumes have fallen and so business is down to maybe 50% levels. But the crazy discounting, the crazy sort of spend on customer acquisition which all these companies were doing till sometime back is over. As a result, Zomato, which was losing maybe Rs 30-40 bucks an order till sometime back, is now making Rs 30 an order and which is why EBITDA burn in Zomato is down to maybe a couple of million dollars a month right now.
- It is not as if the Chinese money was the only money chasing Zomato. There are a lot of other investors also who are interested in investing in Zomato and we are speaking to a few of them right now.
- Sitting on tonnes of cash but we also see a lot of opportunity going forward. Even in jobs, there are many things that we want to do which will require investment over time. We are studying the blue collar space, job space, we are looking at getting into recruitment, we already have a play in recruitment automation we want to scale that up. We are looking at adjacent areas we can enter into.
- In order to buy any sort of company today in the internet space, you need at least a couple of \$100 millions and that is all we have in the bank. We do not want to risk all the money we have in the bank on an M&A. So if tomorrow there is an opportunity to buy a distressed asset or to buy something which helps us gain more market share or which takes us into an adjacent areas, we should be ready and that is why we are raising funds at this point in time.

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THE EASE OF DOING BUSINESS: IT'S TIME TO WALK THE TALK

- Addressing the 'India Global Week' summit last Thursday, Prime Minister Narendra Modi showcased the country as a favourable global investment destination. Among the many reasons, he also flagged the dramatic improvement India has managed in the World Bank's ease-of-doing-business rankings. What the PM omitted was this: that despite the impressive improvement, it is still a work in progress. The biggest obstacle is the historical legacy of red tape, for which both the Union and state governments, despite voicing constant support for economic reforms, were equally culpable. The damage this causes is two-fold. For one, it discourages and distracts entrepreneurs from pursuing a business idea. Two, the political economy of this is terrible; such controls foster a perfect ecosystem to breed crony-capitalism. Worse, these off-the-book payments make Indian units that much less competitive, both domestically and internationally. It is what Manish Sabharwal, chairman, TeamLease Services, and a constant champion of reforms, sums up in his inimitable style: regulatory cholesterol. A subsidiary company of TeamLease, which maintains a database on government regulations, estimates that, at present, companies have to annually adhere to 69,233 compliances and 6,618 filings and intimations. The onset of the covid-19 pandemic has made this worse with firms having to adjust to even more than the normal (3,000 annually) regulatory changes at the district level—particularly with respect to compliance with lockdown norms. Imagine the plight of the small companies: they risk being buried under paper work, which more often than not, is needless, even as they deal with the bottom falling out of their revenues. If you think running a business is tough, then check out what it takes to set up a business in India. The World Bank's ease-of-doing-business rankings, in which India has shown a remarkable improvement over the last two years, has a very revealing statistic. In the 2020 report, while India has an impressive overall rank of 63, its rank in setting up a new business is an abysmal 129 out of 190 countries! Clearly, the legacy of crony capitalism and its business model lives on—wherein you first create the policy impediment, and then charge a pay-off to clear each hoop. The problem in India has been that most of the changes undertaken in the past were pro-business and not pro-market—the latter favours competition in a rules-based regime, and the former is an exception-based regime premised on the power of discretion vested with authorities.

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 CIN No.: L87190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579 *PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchange carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.* MOFSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Ben