Q4FY21 Results & Conference Call Highlights of 56 Stocks

Made by Karan Patel

SMART SYNC SERVICES

SMART SYNC SERVICES

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Who We Are

We are a SEBI Registered (*INA000007881*) Investment Advisory firm. We passionately believe that the people of our country must know about the importance of financial literacy and financial freedom and we will do everything possible to realize this vision.

We at **Smart Sync Investment Advisory Services** (SSIAS) are guided by the words of wisdom from the father of Investment Management, **Benjamin Graham —**

> *"An investment operation is one which, upon thorough analysis, promises safety of principal and a satisfactory return."*

Contents

ASSET MANAGEMENT

HDFC AMC

Financial Results & Highlights

Brief Company Introduction

HDFC Asset Management Company Limited (HDFC AMC) is Investment Manager to HDFC Mutual Fund, the largest mutual fund in the country. HDFC AMC has a diversified asset class mix across Equity and Fixed Income/Others. It also has a countrywide network of branches along with a diversified distribution network comprising Banks, Independent Financial Advisors and National Distributors.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	546	450	21.33%	595	-8.24%	2202	2143	2.75%
PBT	423	330	28%	483	-12.42%	1749	1653	5.81%
PAT	316	250	26%	369	-14.36%	1326	1262	5.07%

Detailed Results

1. Revenues for the quarter were up 21% YoY. The same for FY21 were up only 2.75% YoY.
2. PBT in Q4 is up 28% YoY and PAT is up 26% YoY. PBT & PAT for FY21 are at 5.8% YoY and 5% YoY respectively.
3. QAAUM for the company was at Rs 4156 billion which was up 12% YoY. Closing AUM was up 24% YoY at Rs 3955 Cr. Market share in both was at 12.9%.
4. The breakup of closing AUM for HDFC by segment is as follows:
    1. Equity: 43% vs industry average of 41.4%
    2. Debt: 38.5% vs industry average of 33.7%
    3. Liquid: 16.1% vs industry average of 13%
    4. Others: 2.3% vs industry average of 12%
5. Market share in Actively Managed Equity Oriented AUM for HDFC is 13.3%. Actively managed QAAUM saw a rise of 6% YoY while Closing AUM saw a rise of 38% YoY.
6. Market share in Debt QAAUM was at 14.4% and QAAUM & Closing AUM have risen 39% and 46% YoY respectively.
7. Market share in liquid funds was at 16.7% by QAAUM which was down 14% YoY. Closing AUM for liquid funds was down 26% YoY.
8. The number of individual accounts fell 5% YoY while individual MAAUM grew 22% YoY.

9. The company also maintained a long tenure SIP book with 84% of order book having flows over 5 years and 73% having flows over 10 years.
10. The distribution of total AUM across different channels saw the following changes:
    1. Direct: 46.5% vs 47.8% a year ago
    2. HDFC Bank: 5.6% vs 5.6% a year ago
    3. Banks: 10% vs 10.7% a year ago
    4. MFDs: 25.9% vs 23.4% a year ago
    5. National Distributors: 17.6% vs 18.1% a year ago.
11. The company also maintained its position as 2nd biggest player in B30 markets with an 11.7% market share. The company has a total of 227 branches with 147 in B30 cities and 65,000+ empanelled distribution partners. The company now has customers in 97% of pin codes in India
12. The company has seen 82% of transactions in FY21 by electronic means as compared to 69% in FY20.
13. Operating margin has come down to 36 bps of AUM in FY21 vs 41 bps in FY20.
14. The company announced a final dividend of Rs 34 per share for FY21.

Investor Conference Call Highlights

1. The MF industry saw equity-oriented net outflows of INR 84 billion in Q4. It also saw debt-oriented net outflows of INR 410 billion in Q4. Liquid funds witnessed outflows of INR 422 billion in the same period.
2. Individual folios for the industry continue to rise and is now at INR 97.3 million.
3. Equity AUM accounts for 66% of the total B-30 AUM.
4. HDFC AMC added 6 new branches and 60 new employees in FY21.
5. HDFC AMC continues to enjoy the highest market share in individual AUM which is 13.7%.
6. The new CEO & MD, Mr. Navneet Munot, joined the company on 16th Feb 2021.
7. The management sees many avenues for grasping opportunity and market share like in thematic and sector funds, international funds, etc.
8. The company has lined up a set of NFOs in different segments which the management feel should help in recovering the lost market share in the equity segment.
9. The management has identified providing superior service and experience, and market capture in B-30 cities as key priorities for HDFC AMC.
10. The management has admitted that margins will indeed go down as passive funds & fixed income gain prominence but the overall opportunity for the industry lies in the massive under-penetration and scope for market expansion for the MF industry.
11. The management reinforced that digital processes have become indispensable due to the transformation of the economy due to COVID-19 and HDFC AMC is no exception to it.
12. The company is the market leader in the index funds space with around 30% market share.
13. It has also filed for an NFO for the NIFTY NEXT 50 fund along with a few others indices.

14. Almost 1/3rd of new investors added in FY21 were through fintech platforms like Paytm, Zerodha, or Groww. These platforms are also responsible for 29% of all industry SIPs and have a majority of the young population as their users.
15. The company made a gain of Rs 85 Cr from the sale of the Essel stock at hand and this has been reflected under other income.
16. The management has stated that the yield has gone down as more inflows have come in fixed income while equity has seen outflows thus moving to a lower margin product mix. But still, the company has a higher margin product mix with a higher ratio of equity than other industry players.
17. The company's main focus in the passive space is to expand and consolidate its hold in the index funds space and to establish a brand in this segment similar to the one that it has done in the active equity space.
18. The management has stated that it will be looking for both performance-oriented growth where it delivers superior performance and distribution-led growth where it offers tailor-made products like children benefit fund or retirement fund.
19. The 2 portfolio managers added last year are now managing 15% of active AUM.
20. The costs for FY21 were down 8% YoY but these are expected to rise as normal business activity patterns resume after the pandemic.
21. The management admits that the performance in the past few years has not been as good as expected but it has stated that investment strategies that have worked in the past may not work in the present and thus it is looking to expand and diversify its style and strategies as much as possible.
22. The management also states that in 2017 and 2018, the majority of growth in the market was led by NIFTY50 and its top 5 stocks. Now that broad-based growth is going on, there will be a better opportunity for alpha generation.
23. The management states that it does see some opportunities in the non-MF side of AMC business like PMS and alternative investments, the near-term focus shall remain on the traditional MF business.

Analyst's View

HDFC AMC is the leading mutual fund house in India. It is the market leader in actively managed equity funds space and a trusted mutual fund provider for individual investors which is evident in its high individual account numbers and AUM. The company had a good quarter due to healthy inflows on the fixed income side and the resumption of inflows into equity from March. The new CEO has highlighted that customer-centricity shall remain the prime focus going forward. The company is also looking to grasp the opportunity in the passive space by establishing its brand in the index funds space where it enjoys a market-leading 30% share. The management has admitted that returns in the past few years have been less than desirable for the equity segment but the added diversity in style and strategy from the new portfolio managers and the broad-based market rise of recent times should see alpha generation rising. It remains to be seen how the economic situation will unravel during and after the 2nd wave of COVID-19 and how it will continue to affect the investment sentiments in India. However, given the company's strong past track record and its leadership position in the industry, the medium and long-term outlook for HDFC AMC remains intact.

Nippon Life India AM

Financial Results & Highlights

Brief Company Introduction

Nippon Life India Asset Management Limited (NAM India) is the asset manager of Nippon India Mutual Fund (NIMF). Nippon Life Insurance Company are the promoters of NAM India and currently hold 75 of i*ts total issued and paid-up equity share capital while Reliance Capital holds 0.93% of shares in the company. Equity Shares of NAM India are listed on BSE Limited and National Stock Exchange of India Limited.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	335	142	135.92%	374	-10.43%	1326	1134	16.93%
PBT	207	37	459.46%	257	-19.46%	843	561	50.27%
PAT	157	12	1208.33%	202	-22.28%	649	412	57.52%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	362	150	141.33%	399	-9.27%	1419	1193	18.94%
PBT	218	27	707%	269	-18.96%	877	560	56.61%
PAT	167	4	4075%	212	-21.23%	679	416	63.22%

Detailed Results:

1. Revenues were up >100% YoY in Q4. Profits rose for the company with Q4 PAT rising from Rs 4 Cr last year to Rs 167 Cr in Q4FY21. All performance rise has been a lot in relative terms as last year's base was very small.
2. FY21 revenues showed healthy growth with a 19% YoY rise and PAT grew 63% YoY.
3. The company also posted its highest ever yearly PAT at Rs 679 Cr.
4. As of 31st Mar 2021, AUM was at Rs 3.52 trillion.
5. Mutual Fund AUM was at Rs 2,218 billion which was up 33% YoY.
6. NIMF added over 9 lac unique Investors & 1.4 million ETF folios in FY21. It also added 350 institutional investors as customers in the year.
7. Equity assets grew to 41% of total AUM. Retail Assets were at Rs 643 bn.
8. Fixed income (Debt + Liquid) assets have grown 10% YoY and account for 43% of total AUM.
9. The company added 5 new funds in the passive space in Q4 and added a total of 9 new funds in FY21.
10. Digital transactions now account for 53% of total purchases. Digital SIP registrations contributed to 59% of the total new SIPs registered in FY21.
11. The company enjoyed a market share of 13% in ETF space with an AUM of Rs 373 bn. It also has a volume share of 72% and a 42% share of folios in the ETF space.
12. Retail AUM accounts for 28% of total assets which is the highest in the industry.
13. B30 assets accounted for 17.9% of overall MF AUM vs industry average of 16.3%.

14. The overall distribution mix was 54% direct and 46% distributed assets. In distributed assets, Banks were at 22%, National Distributors were at 21% and IFAs were at 57%.
15. Individual AUM accounted for 83% of distributed assets which is 46% of the total MF AUM.
16. The offshore business has an AUM of Rs 103 bn.
17. NIAIF has raised commitments of Rs 37 bn as of Mar '21.
18. It also launched and closed 2 new schemes- one being a long-only equity scheme and the other an offshore real estate scheme.
19. NAM India signed LoI with Cathay SITE, Taiwan's largest asset manager, in April 2021.
20. The company announced a final dividend of Rs 5 per share bringing the total dividend for the year to Rs 8 per share.

Investor Conference Call Details

1. SIP and STP for the full year rose by more than 1.1 million for NAM.
2. The operating expenses have remained high despite a drop in other expenses due to COVID-19 as the company has incurred one-off expenses to set up its digital infrastructure.
3. The management is confident that the slide in market share in the last 2 years has finally come to an end and the company is now witnessing a good comeback.
4. The company has been leveraging its parent Nippon Life and has been able to launch 2 real estate funds in Japan and a digital innovation fund with it. It has also been able to sign the tie-up with Cathay because of Nippon Life.
5. Employee costs and other expenses have remained almost flat YoY.
6. The management assures that the company is determined to maintain good liquidity in ETFs as it is an essential part of the appeal for ETFs.
7. The company is aiming to build volumes as ETF is a volume game according to the management and thus it will be looking to maintain competitive pricing. The blended yield on ETFs is around 19 bps.
8. The share of the banca channel has gone down as the competition and preference for other products like insurance are gaining greater importance for the channel. This is primarily due to lower realization per product for MF as compared to others.
9. Another reason for the fall is the rise of the direct investing channel in the MF industry and the rise of RIAs.
10. The management sees further room for improvement in the HNI space where recovery has been the slowest.
11. The management doesn't see the lack of a dedicated bank as an issue as it helps NAM maintain a widely distributed channel base with a major focus on IFAs.
12. The management maintains that brand image is important in attracting more investors than a startup AMC; at the size and scale level of NAM, it is not too big of a differentiator for the branded part of the industry.
13. The management states that although the average SIP size for NAM is lower than the industry average, it is better for them as it enhances stickiness.
14. There is massive potential in ETFs as developed markets have around 40% of funds in ETFs while this number in India is only 10%.
15. The management maintains that reaching out to small town IFAs and supporting on-ground distributors in B30 locations is key to expansion in this segment.

16. The net yield including expenses in ETFs is around 11-12 bps.

Analyst Views:

Nippon India Life Asset Management is one of the leading asset managers in the country. The company has done well to bounce back after the rebranding last year. The company saw good performance in Q4 & FY21 with profits rising as high as 64% YoY in FY21 despite sales rising only 18% YoY. The company continues to have a good hold in the IFA space with this channel being the largest distribution channel for the company and has seen good participation in its recent NFOs. It has strengthened its hold in the passive space by launching 5 new passive funds in Q4. It continues to bring in old customers who are now looking to restart their relationship post the rebranding which is expected to the primary reason behind adding 9 lac unique customers in FY21. It remains to be seen whether the company will be able to match the pace of growth of its prime competitor HDFC AMC in this space and how the overall economy and market sentiments will be affected by the 2nd wave of COVID-19. Nonetheless, given the company's market positioning and its competitive advantage in the ETF and AIF space, Nippon Life India Asset Management is a must-watch stock for every investor interested in the AMC space.

AUTO & AUTO ANCILLARIES

Bajaj Auto

Financial Results & Highlights

Brief Company Introduction

Bajaj Auto Ltd has been one of the largest automobile players in India for a long time. They have been in operations since 1945. Bajaj Auto operates primarily in the entry level and premium segment motorcycles along with small and large three wheeler commercial vehicles segment. It is the largest three wheeler manufacturer and third largest motorcycle manufacturer in the world. They are now present in more than 70 countries around the world. Bajaj Auto also owns Force Motors and is a part owner of the popular Austrian motorcycle brand KTM.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	8880	7349	20.83%	9279	-4.30%	29018	31652	-8.32%
PBT	1739	1721	1.05%	2033	-14.46%	5939	6580	-9.74%
PAT	1332	1310	1.68%	1556	-14.40%	4555	5100	-10.69%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	8880	7243	22.60%	9279	-4.30%	29018	31443	-7.71%
PBT	1959	1765	11%	2193	-10.67%	6241	6692	-6.74%
PAT	1551	1354	15%	1716	-9.62%	4857	5212	-6.81%

Detailed Results:

- The revenues for the quarter were at Rs 8880 Cr with a rise of 22% YoY and an improvement of 15% YoY in PAT for Q4. FY21 figures remain subdued with revenues down 7.7% YoY and profits down 6.8% YoY.
- The volumes sold for the quarter stood at 1,169,664 units which is a rise of 18% YoY.
- The export volumes were at 635,545 units in Q4 which was up 24% YoY.
- EBITDA margin was at 18.1% vs 19% last year.
- The YoY changes in volumes for the quarter & FY21 are as follows:
  - Domestic:

Domestic	Q4FY21	FY21
Motorcycles	21%	-13%
CV	-38%	-70%
Total	12%	-21%

  - Exports:

Exports	Q4FY21	FY21
Motorcycles	24%	-4%
CV	19%	-15%
Total	24%	-5%

- Total:

Total	Q4FY21	FY21
Motorcycles	23%	-9%
CV	-12%	-45%
Total	18%	-14%

- Pulsar 125 sold over 128,000 units in Q4.
- The overall share in the domestic & international motorcycle market by Indian Players grew close to 27.6% in FY21 from 27.5% last year.
- Pulsar had its highest ever sales in a year of over 1.25 mn units in FY21.
- KTM along with Husqvarna, sold over 143,000 units in domestic & export markets in FY21.
- Domestic CV volumes continue to remain muted and recovering slowly.
- Bajaj is now the market leader in big 3-wheeler passenger carrier segment with market share of 46.9%.
- Market share in goods carrier segment improved 670 bps YoY to 33.7% in FY21.
- The company maintained surplus cash and cash equivalents at Rs 17689 Cr as of 31st Mar 2021.
- The company announced a dividend of Rs 140 per share for FY21.

Investor Conference Call Highlights

1. 60% of total motorcycle volumes for Bajaj come from 125+ cc bikes.
2. Pulsar 125 has risen to a market share of 19% in Q4 vs 7% last year while the 125cc market itself has grown by 4% YoY.
3. The company launched 3 upgraded variants of Platina with electric start in the 110cc segment.
4. 3-wheeler sales had climbed to sales of 11,000 units per month but it got halted in April due to the 2nd wave of COVID-19.
5. The export business continues to perform with a 200,000-volume performance every month.
6. Bajaj's exports to KTM have grown at a significant pace of 60% plus, powered by a surge in demand in the developed markets of North America, Europe, and Australia.
7. The company saw commodity cost increases of 3% and was able to recover at least 2% through price increases.
8. Shipping issues caused spillover of around 10-15% of the export order book.
9. 77% of export revenues come from markets where Bajaj is No 1.
10. Bajaj has reopened bookings for the electric scooter, Chetak. It had to close bookings again in 48 hours due to overwhelming reception. The company aims to expand Chetak to many cities in India in FY22.

11. The company has taken a further price increase of 1.5-2% in Q1 to mitigate the commodity cost rises.
12. The management expects the following year FY22 to be the best for exports in terms of volumes.
13. The company's approach to focus on the 125+ cc segment and premiumization seems to have paid off according to the management as the top half of the market has been almost unaffected financially by the pandemic and thus demand has remained sustained.
14. The fall in other expenses has been a measure of cost-cutting in lean times but they are expected to come back when everything normalizes.
15. Promotion spend is always the highest in Q3 because the festive season in both India and abroad lies in the quarter.
16. The revenues from spare parts in Q4 were at Rs 1089 Cr.
17. The spare parts business has a lot of headroom for growth as the current sales is less than 70% of possible sales according to the management.
18. The management expects the performance in KTM to continue and that demand has outstripped supply by at least 10-15% due to the semiconductor shortage.
19. The management admits that the near-term outlook for the motorcycle market is subdued due to a variety of factors but the long-term demand drivers (of a youthful population, rising penetration of retail financing and road network expansion, etc) remain intact.
20. The company will be putting out newer platforms and newer variants in the next 6 months according to the management.
21. The management states that the capacity to build the Chetak is determined by the ability of international vendors to supply critical components, most of which are electronic. The management also states that it has not started full-time booking for Chetak as it hasn't secured guarantees of continued supply yet.
22. The management expects to be doing delivering 1000 Chetak units each month.
23. The management feels that the business case like-for-like is not very supportive of a movement from ICE to electric at the moment. This case will indeed change in the future but it is dependent a lot on how the battery costs move and whether there is some outside support from the government for creating a protected space for electric. The company is working on building capability on this slowly and is not in a rush to do so.
24. The current electric 3-wheeler market is built on lead-acid battery which the management feels is a substandard solution and is not looking to get into at the moment.
25. The company is not looking to get into price competition with other rivals for Chetak and will price its model based mostly on battery costs and technology.

Analyst's View:

Bajaj Auto has been a long performing player in the automobile sector that has established itself as a dominant player in all the segments that it operates in both in India and abroad. The company has seen a good quarter with the 2nd highest ever export volumes and revenue growth of >20% in Q4. The company has seen good momentum continue in Pulsar 125 which has managed to capture a 19% market share in FY21 vs 7% in FY20. The company also showed some light on Chetak and the management stated that Chetak should start seeing sales in the next 6 months. The recovery of the 3-wheeler segment on the other hand continues to be slow and has also lost recent momentum due to the 2nd wave of COVID-19. It remains to be seen how the company handles the transition from a mass-market player to a premium focus auto major and from ICE to electric in both the 2 & 3-wheeler

sectors. Nonetheless, given the company's position in export markets and its strong presence in all market segments in the two-wheeler market and three-wheeler markets, Bajaj Auto remains a pivotal auto sector stock to watch out for.

Balkrishna Industries

Financial Results & Highlights

Brief Company Introduction

Balkrishna Industries Limited (BKT) is a tire manufacturing company based in Mumbai, India. Balkrishna Industries manufactures off-highway tires used in specialist segments like mining, earthmoving, agriculture and gardening in five factories located in Aurangabad, Bhiwadi, Chopanki, Dombivali and Bhuj. In 2013, it was ranked 41st among the world's tire makers.

Balkrishna Industries is currently an OEM vendor for heavy equipment manufacturers like JCB, John Deere and CNH Industrial. The company currently enjoys 2% market share of the global off-the-road tire segment.

If you are interested to know about the business of BKT in detail, watch this video

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1804	1424	26.69%	1556	15.94%	5919	5031	17.65%
PBT	495	339	46.02%	424	16.75%	1531	1123	36.33%
PAT	372	257	44.75%	322	15.53%	1155	945	22.22%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1815	1438	26.22%	1564	16.05%	5955	5062	17.64%
PBT	503	346	45%	428	17.52%	1555	1140	36.40%
PAT	380	265	43%	325	16.92%	1178	960	22.71%

Detailed Results:

1. The revenue for the quarter grew 26% YoY in consolidated terms.
2. PBT was up 46% YoY & 45% YoY in standalone and consolidated terms in Q4.
3. Consolidated PAT was up 43% YoY in the quarter.
4. FY21 figures were also very good with revenues rising 18% YoY while PBT and PAT rose 36% YoY and 23% YoY respectively.
5. Sales volumes for the quarter came in at 68,002 tons which were up 17% YoY which was also its highest ever quarterly sales volume.
6. The EBITDA margin improved 254 bps YoY to 31.9% in Q4.
7. The company announced a final dividend for FY21 of Rs 5 per share.
8. Sales breakup in FY21 for the company is:
    a. Agri-64%, OTR-32%, Others-4%.
    b. Replacement-70%, OEM-26%, Others-4%
    c. EU-50%, Americas-15%, India-23%, RoW-13%
9. The company remains debt-free with current cash holding at Rs 1475 Cr as of 31st Mar 2021.

Investor Conference Call Highlights

1. FY21 sales volumes were at 227,131 metric tons.
2. The management is guiding for sales volume between 250,000 to 265,000 metric tons in FY22.
3. The greenfield tire project in Waluj is going as scheduled. The project is expected to be completed by 30th September 2021.
4. The total new capex of Rs 1900 Cr is expected to be done by H1FY23.
5. Other income for the quarter stood at INR 20 crores, while unrealized gains stood at INR 23 crores. For financial year '21, other income stood at INR 119 crores, while unrealized gains stood at INR 18 crores.
6. The gross debt stood at INR 893 crores.
7. RM prices are expected to have risen 3-4% in Q1. The company has passed on the price increases to customers by doing a price increase in Jan & April.
8. The management is expecting to see immediate capacity rise from debottlenecking, but it remains confident of delivering on the volume guidance for FY22.
9. Capex guidance for FY22 is Rs 800-850 Cr including maintenance capex.
10. The majority of the Rs 1900 Cr capex is for upgrading and automation of the existing tire plant. CapEx for the carbon plant and the power plant would come a little later.
11. The management expects the OTR contribution to rise to 50% in the next few years.
12. The main reason for the rise in other expenses in Q4 is the spike in logistics costs. Logistics costs are expected to ease by H2FY22.
13. The margin contribution for OTR is the same as the tires from the Agri segment.
14. India sales have grown 29% YoY and the company now has a market share of 4-5% here.
15. The market size in North America is expected to be as big as EU for BKT.
16. The company has also added distribution in the online channel in North America.
17. The management states that the demand from OEMs is rising for both agri and OTR segments.
18. The lead time from going to the customer to getting feedback on products is around 6-9 months for an OEM customer. Thus, the company will have its feedback ready by the time the capacity expansion is done.
19. The management also expects RM prices to rise 4-5% in the next quarter. Availability is not an issue for RM procurement, but logistics is the main issue here.
20. The incremental demand is coming from both old and new distribution points with the old ones accounting for the bulk of it.
21. The company is holding around 38-40 days of inventory at present.

22. The company is currently at 5-6% of the global market share.
23. The total A&P spend in FY21 is around Rs 100 Cr. The company is looking to increase it to Rs 120-125 Cr in the coming years with capacity expansion.
24. The price gap with international competitors is going to narrow going forward but BKT will maintain a min gap of 12-15% while trying to enhance its brand building. Currently, the price difference is around 20-22%.
25. The management has stated that it is looking to maintain an EBITDA margin at 28-30% on a long-term sustainable rate.

Analyst's View:

BKT has been a rising player in the off-road tires business for years now. The company witnessed a phenomenal Q4 with its highest ever quarterly sales volumes ever sold. It has also hiked its volume guidance for FY22 due to a continuous rise in sales. BKT is seeing continuous growth in North America and India markets. It is also looking to keep growing with a steady EBITDA margin of 28-30%. The company is expecting the capex projects to run on schedule. The company is also expecting to see a rise in the OTR segment and both OTR & Agri segments to become equal contributors to sales in a few years. Although RM price inflation is expected in the near term, BKT is looking to pass on any price increases to customers as it has done so since Jan 2021. It remains to be seen how the India market shapes up for BKT in Q1 due to the 2nd wave of COVID-19 and how the company's plans for the new capex pans out. Nonetheless, given the company's sustained margin performance, its resilient market share in a slow global market, and the rapid rise of the company in India, Balkrishna Industries is a good tire stock to watch out for.

Eicher Motors

Financial Results & Highlights

Brief Company Introduction

Eicher Motors Limited is an Indian manufacturer of motorcycles and commercial vehicles. Eicher is the parent company of Royal Enfield, a manufacturer of middleweight motorcycles. In addition to motorcycles, Eicher has a joint venture with Sweden's AB Volvo - Volvo Eicher Commercial Vehicles Limited (VECV).

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3035	2326	30.48%	2928	3.65%	9071	9693	-6.42%
PBT	631	489	29.04%	658	-4.10%	1783	2430	-26.6%
PAT	468	346	35.26%	488	-4.10%	1330	1904	-30.15%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3054	2351	29.90%	2953	3.42%	9174	9697	-5.39%
PBT	689	447	54%	702	-1.85%	1798	2355	-24%
PAT	526	304	73%	533	-1.31%	1347	1827	-26.27%

Detailed Results:

1. The company had a good quarter with a 30% YoY rise in consolidated revenues and a 73% YoY rise in PAT.
2. Volumes for FY21 was at 612,330 vs 698,000 last year.
3. EBITDA margins for FY21 shrank to 20.7% vs 24.3% last year.
4. Standalone EBITDA margin was at 22% in Q4 vs 20.8% a year ago.
5. Overall market share was at 25.9% in the 125+ cc segment.
6. Eicher has a net cash of Rs 7756 Cr in FY21.
7. The company has total locations of 2056 currently with 1,025 stores and 1,031 studio stores across 1,750 cities.
8. Export sales were at 9.7% of total sales in FY21.
9. The number of international stores has risen to 132 and the company plans to bring this up to 175 by the end of FY22.
10. The company launched the 2021 variants of the 650 Twins and Himalayan.
11. The solutions business (non-vehicle) of RE has now risen to 12.5% of total revenues in FY21.
12. The total CV volumes sold in 9M were at 23,101 units vs 37,092 units a year ago.
13. RE has created a co-branded collection in partnership with Levi's. It has also launched a women's apparel line.
14. RE also launched its mobile app which includes the MiY function and scheduling services other than community connect and motorcycle content.
15. Total CV market share of VECV has risen to 17.6% from 14.6% a year ago.

16. The market share of VECV in the domestic 3.5-15-ton segment rose to 30.1% vs 29.5% a year ago.
17. The market share in buses increased to 19.9% from 14.1% a year ago.
18. The market share in the heavy-duty segment increased to 6.9% from 5.1% a year ago.
19. VECV saw a profit of Rs 57 Cr in FY21. Revenue from operations for the unit was flat YoY while EBITDA margin improved to 6.8% in FY21 vs 4.9% last year.
20. Export volumes for VECV have risen to 5025 units in FY21 from 4568 units in FY20.
21. Eicher Engineering Components saw sales of Rs 820 Cr in FY21.
22. EML announced a final dividend of Rs 17 per share for FY21.

Investor Conference Call Details:

1. The motorcycle industry has grown 20% YoY in H2FY21.
2. VECV grew 6% YoY in FY21 in the heavy-duty segment while the industry declined 21% YoY in the same period.
3. Q4 revenue was the highest ever quarterly revenue for Eicher.
4. RE sold 203,000 motorcycles in Q4 which was up 25% YoY. Exports were down 8% YoY at 35,700 in FY21.
5. Total bookings in Q2, Q3 & Q4 have exceeded FY20 bookings.
6. RE did a 3% to 8% price hike across models since Jan.
7. Meteor was launched in USA, UK, and Asia Pacific. It is slated to be launched in LATAM soon.
8. The penetration of MiY is at 80%.
9. The company also launched Service on Wheels, with 800 bikes and 13 mobile service trucks.
10. The company is facing 3 supply chain disruptions. The first is from the global container shortage, while the other two are from local lockdowns in Delhi, Pune, and TN.
11. The management remains confident of the demand and is sure that production can scale back fast to 80k units once normalcy comes back.
12. The company will maintain its pace of launching 1 new model every quarter in FY22.
13. The company has added capacity for Meteor to bring it up to 15000 units from 8000 units previously.
14. The company is now operating on a delivery backlog of 2-3 months.
15. There was a one-off charge of Rs 50 Cr in other expenses in Q4 which is the forex difference in Brazil. The company expects this to reverse going forward.
16. The management has stated that the company uses 30-35% more precious metals as compared to 150 or lower cc bikes. The majority of this is rhodium. Rhodium has risen around 10x in price in the past 1 year. To cope with this, the company has researched and reduced rhodium consumption by 66%.

17. The management assures that the demand for 650 twins is intact in India and volumes were low as the company was focussing on increasing exports for these bikes and thus was increasing the domestic backlog for them.
18. The management states that it takes time for the customer to go from the mid cc bikes like Meteor or Classic to upper premium bikes like 650 twins. The company remains confident of the long-term success of the twins and is patient as most customers are already upgrading from a lower bike when they get their first Enfield.
19. The management does not expect any big delays of more than a month in their upcoming launch schedule from the global chip shortage, as RE has enough chip stocks for expected requirements.
20. The major focus in distribution going forward is international expansion. The management is also looking into direct-to-home delivery of bikes which may cause it to rethink its distribution strategy.
21. Almost 2/3rd of the 500+ cc market has been captured by RE.
22. The material cost for any RE bike is roughly 55% of ASP.

Analyst's View:

Eicher Motors has been one of the highest-rated auto companies in India. This was mainly on the back of their successful turnaround of Royal Enfield and the emergence of the mid-sized (250cc-750cc) motorcycle market. The company continued its impressive industry outperformance in both the RE and VECV businesses and once again achieved its highest ever quarterly revenue from operations. The company has seen a good response to the MiY platform and the Meteor which has seen overwhelmingly good response. The demand for the Meteor is so high that the company has even decided to increase its monthly capacity to 15000 units from 8-10k units currently. The next big focus for RE is international expansion. The company still faces major challenges plaguing the industry like RM cost inflation and the electronic components shortage, but the management assures that these issues are dealt with by the company either by reducing the consumption of critical RM or by stocking enough chips. It remains to be seen how long the company will be able to keep outperforming the industry and how international expansion plans pan out in the future. Nonetheless, given its resilient performance in its various segments and the strong brand and industry position of the company, Eicher Motors remains a critical stock to watch out for every auto sector investor.

BANKS

Bandhan Bank

Financial Results & Highlights

Brief Company Introduction

Bandhan started in 2001 as a not-for-profit enterprise that stood for financial inclusion and women empowerment through sustainable livelihood creation. It turned into an NBFC a few years later but the core objective remained financial inclusion. When Bandhan Bank started operations on August 23, 2015, it was the first instance of a microfinance entity transforming into a universal bank in India. On the day of launch itself, Bandhan Bank started with 2,523 banking outlets. It offers world-class banking products and services to urban, semi urban and rural customers alike. In the last few years of operations, Bandhan Bank has spread its presence to 34 of the 36 states and union territories in India with 4,559 banking outlets serving 2.01 crore customers, as on March 31, 2020.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3788	3346	13.21%	3861	-1.89%	14633	12435	17.68%
PBT	135	693	-81%	845	-84.02%	2949	4053	-27%
PAT	103	517	-80%	633	-83.73%	2205	3024	-27.08%

Detailed Results:

1. The revenues for Q4 grew 13% YoY. PAT fell 80% YoY mainly due to higher provisions of Rs 1594 Cr vs Rs 827 Cr last year.
2. PPoP grew 13.7% YoY in Q4 & 26% YoY in FY21.
3. The deposit portfolio grew 36.6% YoY and 9.5% QoQ.
4. Loan portfolio (on book + off book + TLTRO) grew 21.2% YoY.
5. CASA grew 60.9% YoY.
6. CASA ratio at 43.4% against 36.8% last year.
7. Added 5 lakh customers during the quarter & 29 lakh in FY21 with a total customer base at 2.3 crore as of March 31, 2021.
8. Capital Adequacy Ratio (CRAR) at 23.5%; Tier I at 22.5%.
9. Net Interest Income (NII) for the quarter grew by 4.6% YoY in Q4.
10. Non-interest income grew by 57.4% in Q4.
11. Net Interest Margin (annualized) for the quarter stood at 6.8%.
12. Gross NPAs as of March 31, 2021, are at 6.8%.
13. Net NPAs as on March 31, 2021 is at 3.5%.
14. The cost to income ratio was at 32% in Q4 vs 30.3% last year.
15. Interest reversal of Rs 525 Cr on Q4FY21 on account of NPA recognition.
16. the Bank has restructured accounts carrying a value of Rs 617 Cr as on March 31, 2021 of housing finance vertical comprising of 0.71% of total portfolio of the Bank.
17. Collection efficiency is at 98%.

18. The cost of funds was at 5.7% in Q4.
19. 113 new locations opened in Q4.
20. The bank announced a final dividend of Rs 1 per share.

Investor Conference Call Details:

1. Collection efficiency in WB is at 98.3% while in Assam it is at 83%.
2. The bank did extra provisions of Rs 1503 Cr in Q4 bringing the total provisions for FY21 to Rs 3810 Cr.
3. The bank did a write-off of Rs 1929 Cr in Q4 of which Rs 772 Cr was from WB and Rs 671 Cr was from Assam.
4. The provisions taken due to the pandemic is around Rs 3200 Cr.
5. Segmental GNPA was 7.6% in EEB book, 3.1% in Housing Finance, 2.5% in Retail Portfolio, and 9.1% in commercial Banking portfolio.
6. Slippages for FY21 were at Rs. 6887 Cr implying a slippage ratio of 9.3%.PCR was down to 50% from 61% in FY20.
7. Total stressed asset pool including GNPA, Restructured book, and SMA1+2 book stood at ~15% of the portfolio.
8. The management has stated that around 72% of 90 DPD customers are back to repaying.
9. Collection efficiency is expected to remain under pressure in Assam due to uncertainty over the industry norms in the state.
10. 90dpd and NPA in West Bengal MFI portfolio is 10.2% (vs 8.9% in Dec'20) and in the Assam MFI portfolio, it is 14.2% (vs 13% in Dec'20).
11. The bank has stopped all top-up loans in Assam and has given out such loans to only 0.5% of customers in WB.
12. The bank has not made any additional ECLGS disbursements in Q4FY21.
13. NIM was down in Q4 mainly due to the interest reversal of Rs 538 Cr. Going forward NIM is expected to stay in the range of 8-8.2%.
14. The bank has transitioned11% of the group loan customers with high vintage to the individual EEB loans. The management has stated that the collections in the individual EEB book are currently at ~99%.
15. Although the management has refrained from providing any guidance on credit cost in FY22, it is reasonably confident that credit cost should reduce from the FY21 level given the accelerated provisioning and write-offs undertaken by the bank.
16. The write-off of Rs 1929 Cr was for 410,000 customers in Q4.
17. 53% of ECLGS loans were to WB customers while 20% were to Assam customers.
18. Of the new locations opened in FY21, only 1 was opened in WB and none in Assam.

Analyst's View:

Bandhan Bank has aggressively grown its business over the last few years. The company had a mixed quarter with good YoY growth in deposits, but PAT declined a lot due to extra provisions. The company has taken out provisions of Rs 1503 Cr in Q4. The situation in Assam is proving to be a dampener in the company's collections in Assam which is still having collections of only 83%. The bank is seeing a good response in the conversion of high vintage group loan customers to individual EEB loans. It remains to be seen how the Assam story plays out in the medium term and how the 2nd wave of COVID-19 plays out in the key states of WB and Assam for Bandhan. Nonetheless, given its consistent growth

momentum in recent years and its rapidly expanding customer set, Bandhan Bank remains an interesting company to keep track of the microfinance and small finance banking industry in India.

HDFC Bank

Financial Results & Highlights

Brief Company Introduction

HDFC Bank Ltd. is an Indian banking and financial services company headquartered in Mumbai, Maharashtra. It has a base of 1,04,154 permanent employees as of 30 June 2019. HDFC Bank is India's largest private sector lender by assets. It is the largest bank in India by market capitalisation as of March 2020.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	38018	35918	5.85%	37523	1.32%	146063	138073	5.79%
PBT	10839	9174	18.15%	11772	-7.93%	41659	36607	13.80%
PAT	8187	6928	18.17%	8758	-6.52%	31117	26257	18.51%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	40909	38287	6.85%	39839	2.69%	155885	147068	6.00%
PBT	11266	9682	16%	11813	-4.63%	42796	38195	12.05%
PAT	8444	7297	16%	8760	-3.61%	31857	27296	16.71%

Detailed Results:

1. The net standalone revenues rose 16.4% YoY in Q4.
2. NII grew 12.6% YoY to Rs 17120 Cr driven by growth in advances of 14% YoY and core NIM of 4.2%.
3. Other income formed 30.7% of net revenues at Rs 7593.9 Cr which was up 25.9% YoY.
4. The breakup of other income is:
    1. Fees & Commissions: Rs 5023 Cr vs 4201 Cr last year.
    2. FX & Derivatives: Rs 879 Cr vs 501 Cr last year.
    3. Gain on sale/revaluation: Rs 655 Cr vs 565 Cr last year.
    4. Miscellaneous Income: Rs 1036 Cr vs 766 Cr last year.
5. Operating expenses were up 10.9% YoY. The cost to income was at 37.2% vs 39% a year ago.
6. Pre-provision Operating Profit grew 19.9% YoY. Provisions and contingencies for the quarter were at Rs 4693.7 Cr.
7. The Total Credit Cost ratio was at 1.64%.
8. Standalone PAT rose 18.2% YoY in Q4.
9. Total Balance Sheet size rose 18.6% YoY. Total Deposits rose 16.3% YoY while CASA deposits rose 27% YoY. Time deposits grew 8.5% YoY.
10. Total advances rose by 14% YoY with domestic advances rose 14.1% YoY. Retail advances grew 6.7% YoY while wholesale advances grew 21.7% YoY. Retail to the wholesale mix was at 47:53. Overseas advances were at 3% of total advances
11. FY21 revenues grew 5.8% YoY while Profits grew 18.5% YoY.
12. The bank maintained a CAR of 18.8%. with Tier I CAR at 17.6%.

13. GNPAs was at 1.32% on 31st Mar 2021. NNPA was at 0.09%. If the bank classified borrower accounts as NPA after 31st Aug 2020, Gross NPA would come out to 1.38% and NNPA would be 0.4%.
14. The bank maintained floating provisions of Rs 1451 Cr and contingent provisions of Rs 5861 Cr. Total provisions were at 153% of GNPAs.
15. The bank increased its network by 354 branches to 5608 in 2902 cities/towns in FY21.
16. HSL saw revenues for the quarter rose to Rs 439 Cr vs Rs 300 Cr last year. PAT was at Rs 253 Cr vs Rs 157 Cr last year.
17. HDB Financial Services saw a total loan books rise by 5% YoY and LCR at 265%. NII for the subsidiary grew 15.4% YoY. PAT fell to Rs 284.6 Cr from Rs 341.7 Cr last year. GNPA here was at 3.9%. CAR was maintained at 19%.

Investor Conference Call Details:

1. The bank added 2 million new liability relationships in Q4 and 7 million such relationships in FY21. It also acquired 2.5 million salaried customers in FY21.
2. The management reported that the video KYC process was instrumental in digital CASA acquisition with the entire KYC process being reduced down to less than 5 mins.
3. The bank saw good growth in mid-sized corporates and SMEs aided by new-to-bank customer acquisition, deeper geographical penetration and higher utilization.
4. The bank also added 10,177 business correspondents in FY21.
5. PPoP grew by 19.9% YoY in Q4FY21.
6. All business lines continued their growth momentum, with secured business of LAP and vehicle segments providing the largest contribution to sequential growth.
7. NII for HDB grew 15.4% YoY in Q4 due to favourable product mix & lower cost of funds.
8. The average internal rating of the bank's wholesale business is at 4.24 in a scale of 1-10 where 10 is worst and 7 is investment grade. 62% of the portfolio is rated AA or above.
9. The weighted average rating of the top 20 borrowers of the bank is 2.92. The average for unsecured portfolio is at 3.36 while the rating for secured portfolio is 4.57.
10. The bank is 80% to 85% covered with collateral at the portfolio level.
11. At the current rate of growth, the MSME book is expected to surpass the private sector large corporate book in 12 to 18 months' time frame. The management has also stated that for every rupee of lending in wholesale SME the earnings is 2.2x of equivalent lending to large corporates, considering the difference in risk profiles.
12. The reported slippage of 1.86% includes proforma slippage according to the management.
13. The MSME book is around 18% of total advances.
14. The management maintains that the bank is in no way constrained in capacity in terms of technology and it has even seen its market share in the merchant space rise to 50% in Jan '21 from 47% in Jan '20.
15. 3/4th of card sourcing is done from existing customers of the bank.
16. The management clarifies that all the contingent provisions are not anticipatory but precautionary and thus the change in provisions should not be seen to be related to the bank's estimation of impact of 2nd wave of COVID.

Analyst Views:

HDFC Bank is the biggest bank in the country by market capitalization. It has deservedly earned its stellar reputation over the years. The bank has performed well in Q4FY21 and continued its consistent

growth momentum with 27% growth in CASA. The bank has seen a good 7 million new deposit customers which highlights the market reputation of the bank. The bank's Video KYC seems to have had a good impact with customer onboarding time reduced to less than 5 mins. It remains to be seen what economic impact will the 2nd wave of COVID-19 have to the bank and industry in general. Nonetheless, given the bank's resilient customer set, strong liquidity profile, and enduring brand image, HDFC Bank remains an indispensable banking stock for every investor, more so because of the recent correction in valuation.

Kotak Mahindra Bank

Financial Results & Highlights

Brief Company Introduction

Kotak Mahindra Bank is an Indian private sector bank headquartered in Mumbai, Maharashtra, India. It offers banking products and financial services for corporate and retail customers in the areas of personal finance, investment banking, life insurance, and wealth management. As of April 2019, it is the second largest Indian private sector bank by market capitalization.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	8398	8294	1.25%	7944	5.72%	32299	32301	-0.01%
PBT	2228	1678	32.78%	2484	-10.31%	9303	7805	19.19%
PAT	1682	1267	32.75%	1854	-9.28%	6965	5947	17.12%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	16176	12085	33.85%	14639	10.50%	56704	50300	12.73%
PBT	3364	2674	26%	3455	-2.63%	13168	11422	15.29%
PAT	2589	1905	36%	2602	-0.50%	9990	8593	16.26%

Detailed Results:

1. The net standalone revenues were up 1.25% YoY in Q4. Consolidated revenue was up at a 34% gain YoY in Q4.
2. Consolidated profit rose 36% YoY in Q4. Standalone profit rose 33% YoY in Q4.
3. FY21 saw profit growth of 16% YoY and sales growth of 13% YoY.
4. On a standalone basis, NII grew 8% YoY in Q4. NIM was at 4.39% vs 4.72% a year ago.
5. Standalone CASA was at 60.4% vs 56.2% a year ago.
6. Avg Savings deposits rose 27% YoY in FY21. Avg current deposits rose 17% YoY in FY21.
7. Advances were up 1.7% YoY at Rs 223,689 Cr vs Rs 219,748 Cr.
8. Standalone CAR was at 22.3% with Tier I ratio at 21.4%.
9. Standalone GNPA was at 3.25% and NNPA was at 1.21%. Total provisions were at 95% of GNPA.
10. COVID-19 provisioning as on date remains at Rs 1279 Cr.
11. Standalone total assets grew 6.4% YoY.
12. Consolidated CAR was at 23.4% with tier 1 capital at 22.6%.
13. Consolidated NIM fell to 4.45% vs 4.73% last year.
14. The book value per share was at Rs 426 per share.
15. Overall NNPA for consolidated was at 1.23%
16. AUM of Kotak Mahindra Life Insurance grew 34.2% YoY.
17. Kotak securities saw market share shrink to 9.3% in FY21 vs 10% last year.
18. Kotak AMC saw overall market share on AAUM rise to 7.3% vs 6.9% a year ago.

Investor Conference Call Details:

1. Total unsecured lending was down to 5.8% of the total balance sheet from 7.5% a year ago.
2. The fees and services revenues grew 25% YoY.
3. 94% of savings account transactions were through digital or non-branch modes this year.
4. CASA and TDs below INR 5 crores comprised 91% of deposits versus 86% in Q4 last year.
5. The cost of SA is at 3.74% this quarter versus 5.23% in Q4 last year.
6. Kotak announced a competitive mortgage rate of 6.6% in March making it one of the lowest price players in this segment. The bank remains focused on penetrating the salaried segment for this business.
7. Personal loans are now back to 80-85% of pre-covid levels in March.
8. CV business improved QoQ but was down 20% YoY for FY21.
9. Disbursement in construction equipment has higher than in Q3 driven by government infrastructure projects.
10. The passenger vehicle segment was impacted due to localized lockdowns.
11. Tractor volumes grew 26% YoY in FY21 & disbursements from Kotak here outpaced industry growth.
12. Debt capital markets had a record year with no underwritten book left in their books.
13. The primary operational focus for the next 12-18 months remains the upgradation of technology in the whole corporate business.
14. The nonbanking entities contributed 35% of the total profit.
15. Kotak Insurance saw IEV grow by 17.7% to Rs 9869 Cr with VNB of Rs 691 Cr & margin of 28.6%.
16. APE grew 37.8% in Q4. Group business grew 48.9% while individual renewal premium grew 8.5% YoY.
17. The digital onboarding of customers through Genie nearly completed 95%. The management states that 60% of claims today are getting settled in 2 days.
18. Kotak Securities did an average market volume daily of INR 49,256 crores in Q4 vs INR 25,603 crores last year.
19. Kotak AMC saw Equity AUM rise 25% YoY.
20. The asset management across mutual funds, insurance, alternate PMS and offshore grew by 43% YoY to INR 3,23,762 crores. The wealth priority and investment advisory business grew by 41% YoY to INR 3,82,000 crores.
21. Uday Kotak's current term is slated to end by Dec 2023. The management reassures that it will take decisions to ensure continuity of growth and succession planning will be done adequately with time.
22. The management remains committed to its current strategy on asset growth and will not be changing it in the medium term.
23. The write-offs done in H2 were at Rs 530 Cr of which Rs 500 Cr was done in Q4.
24. Other expenses have risen on account of recovery and new customer acquisition costs.
25. The bank has continued to invest in different avenues like payments, etc to increase wallet share from customers and to add on to future growth avenues.
26. Other income was high due to good earnings from the treasury division.
27. Credit cost excluding COVID provision at the end of the year stood at 84bps of net advances vs. 67bps in FY20.
28. The bank remains committed to its vision of moving away from the physical side of the banking business and make the density of branch network requirements lower.

29. The management stated that it also open to inorganic opportunities as seen with the merger with ING Vysya bank.
30. The bank is adding roughly 0.5 million customers every month across all channels.

Analyst's View:

Kotak Mahindra Bank is the second-biggest private bank in the country by market capitalization. It has deservedly earned its stellar reputation over the years. The bank has performed well in Q4FY21 with 33% sales growth and 36% PAT growth. The company has done well to keep its books resilient and remains committed to expanding on the secured lending side while remaining cautious on the unsecured side. It has also seen a good rise in the digital channels with 94% of savings transactions occurring digitally. The bank still has 2 years and 7 months in the tenure of Uday Kotak as CEO and has assured that it will complete all procedures in time and maintain the growth state of the bank. It remains to be seen how the lending segments are affected going forward by the 2nd wave of COVID-19 and how long will it take for the bank to bring in operating leverage from its digital technology to compete with other players with its low branch density plan. Nonetheless, given the bank's track record and the capability and vision of the management over the years, Kotak Mahindra Bank remains a pivotal banking stock for every Indian investor.

CEMENT

Heidelberg Cement

Financial Results & Highlights

Introduction

HeidelbergCement India Limited is is a subsidiary of HeidelbergCement Group, Germany. The Company has its operations in Central India at Damoh (Madhya Pradesh), Jhansi (Uttar Pradesh) and in Southern India at Ammasandra (Karnataka).

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	615	527	16.70%	607	1.32%	2163	2222	-2.66%
PBT	130	101	29%	92	41.30%	391	398	-2%
PAT	140*	66	112%	64	118.75%	315	268	17.54%

*Contains negative tax charge of Rs 9.6 Cr

Detailed Results:

1. The company had a great quarter with 17% YoY rise in revenues and a 112% YoY rise in profits.
2. FY21 revenues remained subdued due to the poor performance in Q1 while profits rose on the back of good Q4.
3. Capacity utilization for FY21 was at 72%. Dependence on grid power reduced to 63%, while share of green power was at >22%.
4. EBITDA/ton for FY21 was at Rs 1129 which was up 1% YoY.
5. The company also saw volume growth of 14.9% YoY in Q4.
6. EBITDA margin for Q4 rose 117 bps YoY to 26.2% in Q4 and fell 25 bps in FY21 to 24.2%.
7. Gross realizations fell 0.6% YoY to Rs 4643/ton in FY21.
8. EBITDA per ton rose 4% YoY in Q4 to Rs 1215.
9. The cash & cash equivalents for the company was at Rs 430.3 Cr as of 31st Mar 2021 which exceeds the debt for the company making it net debt free.
10. The Board recommended a final dividend of Rs 8 per share for FY21.

Investor Conference Call Highlights:

1. The company repaid the 2nd tranche of NCD of Rs 125 Cr. The third and final tranche is expected to be paid in December 2021.
2. HCIL is operating on negative operating working capital.
3. The management states that capacity utilization looks lower compared to FY20 due to a rise in overall capacity to 6.26 MTPA.
4. Both power and fuel costs have risen in FY21 with petcoke rising from $60-70 a year ago to $142 currently.
5. Premium Cement saw 29% growth YoY while it accounted for 19% for sales volumes.
6. Trade sales accounted for 83% of total sales in FY21.

7. The OLBC belt replacement project is expected to go as per plans with the company amassing enough clinker to service market needs during the plant shutdown period.
8. Demand resilience remains stronger in the central zone than in other zones.
9. Prices have gone up universally because of rising fuel and coal prices.
10. The management states that the non-trade portion has fallen as the company directly rejects low-margin proposals and only does business here with advanced payment without any credit.
11. The market share gain for HCIL is mainly on the back of improving brand positioning and power and relying on increasing premium products on the trade sales channel.
12. The company is also seeing some unsatisfied demand in the price segment of Mycem Cement which is priced between normal cement and Mycem Power.
13. To reduce the impact of market volatility, HCIL is training its channel partners to do business on advanced payment with their consumers and reduce extending credit.
14. The company is now covering 62% of its power needs from the grid. It is working on a 5MW solar power plant which is expected to replace the grid power.
15. The company is looking to expand in Gujarat as there are very few avenues for M&A in MP currently. The company is serious about pursuing this expansion, but it will take time to complete as the required licenses alone take 2 years to get.
16. The other expenses have fallen QoQ mainly due to higher expenses incurred in Q3 due to the plant shutdown. There was not much change in RM costs and the fall in material expenses in Q4 was mainly due to the movement of inventory from Q3 to Q4.
17. Other expenses are expected to stay near current levels of Rs 90-95 Cr per quarter.
18. Capex for the year is planned to be at Rs 95 Cr. The lead distance currently is 350 km.
19. The loan to Zuari Cement is at an interest rate of 7.64%.
20. The change in lead distance was mainly due to diesel costs and the company wanting to go to places where it did not sell to get a little higher price.
21. The demand trend has remained stable, but business has remained subdued in the 2nd wave of COVID due to a much greater loss of life as compared to last year.
22. Q4 saw rise in employee costs mainly due to a one-time increment to salaries.

Analyst's View:

Heidelberg Cement is one of the leading cement makers in South and Central India. The company has had a great quarter with a rise in realization and margins, and volumes in Q4. The company has done well to maintain high margins and EBITDA/ton despite rising fuel and petcoke prices YoY. The company has also amassed enough clinker to cover for any business needs during the 2nd phase of the OLBC belt laying and plant shutdown. It remains to be seen whether the company will be able to match the competition which is operating in a much larger addressable market as compared to HCIL and what challenges it will face when expanding out of the Central Zone. Nonetheless, given the strong brand image of the company, the efficient utilization of its plants, and the pricing power it has, Heidelberg Cement India can prove to be a pivotal cement sector stock going forward.

Ultratech Cement

Financial Results & Highlights

Brief Company Introduction

UltraTech Cement Ltd. is the largest manufacturer of grey cement, Ready Mix Concrete (RMC) and white cement in India. It is also one of the crown jewels of the Aditya Birla Group, one of India's leading Fortune 500 companies.

The company has a consolidated capacity of 117.35 Million (including Bara) Tonnes Per Annum (MTPA) of grey cement. UltraTech Cement has 23 integrated plants, 1 clinkerisation plant, 27 grinding units and 7 bulk terminals, post the Century merger. Its operations span across India, UAE, Bahrain, Bangladesh and Sri Lanka. UltraTech Cement is also India's largest exporter of cement reaching out to meet the demand in countries around the Indian Ocean and the Middle East.

In the white cement segment, UltraTech goes to market under the brand name of Birla White. It has a white cement plant with a capacity of 0.56 MTPA and 2 WallCare putty plants with a combined capacity of 0.8 MTPA. With 100+ Ready Mix Concrete (RMC) plants in 35 cities, UltraTech is the largest manufacturer of concrete in India. It also has a slew of speciality concretes that meet specific needs of discerning customers.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	14050	10584	32.75%	12092	16.19%	43977	41376	6.29%
PBT	2643	1445	82.91%	2303	14.76%	7896*	5220	51.26%
PAT	1778	2906**	-38.82%	1550	14.71%	5342	5455**	-2.07%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	14466	11054	30.87%	12522	15.52%	45460	43081	5.52%
PBT	2639	1459	81%	2332	13.16%	7858***	5183	51.61%
PAT	1774	3237****	-45%	1585	11.92%	5319	5751****	-7.51%

*Contains exceptional item loss of Rs 164 Cr
**Contains tax credit of Rs 1708 Cr in Q4FY20 & Rs 1154 Cr in FY20
*** Contains exceptional item loss of Rs 261 Cr
****Contains tax credit of Rs 2024 Cr in Q4FY20 & Rs 1488 Cr in FY20

Detailed Results:

1. The company had a very good quarter with consolidated revenues rising 31% YoY and PBT rising 81% YoY. PAT was down YoY due to high base last year due to a high tax credit at the time. PAT grew 61% YoY barring exceptional items.
2. Sales volumes grew 28% YoY in Q4 while operating EBITDA increased 42% YoY.
3. Operating margins improved 2% YoY to 26% in Q4.
4. Capacity utilization in Q4 was at 93% in overall.
5. Overall revenue growth in FY21 was 6% YoY while EBITDA grew 24% YoY and PBT grew 51% YoY.

6. EBITDA margin for FY21 improved 4% YoY to 28%.
7. The company reduced Rs 10,264 Cr of net debt in FY21. Current net debt stands at Rs 6717 Cr with net debt to EBITDA at 0.55 and net debt to equity at 0.15.
8. Changes in operating costs in Q4 is as follows:
   1) Logistics: Up 2% YoY to Rs 1176/ton. Accounts for 33% of the total operating costs.
   2) Energy: Up 7% YoY to Rs 978/ton. Accounts for 27% of total operating costs.
   3) Raw Materials: Up 4% YoY at Rs 520/ton. Accounts for 14% of total operating costs.
9. Overall fixed costs have risen by 2% YoY in Q4.
10. Diesel Price higher by ~22% YoY which led to logistics costs rising 2% YoY.
11. Energy cost rise of 7% YoY mainly due to an increase in green power from 11.5% last year to 12.3% currently and rise in petcoke/coal prices.
12. Consolidated ROCE & ROE came in at 15.3% & 15.6% respectively in FY21.
13. The Board has recommended a final dividend of Rs 37 per share for FY21.

Investor Conference Call Details:

1. Capacity utilization was at 99% in March 2021.
2. The company was dispatching nearly 9 million tons per month which are around 30% of total industry demand.
3. Nathdwara Cement operated at 85% utilization while Century operated at near 90% utilization.
4. Ultratech is targeting a reduction in carbon emissions by about 27% at the end of 2032 over the base of 2017.
5. The company has no plans for international acquisitions currently and it will be pursuing many markets through organic expansion.
6. All plants are multifuel and highly flexible on switching on an instantaneous basis from pet coke to coal or different grades of coals for Ultratech.
7. Rural regions which have sustained demand during the past year have turned unpredictable due to localized lockdowns. Demand has dropped from the key states of Maharashtra and Gujarat due to this. But the management expects growth to come back soon in these areas.
8. The management has stated that there is a lot of pending clean-up left in Nathdwara with many litigations going on. It expects to go ahead with the proposed merger once these issues are resolved by FY23.
9. The company acquired assets of JP and is now required to pay royalties of Rs 200 Cr per year for limestone with these assets.
10. RMC and building products are big growth drivers for Ultratech according to the management. It has also stated that customers are realizing the benefits of buying RMC instead of mixing RMC on site.
11. The management expects to start working on the Dalla Super plant soon and is expecting it to be ready with a production capacity of 0.3 million tonnes of clinker by December.
12. The 2nd line in the Bara plant has already been commissioned and has reached utilization of 70-75%.
13. The management has stated that the company has shaved off fixed costs of near Rs 500 Cr from FY20.
14. RMC revenues are up 32% YoY. The share of trade in sales mix was 67% in Q4 & 69% in FY21. The lead distance in the quarter was 440 km.
15. Except for the West zone where the company will get restricted by CCI, it can do acquisitions in all other zones. The management is keen on the North-East and South Zones.

16. Imported coal is around 20-25% cheaper than petcoke at current levels.
17. There aren't any price pressures on the long term govt projects since the govt is focused on project execution to maintain employment for many people.
18. The management has stated that the prime driver of rising market share for Ultratech is the ability of the company to be able to supply cement to customers from its pan India network even when local plants are shut due to lockdowns.
19. Today, the company has a total capacity of 125 MW of WHRS. It aims to reach 304 MW in WHRS by 2023 end or mid-2024. The total capex requirement for this is expected to be Rs 1800 Cr.
20. The planned capacity in WHRS should be able to account for 25-26% of total power consumption.
21. The current cost of power is just below Rs 5 per unit while after this planned WHRS comes in, around 25-26% of power will cost only Rs 0.75 per unit.
22. Premium cement is around 10% of total volumes sold. The management expects this to go up to 15% in the future.
23. The ROCE in the RMC business is above 25%.
24. The EBITDA/ton from Nathdwara is around Rs 1500 while the figure from Century is around Rs 800.
25. Capex for FY22 is expected to be around Rs 4000-5000 Cr while in FY23 it will come down to Rs 3000 Cr. This is largely for expansions.
26. The company enjoys a market share of >25% in the UAE according to the management.

Analyst's View:

Ultratech Cement is the biggest cement maker in India. The company has done well to acquire aging cement makers in India and integrating them and adding on to the company's ever-growing market presence and reach in the country. Ultratech has had a phenomenal quarter with sales growth of 30% and profit growth exceeding 61% YoY barring exceptional items. The company is doing well to focus on cash conservation and cost reduction while maintaining its steady pace of debt repayment. It has now managed to reduce by >Rs 10000 Cr in FY21 and has delivered net debt to EBITDA of 0.55 times. It remains to be seen how long the rural market will remain subdued due to COVID-19 and whether govt infra projects will continue to execute as normal during the 2nd wave of the pandemic. Nonetheless, given the company's leadership position in the industry, its wide distribution network across India, and its strong brand image, Ultratech Cement remains a pivotal cement sector stock for all Indian investors.

CHEMICALS

Apcotex

Financial Results & Highlights

Introduction

Apcotex Industries Limited is one of the leading producers of Synthetic Lattices (VP Latex, Acrylic Latex, Nitrile Latex) and Synthetic Rubber (HSR, SBR) in India.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	189	117	61.54%	166	13.86%	547	502	8.96%
PBT	28	5	460%	21	33.33%	57	25	128.00%
PAT	23	3	667%	17	35.29%	44	17	158.82%

Detailed Results:

1. The revenues for the quarter were up 61.5% YoY.
2. PBT & PAT showed tremendous improvement in Q4. They were up 4.6 times and 6.7 times YoY respectively.
3. The company had its highest-ever revenues, export volumes, EBITDA, PBT & PAT in a quarter in Q4.
4. The operating EBITDA margin improved to 16.05% in Q4 from 6.83% last year. Operating EBITDA for FY21 was at 12.67%.
5. FY21 performance was good despite the poor performance in Q1 from the lockdown. Revenues were up 9% YoY while profits were up 159% YoY.
6. The company has scaled up of production/sales of XNB latex for Gloves from existing plants with both plants running at near full capacity.
7. The hearing on the anti-dumping petition is done and the company expects a result in Q1FY22.
8. The company has announced a final dividend of Rs 2 per share.

Investor Conference Call Highlights:

1. The commissioning of the construction of new capacity for XNB latex for gloves was delayed due to a delay in obtaining the statutory clearances from the environmental department.

2. The management expects some amount of debottlenecking to happen which will allow Apcotex to be able to deliver even higher volumes than at present and thus EBITDA/ton which is high right now will have even more room to rise.

3. Since the Valia plant has not gotten clearance for XNB latex for gloves, the company is looking to increase capacity at the Taloja plant where it is being made currently. This expansion will be announced in Q1.

4. The company can expect some indirect tailwinds in the tires industry due to the announcement of anti-dumping duty in the industry.
5. Exports accounted for 20% of sales in Q4.
6. Currently, NBR accounts for 30% of sales. The anti-dumping measure sought by Apcotex is for this segment only.
7. The management has stated that with the addition of the planned capacities for XNB for latex, the annual sales figure can go up by Rs 350-500 Cr in the next 2 years.
8. The company is looking at exports to help soften the impact on domestic sales from the 2nd wave of COVID.
9. The export market share of Apcotex is very small right now and the management is optimistic about its growth prospects in the future 3- 5 years from now.
10. The management is confident of sustaining current margins going forward and has stated that Apcotex is comfortably positioned to deliver an EBITDA margin of 14-15% a year.
11. At current prices, the management is confident of delivering an asset turnover of 4+ from the XNB latex capacity.
12. The management has stated that as it gets the environmental clearances, it will start construction of the Walia capacity and will complete it within 6-8 months. It is also confident of getting the required permissions for the Taloja expansion by Q1FY22.
13. The company has a long-term debt of Rs 7-8 Cr and a cash position of 80-90 Cr.
14. The management admits that there is uncertainty as to how demand will shape up for certain industries, but it remains confident that the packaging industry and gloves demand should remain strong.
15. It also maintained that with the addition of the new pillar of gloves, the revenue stability has increased and should be much steadier now.
16. The management admits that to be able to compete with international players in the NBR space, it will need to double its capacity and be able to cater to 50-60% of the domestic market. It is planning on using the breathing space from the anti-dumping duty to do exactly this and become competitive as soon as possible.
17. The planned capex for FY22 is around Rs 100-150 Cr depending on the capacity expansion schedule. Thus, the revenues from the planned capacity additions are expected to come from FY23 onwards.
18. The management has stated that the entire industry was affected by supply chain delays due to the Suez Canal blockage. It doesn't expect any major issues arising from the raw material side in the foreseeable future.
19. The debottlenecking operation should be done by Q1 and thus the additional capacity of 5-10% will become available. The capacity expansion for NBR, should it happen, will require 3-6 months to set up.

20. Southeast Asia and the Middle East remain the main export markets for Apcotex.
21. The management is confident of achieving >10% volume growth in FY22 as volumes for Q1FY21 drags lower the total for the year.
22. Paper & paperboard accounts for 20% of sales with a large chunk of it in packaging. Tire and construction account for 10% each while footwear accounts for 10-12%. Auto accounts for 15% while other rubber applications account for 15-20%.
23. The expected cost of the potential NBR expansion is expected to be around Rs 180 Cr.
24. The management has stated that it will start looking for a 3rd plant location after all the currently planned expansions are completed.

Analyst's View:

Apcotex is one of the very few synthetic rubber makers in India. The company had its best-ever quarter again with its highest revenues, export volumes, EBITDA, and record profits. The margins have also risen above 16% for the company and the management expects it to stay in the range of 14-15% going forward. The company is now looking to start the capacity addition of the XNB latex at Walia as soon as it gets the required permits and the monsoons end. The antidumping petition by the company is still pending approval but is expected to get a decision by Q1FY22. This has caused the management to maintain its pause on its plans to expand NBR production lines. To cope with the delay in capacity expansion in XNB latex, Apcotex is looking to expand capacity by 5-10% through debottlenecking which should be over by Q1. It remains to be seen how the demand for the company's products changes going forward and whether the current margins and demand profile remains sustainable given the uncertainty in the country from the 2nd wave of COVID-19. Nonetheless, given the company's industry-leading position in the domestic market, the prudent management of the company, and the management's optimism from its on-track Capex plans, Apcotex seems to be a good chemical stock to watch out for.

Galaxy Surfactants

Financial Results & Highlights

Brief Introduction:

Galaxy Surfactants is engaged in manufacturing of surfactants and other speciality ingredients for the personal care and home care industries. The Company produces a range of vital cosmetic ingredients, including active ingredients, ultra violet (UV) protection and functional products. Its products cater to various brands in the fast moving consumer goods (FMCG) sector and offers in various applications, including skin care, hair care, oral care, body wash, sun care, household cleaners and fabric care segments. Galaxy Surfactants is a global leader supplying a wide range of innovative products to over 1750+ customers in 80+ countries.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	529	435	21.61%	456	16.01%	1835	1798	2.06%
PBT	53	59	-10.17%	62	-14.52%	239	230	3.9%
PAT	39	46	-15.22%	46	-15.22%	178	182	-2.20%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	786	657	19.63%	678	15.93%	2795	2602	7.42%
PBT	93	82.0	13%	103	-10%	372	289	29%
PAT	77	63	22%	85	-9.41%	302	230	31.30%

Detailed Results:

1. Consolidated revenues grew 20% YoY in Q4.
2. EBITDA for Q3 grew 16.9% YoY while PAT grew 22% YoY.
3. EBITDA margin improved down 30 bps YoY to 15.3% in Q4.
4. Fatty alcohol prices went up to $2073/MT from $1588 in Q3 and $1270 last year.
5. Volume growth in different geographies in FY21 is as follows:
    a. India: Up 11.2% YoY
    b. AMET: Up 8.2% YoY
    c. Rest of the World: Down 6.8% YoY
    d. Total: Up 5.3% YoY
6. In Q4, revenue growth in the performance surfactant division was 30.2% YoY while specialty care products grew 5.1% YoY. Volumes for the PS division grew 7.4% YoY while SCP division volumes grew 10.5% YoY.
7. In FY21, revenue growth in the performance surfactant division was 12.1% YoY while specialty care products grew 0.2% YoY. Volumes for the PS division grew 8.8% YoY while SCP division volumes fell 0.9% YoY.
8. Closing cash for FY21 was at Rs 81.5 Cr.
9. The company currently has 78 approved patents and 13 are under application as of date.

10. The Board has declared a final dividend of Rs. 4 per share.
11. EBITDA/Ton in FY21 was at Rs 19,465 which was up 16.4% YoY.

Investor Conference Call Highlights

1. In FY21, Galaxy delivered a ROCE of 25.2% and an operating cash generation of Rs 365 Cr.
2. Performance surfactants segment saw similar sales in H2 as in H1 but specialty care products volume growth in H2 over H1.
3. The capex planned for specialty care products has been delayed by 6 months and is expected to be operational by Q4FY22.
4. The gross margin was at Rs 42,000 per ton for Galaxy in FY20. It may change depending on a variety of factors. The management assures that the EBITDA/ton figure shall remain resilient in the range of Rs 16,000-18,000 per ton.
5. The management admitted that the rest of the world's numbers were indeed affected by the delay in shipping through the Suez Canal.
6. The capex should be at a normal level of Rs 150 Cr for FY22.
7. The management is more concerned with the demand situation than the rise in RM costs as it can always pass the RM price rises if the demand situation remains resilient.
8. The management admits that the margins can get tempered going forward due to rising RM prices.
9. The management doesn't see any structural change coming in due to the rise in RM prices. It maintains that the main structural change the industry has seen has been regarding the health and hygiene habits of everyone which has led to increased demand for performance surfactants.
10. The utilization level in surfactants is at 65-68% currently.
11. The specialty portfolio is only at 15% of India sales currently.
12. The company is aiming for 6-8% volume growth each year.
13. The management has admitted that oleo surfactants can cannibalize synthetic surfactants in western economies, but it will not be able to replace them in emerging economies.
14. The US operations are largely towards specialty care products while the Egypt operations are largely towards performance surfactants.
15. The management has clarified that it has not been in direct competition with Indian Glycols for more than 20-25 years now.
16. The company decided to write down the Tarapur plant as it was very old being built almost 35 years ago and it was more feasible to tear it down and make a new plant than to refurbish the old one.
17. T1 customers were at 53% of sales, T2 at 13%, and T3 were at 34%.
18. The management maintains that the price increases are taken in a calibrated manner as the RM prices are rising. The same action will be taken in the opposite direction when RM prices come down.
19. The CWIP is higher this year as the projects started 2 years are nearing completion.
20. The management states that although the global industry growth is expected to be at 2-3% only, there is a large headroom for growth in emerging markets like India, Africa, and the Middle East and Galaxy is positioned well to capture the growth in these geographies.

21. The management maintains that growth will come from increasing wallet share in existing products and from expanding the product basket in accordance with emerging trends and innovations.

Analyst's View:

Galaxy Surfactants is one of the most consistent specialty chemical makers in India. The company has done well to achieve good revenue & profit growth in Q4 and has managed to increase EBITDA/ton to above Rs 19,000 in FY21 highlighting a good year. It also saw a good rise in demand for specialty care products in H2 after a tepid H1. The company has seen good growth coming from India as demand comeback was strong for all tiers of customers. The company is expecting sustained demand for its products going forward due to the renewed focus on health & hygiene and the new products of nontoxic preservatives and mild surfactants but has been constrained due to global supply chain issues and rising RM prices. The only credible concerns for the company are RM inflation and supply chain issues arising from the shipping container shortage. It remains to be seen how the RM inflation will pan out going forward and whether the focus on health and hygiene is going to stay or not post COVID. Nonetheless, given the company's robust product portfolio and the ever-increasing list of both FMCG majors and niche specialty product makers, Galaxy Surfactants remains a good stock to watch out for in the specialty chemicals space.

PI Industries

Financial Results & Highlights

Introduction:

PI Industries Limited manufactures and distributes agro chemicals in India and internationally. The company offers agrochemicals, including insecticides, fungicides, and herbicides; specialty products; and generic molecules under various brands. It also provides research and development services comprising target discovery, molecule design, library synthesis, lead optimization, biological evaluation, and route synthesis; and custom synthesis and manufacturing solutions consisting of process research and development, analytical method development, synthesis of reference standards, structure elucidation and synthesis of impurities, physio-chemical studies and 5-batch analysis under GLP conditions, scale-up studies, safety data generation, waste categorization and treatability studies, process/plant engineering, and large-scale commercial production.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1162	801	45.07%	1153	0.78%	4390	3355	30.85%
PBT	224	125	79.20%	263	-14.83%	910	594	53.2%
PAT	182	98	85.71%	196	-7.14%	719	442	62.67%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1241	862	43.97%	1201	3.33%	4702	3415	37.69%
PBT	222	142	56%	264	-15.91%	939	614	53%
PAT	180	111	62%	195	-7.69%	738	457	61.49%

Detailed Results:

1. The company witnessed exceptional revenue growth of 44% YoY in consolidated terms in Q4.
2. The profits for the company were up for Q4 with a rise of 86% & 62% YoY respectively in standalone and consolidated terms.
3. The EBITDA for the company grew 22% YoY in Q4 and EBITDA margin fell 290 bps to 19%.
4. Fixed overheads increased by 29% YoY in Q4.
5. Exports saw a growth of 47% YoY in Q4 while domestic sales grew 11% YoY in the same period. Isagro grew 51% YoY.
6. FY21 Performance was similarly stellar with 38% YoY revenue growth and 61.5% YoY PAT growth.
7. Exports saw a growth of 35% YoY in FY21 while domestic sales grew 39% YoY in the same period.
8. EBITDA margin in FY21 improved 90 bps to 22%.
9. The company saw free cash flow of Rs 303 Cr in FY21.
10. Capex for FY21 was at Rs 459 Cr.
11. Surplus Cash net of Debt as on March'21 stood at Rs 2070Cr (including of QIP net proceeds of Rs. 1975 Cr)
12. 5 new launches planned in FY22 for rice, cotton and horticulture portfolio.

13. 5-6 pipeline molecules at various stages of development to be commercialized in the coming FY22.
14. Order book at >$1.5 billion.
15. PI announced a final dividend of Rs 2 per share.

Investor Conference Call Highlights:

1. The market for crop protection chemicals in India is expected to expand at a CAGR of 8% to 10% between the years '20 to '25.
2. Isagro has now been renamed Jivagro.
3. There has been a reduction of 4.7-4.8% in gross margins in Q4. Part of it was due to a change in product mix & part of it was due to the MEIS going away.
4. The company is in the advanced stages of its next acquisition and has gotten delayed due to the 2nd wave of COVID-19. It should get clarity by Q1 or the start of Q2.
5. The management has assured that the planned acquisitions will be completed within FY22.
6. The management has guided for a cautious target of 15% revenue growth. It states that the cautious stance is due to the current COVID situation in the country.
7. Barring the loss of margin due to MEIS, the management is confident that the drops are temporary, and the margin will be back at normal levels soon.
8. The company will not be doing capex for capacity expansion in FY22 at the same pace as it has done in the past few years. It is now only looking to increase its asset turnover in newer facilities and looking to do major capex only for acquisitions.
9. The company is indeed looking out for pharma opportunities where technologies or new units can be used as plug and play or helping the company create a differentiated solution. Its objective for this category remains to scale it up to 20-25% of sales in 3-4 years.
10. The newest plant will fully be working by Q2.
11. The company is also looking into green chemistry and automated process technologies to increase efficiency and reduce wastage or create safer ways for waste disposal.
12. The management has stated that the breakup between long-term contracts and others should be unchanged at 70-30.
13. The management maintains that PI has not lost any of its long-term customers to date and is even acquiring new ones beyond the agchem space.
14. The few acquisition options that PI is looking at are all with the majority assets in India but with significant sales in exports.
15. Of the 5 new launches in FY22, 3 are insecticides. 1 of these is a new molecule while the rest 2 are mixtures for cotton and rice specifically. These mixtures are expected to be released in Q3 or Q4. The last 2 products to be launched will be fungicides with one being a bio fungicide.
16. The management expects these new products to do well and contribute to significant growth in the next 2-3 years.
17. On the desirable technologies side for acquisition, PI is looking for technological opportunities to combine and leverage both agchem and pharma sides.
18. The key driver for the domestic acquisition in the pharma space is the import substitution opportunity in intermediates or APIs where the majority of domestic demand is imported. The driver for international opportunities is to derisk the concentration of operations in Gujarat and to get closer to customer sites.

Analyst's View:

PI Industries have been one of the most consistent performers in the agrichemicals business. The company saw another stellar performance in Q4 on the back of sustained sales momentum in both domestic and export markets despite the fall in EBITDA margin. The company is still evaluating options for acquisition. It is specifically looking for acquisition opportunities in the pharma sector to speed up expansion into this sector & where it can combine the acquired and its native technologies for newer opportunities. PI already has clarified that it is looking at options with domestic assets and significant export sales. It remains to be seen whether there are any other disruptions in-store from the expansion into the pharma space and whether the company will be able to match its medium-term guidance for growth in all segments. Nonetheless, given the company's strong track record, strong tailwinds of the industry, a good agricultural season, and opportunities arising from the China substitution phenomenon, PI Industries remains a pivotal agrichemical sector stock to watch out for.

Sudarshan Chemicals

Financial Results & Highlights

Brief Introduction:

Sudarshan Chemical Industries is manufactures and sells a wide range of Organic and Inorganic Pigments, Effect Pigments and Agro Chemicals. The Company also manufactures Vessels and Agitators for industrial applications.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	522	370	41.08%	464	12.50%	1714	1526	12.32%
PBT	46	32	43.75%	64*	-28.13%	181*	178**	1.7%
PAT	40	34	17.65%	45	-11.11%	136	149	-8.72%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	579	450	28.67%	509	13.75%	1871	1713	9.22%
PBT	64	30	113%	56	14.29%	190	180	6%
PAT	53	27	96%	39	35.90%	141	145	-2.76%

*Contains exceptional item of Rs 11 Cr

**Contains exceptional item of Rs 17 Cr

Detailed Results:

1. Consolidated revenues were up 29% YoY in Q4. Profit was up 96% YoY. EBITDA margin rose 320 bps YoY in Q4 to 15.2%.
2. Pigment business saw revenue rise of 33% YoY with capacity utilization of 86% and EBITDA margin at 15.8% vs 12% in Q4 last year. Gross margin was down 100 bps YoY to 42.9% in Q4 mainly due to sharp price increase in many intermediates, which normally gets passed on with a lag of 1 quarter.
3. Domestic revenues rose 5% YoY while export revenues rose 20% YoY in Q4FY21 for the pigment business. Specialty revenue rose 10% YoY while non-specialty revenue rose 15% YoY in the same period.
4. FY21 revenues were up 9.2% YoY. EBITDA margin for FY21 was up 100 bps YoY to 15.4%.
5. ROCE was at 14.8% vs 15.7% last year.
6. Debt to equity was at 0.8 times in FY21.
7. Cash Conversion Cycle was reduced to 86 days in FY21 from 93 days last year.
8. The pigment business saw 10% YoY revenue growth in FY21. Gross margin for the business was at 43.4% vs 42.8% last year. EBITDA margin for the business improved to 16% vs 14.7% last year.

9. Domestic revenues rose 6% YoY while export revenues rose 14% YoY in FY21 for the pigment business. Specialty revenue rose 8% YoY while non-specialty revenue rose 14% YoY in the same period.

Investor Conference Call Highlights

1. The rest of the ongoing multi-year capex is around Rs 307 Cr and it is expected to be completed in FY22.
2. The potential sales from this capex are expected to be around Rs 1000-1200 Cr on the base of FY20.
3. The major part of the investment for new products is over while some areas for volume expansion are pending according to the management.
4. The major launches in the recent past have been received well so far. The company is also looking at some more major launches in Q2 later.
5. The company is also looking at 2 potential M&As in the industry from 2 players looking to exit the business.
6. The next leg of growth capex will depend on how the currently planned new products are received and how long does it take for Sudarshan to complete backward integrations.
7. The company is also planning on an additional capex of Rs 135 Cr in FY22 which will be separate from the long-term planned capex of Rs 307 Cr.
8. Other expenses have risen in Q4 mainly due to a rise in coal prices and container shortage. Also, the higher share of specialty chemicals has increased the cost of manufacturing due to higher hazardous split costs.
9. The net debt as of March 2021 was at Rs 614 Cr.
10. Most of the multi-year growth capex of Rs 600 Cr, of which Rs 307 Cr is pending, is for specialty products.
11. The management states that the overall margins are subdued for Sudarshan as it has an international sales team and high R&D costs as compared to most competitors. But the management assures that all of this should yield a big benefit for the company in the future.
12. The maintenance capex for Sudarshan is around Rs 30-35 Cr per year.
13. RM prices have risen sharply across the board for the industry, but the management is not too concerned by it as demand is expected to remain intact.
14. The management has stated that the inflation impact due to the raw material price increases will be somewhere between 2% to 2.5%.
15. The company has not seen any disruption in terms of sales and has only seen some delays in logistics in April & May so far.
16. The management has stated that EBITDA should indeed rise from current levels of 15% in the next few years with the ramp-up of current capex and the operating leverage coming into play.

Analyst's View:

Sudarshan Chemicals is one of the largest pigment makers in the world. The company has had a good Q4 with export demand rising robustly and domestic demand remaining resilient. It is also looking to complete the remainder of the multi-year growth capex of Rs 600 Cr in FY22. Sudarshan was also able to increase EBITDA margins despite a fall in gross margin due to RM inflation. This was mainly due to the rise of specialty products contribution. It has also seen a good response to products launched so far in FY21 and is planning additional launches in Q2 later in FY22. It remains to be seen whether the

growth capex will deliver to its expectations in the given time frame and how long will it take for the company to reach its goal of cracking the global top 3 in the pigment industry. Nonetheless, given the company a strong position in both domestic and export markets and its steadily improving margins due to an improving product portfolio, Sudarshan Chemicals is a pivotal chemical sector stock to watch out for.

CONSTRUCTION

KNR Constructions

Financial Results & Highlights

Introduction:

KNR Constructions is engaged in the business of infrastructure sector, primarily in the construction of roads, bridges, flyovers and irrigation projects.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	945	683	38.36%	713	32.54%	2752	2301	19.60%
PBT	149	86	73.26%	106	40.57%	381*	294***	29.6%
PAT	77	67	14.93%	78	-1.28%	244	225	8.44%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1000	740	35.14%	761	31.41%	2955	2517	17.40%
PBT	159	93.0	71%	120	33%	512**	313***	64%
PAT	87	75	16%	92	-5.43%	375	245	53.06%

*Contains Exceptional item of loss of Rs 11.25 Cr
**Contains exceptional item of profit of Rs 85 Cr
***Contains exceptional item of loss of Rs 10.7 Cr

Detailed Results:

1. The consolidated revenues for Q4 were up 35% YoY.
2. Consolidated PAT saw a rise of 16% YoY.
3. EBITDA for Q4 rose 24% YoY and margin declined 228 bps to 19.5%.
4. Consolidated Cash & cash equivalents as of 31st Mar 2021 was at Rs 108.2 Cr
5. The EPC order book as of 31st Mar '21 is Rs 7117.9 Cr out of which 25% are captive HAM projects and 44% are irrigation projects while other road projects were at 31%.
6. The top 6 road projects are of Rs 2895 Cr while other projects consist of Rs 1114 Cr. Irrigation projects form Rs 3109.1 Cr of the order book.
7. The order book distribution is:
    1. AP & Telangana: Rs 3864.7 Cr
    2. Karnataka: Rs 898.7 Cr
    3. Kerala: Rs 25.5 Cr
    4. Tamil Nadu: Rs 2328.9 Cr
8. The net-working capital days were at 82 days in FY21.
9. KNR received 2 new NHAI HAM projects worth Rs 4507.5 Cr & 1 EPC project of Rs 982.9 Cr.
10. KNR completed share transfer of KNR Walayar to Cube for an EV of Rs 511.78 Cr.
11. KNR issued 1:1 bonus shares in Feb 2021.
12. KNR announced a final dividend of Rs 0.25 per share for FY21.

Investor Conference Call Highlights:

1. The central govt has set a target of road construction worth INR 15 lakh crore in the next 2 years.
2. Highway awarding activity by MoRTH and NHAI was also higher in FY 2021 with about 10,965 km of highways awarded as compared to 8,948 km in FY 2020.
3. The NHAI awarded 141 projects in 2020-'21 aggregating to 4,788 km.
4. FASTag based toll collection on national highways rose more than 20% in March to INR 3,100 crore compared to INR 2,560 crore in February, helping India's Highways Development Agency to improve its financials and increase the pace of asset monetization.
5. The average operational effectiveness in this quarter stood at 95%.
6. The percentage physical progress as on March 31, 2021, for the HAM projects is:
    a. Chittor to Mallavaram is at 82%,
    b. Ramsanpalle to Mangloor is at 80%,
    c. Trichy to Kallagam is at 66%,
    d. Magadi to Somwarpet is at 29%,
    e. Oddanchatram to Madathukulam is at 27%.
7. The company has entered into a share purchase agreement with Cube Highways and Infrastructure III Private Limited for 3 projects.
8. The company is in the process of making 4-5 bids with an average ticket size of Rs 1000 Cr each.
9. The receivables outstanding is at Rs 863 Cr which includes billed and unbilled revenue. Of this around Rs 525 Cr is from captive HAM projects and the rest is from irrigation projects.
10. The consolidated debt as of 31st March 2021 was at Rs 729 Cr. The net debt to equity was at 0.3x.
11. Of the 3 projects to be sold to Cube, 2 are expected to be done in June while the Ramsampalle project is expected to be done in the next 2 months.
12. The land acquisition issues in Mallana Sagar Pump House project have been completed and construction has started a month ago. The inflow canal project here is still due to pending land acquisition.
13. The management maintains an internal target of reaching Rs 3000 Cr of sales in FY22 as well, but the actual sales level will depend on how fast the new projects will start and whether they will face any delays due to land acquisition issues or not.
14. The company is looking to collect the disbursements in the month of June for the 3 soon to be completed HAM projects. Thus, the company has been able to complete nearly 60-70% of these projects just from the advance from NHAI and its internal cash flows.
15. The management has not investigated expanding into other categories as there is plenty of room to grow in the road projects category currently.
16. The company will also receive Rs 1-1.5 Cr from the Walayar deal in March 2023.
17. Total order inflow in FY21 was at Rs 8400 Cr. The company is looking to target road orders of Rs 3000-4000 Cr in FY22.
18. The company will have to do a capex of Rs 200-250 Cr in FY22 for the 2 new projects of Rs 4500 Cr which will involve a lot of earthworks.
19. Capex in FY21 was at Rs 100-130 Cr.
20. The residual amount left to be drawn out of the 3 HAM projects to Cube is around Rs 930 Cr.
21. The tax rate in FY21 was at 35% as the company was running out its MAT credit. KNR will be following the new regime from FY22 and will have a tax rate of 25%.

22. KNR's SPV and EPC contracts do not have any pass-through clause for commodity price rise, so the company always does 5-6% padding in price. If commodity price rises are greater than the padding, then the margin profile for KNR will be affected.
23. The management states that KNR doesn't face any issues from the change in govt in TN.
24. The revenue contribution from the new projects is expected to be around 10% of FY22 revenue.
25. Q4 revenue breakup is Rs 180 Cr from irrigation, Rs 478 Cr from HAM and Rs 180 Cr from EPC. FY21 breakup is 23.5% from irrigation, 51% from HAM and 18.5% from other EPC.
26. Mallana Sagar project is now 93% complete while Palamaru is 35% complete.

Analyst's View:

KNR has been one of the top performers in the construction industry. KNR has seen a phenomenal quarter with a 35% YoY rise in revenues. The company has done well to source 2 new HAM projects of Rs 4500 Cr. It is already bidding for new projects and has made 4-5 bids for orders of Rs 1000 Cr each. It has already entered a SPA with Cube for the sale of the 3 HAM projects which will be over soon. The central govt push for awarding road projects of Rs 15 Lac Cr is a great boost for the entire industry and a seasoned player like KNR. It remains to be seen how the industry will fare going forward and how long will it take for the Govt's push in infrastructure to gain proper momentum. Nonetheless, given its strong balance sheet, good operational history, and resilient order book, KNR Constructions remains a pivotal construction sector stock to watch out for.

CONSUMER ELECTRONICS

Amber Enterprises

Financial Results & Highlights

Brief Introduction:

Amber Enterprises India is engaged in the business of manufacturing a versatile range of products i.e. Air conditioners, microwave ovens, washing machines, refrigerators, heat exchangers, sheet metal components etc. Currently, the Company has nine manufacturing facilities in India out of which two manufacturing facilities are operating in tax exemption zone.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1314	1045	25.74%	584	125.00%	2326	3009	-22.70%
PBT	94	52	80.77%	27	248.15%	78	129	-39.5%
PAT	61	53	15.09%	18	238.89%	52	118	-55.93%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1607	1315	22.21%	774	107.62%	3064	3971	-22.84%
PBT	116	70	66%	40	190.00%	120	191	-37%
PAT	76*	63**	21%	28	171.43%	83	164	-49.39%

*Contains deferred tax charge of Rs 16 Cr
**Contains deferred tax credit of Rs 11 Cr

Detailed Results:

1. The company had decent quarter with a rise of 22% YoY in consolidated revenues while consolidated profits rose to Rs 21% YoY.
2. Operating EBITDA for Amber was at Rs 147 Cr with margin at 9.2%.
3. The consolidated revenue mix has remained unchanged from 55:45 in FY21 and moved to 60:40 in Q4 for RAC:Components+Mobility respectively.
4. Working capital days increased to 56 days in FY21 from 37 days in FY20 mainly on account of lockdown in H1FY21.

Investor Conference Call Highlights:

1. The channel inventory at the end of March 2021 stood at normalized levels.

2. The PLI scheme of air conditioners will provide an incentive of 4% to 6% on incremental sales of AC components manufactured in India over 5 years.
3. Amber has completed the acquisition of land for the Pune facility and construction has already started. This facility is expected to start operations in Q4FY22.
4. Q4 FY '21 revenues for Sidwal stood at INR 80 Cr with operating EBITDA at INR 21 Cr. FY '21 revenues for Sidwal stood at INR 201 Cr with operating EBITDA at INR 48 Cr.
5. In the recent budget, 26 new cities have been earmarked to have metro lines and 1,700 km of line to be added under metros. This should bring immense opportunity to supply more ACs for metro coaches to Sidwal.
6. Revenues for PICL stood at INR 71 Cr in Q4 & INR 131 Cr for FY21. Operating EBITDA stood at INR 6 Cr in Q4 & INR 7 Cr in FY21. The management expects to double the revenues for PICL along with the improvements in margins in the next 2 to 3 years' time.
7. Revenues for IL JIN stood at INR 118 Cr in Q4 & INR 307 Cr for FY21.
8. Revenues for Ever stood at INR 59 Cr in Q4 & INR 154 Cr for FY21.
9. Amber saw a positive cash flow of INR 115 Cr as against net debt of INR 246 Cr as of 31st March 2021.
10. Amber sold around 2.1 million units in FY21 vs industry volumes of 5.1 million.
11. Inventory build-up due to local lockdowns should get liquidated as things open in June.
12. IL JIN & Ever saw operating EBITDA of Rs 14.65 Cr & Rs 7.34 Cr respectively in FY21.
13. The main opportunity from the gas changing operations is to help convert these customers to full manufacturing customers.
14. The company is awaiting clarification on how the PLI scheme will apply on the components side of the RAC business.
15. With the rising penetration of VRV & VRF air conditioning, Amber is also looking to get into commercial refrigeration with offerings of 5.5 ton, 8.5 ton, 11.5 ton of air conditioning.
16. The company is indeed looking for external partners for the software side of the commercial refrigeration business.
17. The company has been able to pass on all the RM cost rise to end customers.
18. Of the Rs 2300 Cr of standalone revenue, around Rs 320 Cr was for compressors which is a full pass-through item for Amber.
19. Around 70% of motors are imported at present in the RAC industry.
20. The company is not only targeting import substitution for PICL but also in a China plus one strategy for export destinations.
21. Volume drop for FY21 was around 30% YoY.
22. The company's factories are running at 40-45% capacity at present.

23. Around 60% of the market today is from inverter ACs.
24. Although input metal prices have risen a lot recently, the management expects these prices to stabilize going forward.
25. Although competition is rising in the components space, the management is confident of Amber's prospects mainly due to its price competitiveness which is derived from R&D support and the backward integration of critical components.
26. FY22 volumes should generally surpass FY21 volumes as current local lockdowns have not curbed sales as much as the lockdown last year.
27. The incremental capex for the next 2 years is around Rs 290 Cr, which is for the 2 upcoming facilities.
28. Sidwal has a current order book of Rs 350 Cr which is to be executed over the next 2 financial years.

Analyst's View:

Amber Enterprises has cemented its position as a prime AC and white good components manufacturer in India. The performance of the quarter was good with good growth in both sales and volumes. The demand for components is expected to rise significantly with the new PLI scheme coming into play. The management has outlined plans for capacity expansion in 2 new sites and for entering commercial air conditioning space with VRV & VRF. It remains to be seen how the industry demand will be affected by the current ongoing local lockdowns and whether the company will be able to achieve its optimistic expectations in the exports and components space. Nonetheless, given the massive opportunity size from import substitution, the growth prospects of the industry, and the company's dominant position in the ODM market, Amber Enterprises remains a pivotal stock in the fast-rising air conditioning industry. However, the current valuation appears to be very stretched for the company.

Blue Star

Financial Results & Highlights

Brief Company Introduction

Blue Star is India's leading air conditioning and commercial refrigeration company, with an annual revenue of over ₹5200 crores (over US$ 750 million), a network of 32 offices, 5 modern manufacturing facilities, 2800 employees, and 2900 channel partners. The Company has 5000 stores for room ACs, packaged air conditioners, chillers, cold rooms as well as refrigeration products and systems, along with 765 service associates reaching out to customers in over 800 towns.

The Company fulfils the cooling requirements of a large number of corporate, commercial as well as residential customers. Blue Star has also forayed into the residential water purifiers business with a stylish and differentiated range including India's first RO+UV Hot & Cold water purifier; as well as the air purifiers and air coolers businesses.

Blue Star's other businesses include marketing and maintenance of imported professional electronics and industrial products and systems, which is handled by a wholly owned subsidiary of the Company called Blue Star Engineering & Electronics Ltd.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1531	1231	24.37%	1028	48.93%	3904	4660	-16.22%
PBT	98	35	180.00%	33	196.97%	98	168	-41.67%
PAT	65	33	96.97%	24	170.83%	66	121	-45.45%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1651	1306	26.42%	1132	45.85%	4326	5405	-19.96%
PBT	103	12	758%	49	110.20%	145	206	-29.61%
PAT	67	8	738%	36	86.11%	98	141	-30.50%

Detailed Results:

1. The company had a consolidated revenue rise of 26% YoY in Q4. PAT was up to Rs 67 Cr vs Rs 8 Cr last year, mainly due to the low base last year.
2. FY21 performance for the company was dismal due to Q1 performance. Revenues in FY21 were down 20% YoY while PAT was at Rs 98 Cr vs Rs 141 Cr last year.
3. Other income included Rs 32 Cr from the sale of property in Mumbai.
4. Carry forward order book for the company was flat YoY at Rs 2952 Cr as of 31st Mar 2021.
5. Net borrowings reduced by Rs 282.46 Cr in Q4. The company ended with a net positive cash balance of Rs 151.45 Cr as of 31st Mar 2021.

6. Segment revenue for the Electro-Mechanical Projects & Packaged Air Conditioning Systems was up 18% YoY in Q4. Order inflow in FY21 was at Rs 2245 Cr vs Rs 3105 Cr in FY20.
7. The Carried-forward order book of the Electro-Mechanical Projects business was Rs 2149 Cr as of 31st Mar 2021.
8. The segment-wise breakup of the order book is:
1. Office (IT/Non-IT): 29%
2. Metro Rail: 22%
3. Hospitals: 9%
4. Industrial: 9%
5. Power Generation & Distribution: 6%
6. Malls: 4%
7. Others (airports, hotels, educational institutions, etc.): 21%
9. The commercial AC business saw revenue growth of 19% YoY in Q4. Major orders bagged in Q4FY21 were from Birla Cement (Nagpur), Avenue Supermart (Vijaywada/Surat), ISRO (Bangalore), Flextronics (Chennai), Gujarat Biotechnology (Ahmedabad), and West Coast Pharmaceuticals (Ahmedabad).
10. Improved demand for cooling products in the Middle East markets enabled recovery for our International Business during the quarter. The upcoming EXPO 2020 in Dubai and the FIFA tournament in Qatar are expected to offer growth opportunities. The projects businesses in Qatar and Malaysia continued to be impacted owing to Covid.
11. In the unitary products segment, the company saw revenue growth of 31% YoY in Q4. FY21 revenues were down 18.8% YoY.
12. RAC market in India grew 27% YoY in Q4. The company increased its market share to 13.25% and grew RAC business 33% YoY.
13. The commercial refrigeration business saw improvement n demand across all customer segments coupled with aggressive stocking by the channel. Blue Star launched a new range of pharma cold rooms, medical freezers, ice-lined refrigerators, and vaccine transporters, which were well received by the government, vaccine manufacturers, and private distributors.
14. The company bagged major orders in commercial refrigeration from Dr. Reddy's Labs, Apollo, Aurobindo Pharma, Zydus Cadila, Rebel Foods, Swiggy, Reliance Retail, etc.
15. The Professional Electronics and Industrial Systems business saw revenue rise to Rs 50 Cr from Rs 43 Cr last year.
16. Major orders were bagged in Q4FY21 from FIS Payment Solutions and Services, Navodaya Education Trust, Jio Platforms Limited, IndusInd Bank Limited, ICICI Bank Limited, etc.
17. The Directors have recommended a dividend of Rs 4 per share.

Investor Conference Call Highlights:

1. Muted government expenditure also impacted order inflows in the infrastructure sector. Order inflows from the factories and light industrial sector improved as compared to last year, driven by the Make in India initiatives of the government.
2. Factories, data centers, and warehousing sectors are also expected to show a good opportunity in the upcoming quarters.
3. Stocking of inventory by channel ahead of the peak selling season, the improved share of billing from the e-commerce channel, and a general business sentiment improvement enabled growth in revenue for the room air conditioner business in Q4.

4. Blue Star achieved a market share of 3% in water purifiers with a major share of billings to e-commerce players. It also reached breakeven in the product and has decided that water purifiers will be an e-commerce-centric product portfolio going forward.
5. The material impact on sales from COVID-related restrictions in April appears to be 20% according to the management.
6. Competitive intensity has risen from all the external price pressures from raw material, input costs, and increased freight costs.
7. Order inflow for FY21 was Rs 2244 Cr vs Rs 3104 Cr last year.
8. The company has had to increase prices by 3-5% to mitigate the recent rise in input costs.
9. There have been cost rationalizations across the board but some of them will be back once normal business activity resumes.
10. The usual demand from restaurants and others for commercial refrigeration has been muted but it has been replaced by demand from health care, pharma, food processing to the delivery segment.
11. The management expects the traditional customers to recover once the COVID situation normalizes.
12. Water coolers have seen slow offtake as this segment is mainly for government institutions, educational institutions, and others that are yet to recover fully.
13. Blue Star is going to moderate the production pace for the next 2 or 3 months because it has sufficient stocks to sell in the background of the current disruption, according to the management.
14. The company aims to neutralize the downward impact of some of the input cost increases and keep the margin near 8%.
15. There isn't much pressure on margin from MEP projects as they are fixed in nature and most cases contain procurement price protection. Thus only project overshooting project time would be causing margin pressure.
16. Currently, the non-AC segment accounts for 40% of unitary products business. The largest share in the non-AC segment is from commercial refrigeration. Although the management is optimistic about the growth prospects of the RAC segment, the others should help in reducing the dependence on it and diversify revenue sources.
17. Although the company is not looking to apply for the PLI license, it is expected to benefit indirectly from it.

Analyst's View:

Blue Star is one of the largest cooling solutions providers in the country. It is one of the biggest branded players in the RAC market. The company has seen a decent recovery in revenues and profits for Q4FY21. It saw a good recovery in all businesses including the RAC segment which outpaced industry growth and saw the company's market share rise to 13.25%. The company has done well to rationalize inventory and order ahead for raw materials and institute price increases of 3-5% which has helped it counter the RM price inflation. The demand for end-to-end cold chain products remains resilient and has replaced traditional demand from restaurants and others for the commercial refrigeration business. It has also seen good growth in the water purifier segment achieving breakeven and reaching a market share of 3%. It remains to be seen what disruptions the company will have to face from the RM shortage and the impact on consumer behavior from the 2nd wave of COVID-19. Nonetheless, given the company's strong market presence, its history of completing EMP projects, and its robust presence in semi-urban and rural India, Blue Star is a pivotal white goods stock to watch out for.

Dixon Technologies

Financial Results & Highlights

Brief Introduction:

Dixon Technologies (India) Limited is the largest home grown design-focused and solutions company engaged in manufacturing products in the consumer durables, lighting and mobile phones markets in India. Its diversified product portfolio includes Consumer electronics like LED TVs, Home appliances like washing machines, Lighting products like LED bulbs and tubelights, downlighters and CFL bulbs, Mobile phones like feature phones and smartphones, Security Surveillance Systems like CCTV & DVRs. The company manufactures and supplies these products to well-known companies in India who in turn distribute these products under their own brands.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1841	768	139.71%	1897	-2.95%	5677	3681	54.22%
PBT	62	40	55.00%	76	-18.42%	206	142	45.1%
PAT	45	30	50.00%	57	-21.05%	152	111	36.94%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	2111	857	146.32%	2183	-3.30%	6450	4405	46.42%
PBT	61	37.0	65%	82	-26%	217	157	38%
PAT	44	28	57%	62	-29.03%	160	121	32.23%

Detailed Results:

1. The company had a phenomenal quarter with Q4 revenues rising 146% YoY and profits rising 57% YoY.
2. The EBITDA margin for the company has fallen by 270 bps YoY to 3.8% in Q4FY21 & EBITDA has risen 45% YoY.
3. Segment-wise Q4 & FY21 Revenue performance is as follows:
    1. Consumer Electronics: Up 200% YoY in Q4 & 83% YoY in FY21 (60% of FY21 revenues)
    2. Lighting Products: Up 50% YoY in Q4 & down 3% YoY in FY21 (17% of FY21 revenues)
    3. Home appliances: Up 63% YoY in Q4 & 9% YoY in FY21 (7% of FY21 revenues)
    4. Mobile Phones: Up 381% YoY in Q4 & 56% YoY in FY21 (13% of FY21 revenues)
    5. Security Systems: Up 100% YoY in Q4 & 1% YoY in FY21 (3% of FY21 revenues)
    6. Reverse Logistics: Down 18% YoY in Q4 & 14% YoY in FY21 (0.2% of FY21 revenues)

4. The company had a cash conversion cycle of 0 day.
5. It had a ROCE of 31.4% and ROE of 25%.
6. Total cash as of 31st March 2021 was at Rs 63.94 Cr.
7. Total cash flow from operations in FY21 was at Rs 170.11 Cr.
8. The company has negative net debt of Rs 8.05 Cr.
9. The company announced a final dividend of Rs 1 per share for FY21.

Investor Conference Call Highlights:

1. Gross & EBITDA margin contraction was primarily driven by an increase in the share of business during the quarter from LED TVs, which is an OEM business with a lower margin, and from steep price increases on the commodity side.
2. In the ODM business also, there was a negative impact from commodity price increases as there is a lag in passing on the price increases to the customer.
3. Dixon currently has a capacity of 4.4 million TV sets, including backward integration in both LCM and SMT, which is the largest capacity in India. It has already started production of large-screen TVs like 70, 75 inches, and 85 inches for its anchor customers.
4. Dixon is adding a new automated 65-inch integrated line with LCM and FA and increasing the total capacity to 5.5 million units.
5. Dixon's PCB capacity with the new line of SMT is going to further increase from 1.8 million to 2.8 million.
6. It has also tied up with 2 large global brands for manufacturing LED monitors. And the production will commence from Q3 of FY22. Dixon is aiming to set up a capacity of 1 million LED monitors by the start of Q3. The operating margin in this space is expected to be at 2.7-2.9%.
7. Dixon is in the process of developing outdoor lighting solutions, namely street lights, and commercial lights, and these will be launched in Q2FY22.
8. The company has 140-odd models and the largest product portfolio ranging from 6 to 12 kgs across the semi-automatic category. It is also increasing its capacity from 1.2 million to 1.5 million units.
9. The new facility for fully automatic top loading in Tirupati has been set up already. Commercial production should start here by the start of Sep with nearly 40 models in the range of 6-10 kgs. Samples have been submitted to the anchor customer Bosch for approval already.
10. Dixon commenced production for Motorola in mid-March and for Nokia in Feb. It has a strong order book from Motorola with 60-65% of these orders for exports.
11. Dixon is the first Indian mobile manufacturing company, which has an Indian infrastructure and is capable of building the 5G phone as per any global requirement according to the management.
12. Dixon made 6 lakhs set-top boxes in the last quarter and 21 lakhs in the whole year. The order book in this vertical looks very healthy with almost 0.5 million set-top boxes per month. But due to a shortage of components, Dixon will only be able to deliver around 0.35 million per month starting Q2.
13. In Medical and electronics, Dixon made almost 550-odd units of RT-PCR machines.
14. The company has decided to go ahead with the refrigerator product in the direct cool categories. It will initially be creating a capacity of 0.6 million which will be ramped up to 1 million. The category will be 170-220L. the target for production commencement in Q3FY23.

15. Dixon has entered into a JV with Bharti Enterprises to make telecom and network application products. The JV will be owned 74% by Dixon and 26% by Bharti.
16. The company is targeting to start exporting the 5G phone to the U.S. for Motorola from August or September.
17. The revenue potential of the set-top box business is around Rs 450-500 Cr with a reduced delivery capacity of 0.35 million units per month. The company is supplying to Jio, Den, hatchway, SITI & DishTV in this space.
18. The medical devices revenue potential should be around Rs 12-13 Cr per year according to the management.
19. The company is looking to participate in the PLI schemes for lighting, IT hardware, network products & AC components.
20. The total capex for FY21 was at Rs 167 Cr. The capex for FY22 will be much higher than FY21 as the company will be looking to participate in different PLI schemes.
21. The total capex for refrigerators is expected to be at Rs 100 Cr in the next 1.5 years.
22. The mobile sales in Q4 were marginally lower due to the shortage of chipsets and displays and other supply chain issues.
23. The management expects the deliveries to Bosch to start around Oct and the formal launch of the products by Bosch by Dec or Jan. the initial deliveries will be in the 6-8 kgs category.
24. The total capacity for fully automatic washing machines is around 6 lacs and the company will be targeting to reach sales of Rs 550-600 Cr in the next 2-2.5 years considering 80% capacity utilization. Operating margins in this segment will be in the low double digits.
25. The company is going to look into backward integration for lighting products in the direction of plastics. It will require a capex of Rs 50-60 Cr across 4-5 years and should help in margin appreciation of 2-6%. By this time, the batten capacity is expected to rise to 5 million units.
26. The company has a tie-up with boAt for wearables and it will be pursuing this segment aggressively as this is a high growth space in India.
27. The market opportunity for Dixon in the telecom and network products space is around Rs 1600-1800 Cr per year.
28. The current business in AC PCBs is around Rs 110-120 Cr.
29. The management expects the overall margin profile to be in the range of 4-4.5%.

Analyst's View:

Dixon Technologies is one of the foremost leaders in the electronics manufacturing and outsourcing industry in India. The company had a phenomenal quarter with revenues rising 146% YoY and profits rising 57% YoY from last year. The company is looking to start exporting 5G smartphones for Motorola from Sep this year already. It is also looking to apply for 4 PLI schemes which are Mobile Phones, AC components, Lighting, and Telecom & Network Products. Despite the issues of components shortage for the TV industry, Dixon is confident of being able to complete its commitments without many hiccups. It remains to be seen whether the company will be able to expand aggressively as it has done in the recent past and what obstacles it will face that may threaten to halt its growth momentum in its emerging segments like refrigerators & street lighting. Nonetheless, given the list of marquee customers that the company has gained and retained over the years and its continuous efforts to expand existing capacities like consumer electronics and adding new product lines like disruptive medical devices, Dixon Technologies is cementing its place as a good growth story in the outsourced manufacturing sector in India.

EXCHANGE

BSE

Financial Results & Highlights

Introduction

BSE was established in 1875 and is Asia's first Stock Exchange and one of India's leading exchange groups. Over the past 144 years, BSE has provided a capital-raising platform and provided a platform for trading in equity, debt instruments, derivatives and mutual funds. It also has a platform for trading in equities of small-and-medium enterprises (SME).

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	142	131	8.40%	138	2.90%	565	542	4.24%
PBT	31	0	6358.33%	25	24.00%	116*	175	-33.7%
PAT	15	2	843.40%	21	-28.57%	97	174	-44.25%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	170	156	8.97%	162	4.94%	655	630	3.97%
PBT	48	6.0	700%	38	26%	152*	135	13%
PAT	32	-2	1700%	31	3.23%	142	121	17.36%

*Contains exceptional item of loss of Rs 14.5 Cr.

Detailed Results:

1. Sales for Q4 were good with consolidated revenues up 8.97% YoY, consolidated PAT at Rs 32 Cr vs a loss of 2 Cr last year.
2. EBITDA margin for Q4 was at 38% vs 25% last year.
3. Average daily turnover rose 56% YoY in the Equity Cash segment in FY21. TC revenue in the segment on the other hand rose 48% YoY.
4. Equity derivatives saw a meteoric rise of nearly 35% QoQ in Average Daily Turnover in Q4 over Q3.
5. The currency derivative segment saw a drop in average daily turnover of 24%+ YoY in FY21. This was mainly due to restricted bank timings due to COVID-19 and the merger of nationalized banks.
6. In the commodity derivatives segment, average daily turnover rose almost 13 times YoY in FY21 period with over 99% of turnover in gold derivatives.
7. BSE Star MF saw MF revenue fall 24% YoY in FY21 while Average Daily Value of Orders rose 59% YoY in the same period. The average no of daily orders in SIPs and Equity & Debt rose 63% YoY in FY21.
8. In the services to corporates segment, listing fees were flat YoY in FY21 while Book Building & other Services grew 66% YoY.
9. In the India International Exchange IFSC, total turnover grew more than 300% YoY in FY21.
10. BSE Ebix Insurance Broking collected total premium of Rs 67.9 Lacs in Q4 vs Rs 64.7 Lacs in Q3.

11. BSE announced a final dividend of Rs 21 per share for FY21.

Investor Conference Call Highlights:

1. The launch of Sensex 50 contracts with a differentiated expiry date has been the primary reason for the growth in BSE's market share in the equity derivatives segment from 0.1% in FY20 to 5.2% in FY21.
2. The average daily turnover in the Commodity segment for the year ended 31st March 2021 was ₹ 2,392 crore and it has now almost reached 9% of the overall commodities market in India.
3. BSE Star MF's market share in the segment for the year ended 31st March 2021 stands at 81.8%.
4. BSE's stake in India INX stood at 90.72% as of 31st March 2020.
5. During FY21, BSE Ebix JV issued 8,698 policies with a premium amounting to Rs 2.75 Cr.
6. BSE E-Agricultural Markets or BEAM signed an MoU with the Steel Users Federation of India to develop electronic spot markets in steel.
7. CERC has granted registration to establish and operate a power exchange to Pranurja Solutions Limited on 12th May 2021. BSE has a 22.61% stake in this.
8. The commodity derivatives segment has risen mainly on the back of the rise in gold derivatives where BSE was the first player to operate and provide physical delivery in India.
9. Another big factor here is that BSE is not charging anything in commodity futures to build the market as it has done in the past with currency derivatives.
10. BSE is looking to launch the newly approved power exchange in the next 3 months. It will also be the largest shareholder in this business according to regulatory norms.
11. BSE can operate and compete with NSE with only 1/5th of NSE's tech-related expenses. The management asserts that this is proof of BSE's tech capabilities along with the fact that it was able to set up INX at nearly 0 marginal cost.
12. The company is also not dependent on any external vendors for most of its technologies and almost all the IPs related to its products and mechanisms are owned by BSE.
13. The management states that SEBI had mandated interoperability to reduce overdependence on any exchange and to prevent the customers from losing any money if they choose to transact across different exchanges.
14. The management states that the company had to reduce its charges in the MF platform after arriving at a consensus with MFs and AMFI, but it is happy that the rise in volumes has made up for the fall in sales.
15. BSE's total net worth is at Rs 2187 Cr. Around Rs 1200-1400 Cr is AAA-rated papers, debt, and fixed deposits to earn around 5.5-6% returns on average.
16. The management has stated that it will directly expense out most of the spending in the blue ocean businesses and will not capitalize anything. These businesses will not require any big investments and thus it is better to let them operate at near cruise control according to the management.
17. The management is confident in sustaining the rise in margins as it has stated that this rise is coming from businesses who have started contributing to the overall profits for the company. As more and more new businesses start contributing to profit generation, the margin profile can even rise higher.
18. The management has stated that it has run liquidity enhancement schemes in new segments where it has to subsidize new users to build the market as the competitor is also doing the same. But this artificial liquidity will slowly be scaled back once the segments reach sustainable volumes. This has already been successfully done by BSE for many derivatives segments.

19. BSE is indeed looking at divestment in BSE Star MF and has approached ICICI Securities for searching for possible candidates. It remains confident in the prospects of this business.
20. BSE will also look to reduce its stake in CDSL to 15% in the next 1-1.5 years as required by regulation.
21. More and more brokers are starting to offer the best execution mechanism which divides the buying or selling transaction across different exchanges to minimize buying price or maximize selling price for the end customer. This should be good for the exchange as it shall help blend volumes in both exchanges.
22. The management has stated that the sustainable level for tech expenses is around Rs 90-100 Cr.
23. The company earned around Rs 20 Cr of other income which is mostly from rentals.

Analyst's View:

BSE is the largest stock exchange in the world in terms of listed entities. The company has been in this industry sector for close to 150 years and is still at the forefront of the industry in terms of technology and access to tradable products. BSE had a decent quarter with rising volumes in all segments especially the commodity segment which has risen 13x in FY21. However, BSE Star saw a revenue decline of 24% in FY21 due to lowering of transaction costs on the platform despite a transaction volume rise of 59% YoY. The company is doing well to continue to expand its strength in the equity and commodity derivatives space and continue the growth momentum of BSE Star. The company is still looking for opportunities for value unlocking for BSE Star and has also received a few bids from investors. BSE's venture into power exchange Pranurja has also gotten CERC approval and is expected to launch in the next 3 months. It remains to be seen how the company will get value unlocking from BSE Star and whether it will be able to exercise any pricing power on the platform & how will it handle the trio of new growth businesses going forward. Nonetheless, given the company's long-standing brand value and its market execution experience, and the potential of its new businesses, BSE can turn out to be a dark horse wealth creator in the next few years.

Indian Energy Exchange

Financial Results & Highlights

IEX is the first and largest energy exchange in India providing a nationwide, automated trading platform for physical delivery of electricity, Renewable Energy Certificates, and Energy Saving Certificates. The exchange platform enables efficient price discovery and increases the accessibility and transparency of the power market in India while also enhancing the speed and efficiency of trade execution. In August 2016, the Exchange received ISO Certifications for quality management, Information security management, and environment management. The Exchange is now a publicly listed company with NSE and BSE. IEX is approved and regulated by the Central Electricity Regulatory Commission (CERC) and has been operating since 27 June 2008.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	102	79	29.11%	96	6.25%	357	297	20.20%
PBT	84	59	42.37%	78	7.69%	282	228	23.68%
PAT	64	47	36.17%	60	6.67%	213	178	19.66%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	100	80	25.00%	96	4.17%	356	297	19.87%
PBT	80	58	38%	76	5.26%	270	226	19.47%
PAT	61	46	33%	58	5.17%	205	176	16.48%

Detailed Results:

1. On a consolidated basis, PAT was up 33% YoY while revenue for the quarter was also up 25% YoY.
2. FY21 saw an increase of 37.3% YoY in electricity exchange volumes. Q4 saw 62.1% YoY growth in electricity volumes.
3. Digital transformation and new market segments – RTM and GTAM, were the key growth drivers for Company in FY21.
4. Total installed power capacity in India grew 3.3% YoY to 382 GW. The renewable capacity saw 9% YoY growth with cumulative capacity to 94 GW in FY21.
5. The REC trading remains halted in the quarter due to a stay order from APTEL (Appellate Tribunal for Electricity).
6. The day-ahead market saw an average market clearing price of Rs 2.82 per unit in Q4 which was 6% down YoY.
7. The real-time electricity market traded 3,766 MU in Q4 & 9,468 MU YTD.
8. There was a 39.5% YoY growth in open access volumes.
9. The green market cumulatively traded 785 MU during the year till date.
10. The company retained its market shares of 92% in DAM+TAM, 99.9% in RTM, & 99.9% in GTAM markets.
11. Share of exchanges in total electricity consumption has risen to 6.1% in FY21 from 4% last year. Share of exchanges in short term market has risen to 54% in FY21 from 41% last year.

Investor Conference Call Highlights:

1. In Feb 2021, the CEA laid down the procedure for approval and facilitation of cross-border trade of electricity. IEX has already started the commencement of the cross-border electricity trade on exchange with Nepal as of 17th April 2021.
2. The company expects to start electricity trading with Bhutan & Bangladesh soon.
3. It is also working to introduce longer-duration delivery contracts up to 365 days in both electricity and green markets.
4. The latest date given by APTEL on the hearing for REC is July 14th.
5. The management expects it to start no earlier than Q2.
6. The company was looking to launch trading in Energy Saving Certificates or ESCerts market in Q3FY21 but was delayed due to the pandemic. It is now expected to commence in Q2FY22.
7. The company is also expecting the launch of the LDC product to be in Q2 or Q3 in the year ahead. It has all the tech ready and is only waiting on regulatory approval to go ahead here. The company expects trade volumes of 25-30 BU from this forward contract platform each year.
8. The RTM accounts for 13% of total volumes in FY21. It has risen to 17-17.5% in Q4. IEX is seeing increased participation coming from almost all the segments, which includes distribution utilities as well as open access consumers. Thus, the management expects this rising trend for RTM to continue to maybe 20-25% in the next few quarters.
9. The company has already applied for Green day-ahead market contracts, but it doesn't expect CERC to pass approval on this before the end of June. Thus, this product is also expected to be launched in Q2.
10. The main market gains in RTM are from the DSM market where there are high penalties to overdrawing requirements and thus any pending or extra requirements are serviced by the exchange at a much lower price. To make up for the lost opportunity in DSM, the captive plant also has to come to the RTM, thus deepening the shift.
11. The management states that the company wants to endeavour that 50% of the profit should be distributed in the form of dividends. But it has not given out any dividends in Q4 due to the uncertainty from COVID-19.
12. The company is sitting on a cash pile of Rs 600 Cr.
13. The GTAM market is expected to gain momentum going ahead as the summer season brings in additional generation from wind which is largely present in H1 and from more sellers joining in.
14. All green generators are under some PPA. Most of them are small generators so the PPA in question is of smaller duration. IEX has over 10 such generators on the platform already. The company is not only targeting generators but also distribution companies that may have surplus green capacity.
15. The cross-border trade has seen volumes go up to 5% of DAM. The volumes remain low here since the only mechanism allowed currently is spot market of fewer than 7 days. Anything greater than 7 days comes under bilateral contracts which is not under the exchange mechanism.
16. The company is also expecting the RTM market to become the option for discoms as an immediate answer to demand-supply gaps that used to result in load shedding. Thus load shedding can become less frequent as discoms participate more in the RTM.
17. The main use of the day-ahead market is to meet the deficit for discoms. The management believes that once the discoms see that they can service most of their requirements from the day-ahead market, they will come to it automatically to optimize their power costs.
18. The management has stated that it will not divest any more of the pending 30% in IGX any time soon since it has 4 years to do so, and will only do so after deciding on the premium.

19. The management states that it welcomes the formation and approval for the new exchange in the power sector as it should increase adoption of power exchanges and should be ultimately good for the expansion of the sector.
20. The company launched an automated bidding option for the customers through the API. This was required as with the launch of RTM, the customers had to bid 48 times in a day. This auto bidding option has been adopted well by customers such that some large members have close to 60%, 70% of the cleared volume in the real-time market placed using this mechanism.
21. Most of the tech initiatives by the company revolve around automation of the process to speed up customer response time and enhance customer experience. It has also provided customers with a web-based platform to provide a bidding option for all products and a mobile platform for the same. Both platforms are expected to enhance customer convenience and help gather data on customer behaviour and preferences.

Analyst's View:

IEX is the first and largest energy exchange in India providing a nationwide, automated trading platform for physical delivery of electricity, Renewable Energy Certificates, and Energy Saving Certificates. It has a very asset-light business model and a strong Balance Sheet. In the last several years it has done well by constantly adding new products and improving offerings for the participants on its platform. The company continues its growth march with another good quarter with volume growth of 62% YoY and sales & profit growth of 25% & 33% YoY. It has also divested 47% of IGX till date and brought on NSE as a marquee investor in Q4. IEX continues to see increased participation from discoms in the exchange given the flexibility and competitive pricing as compared to bilateral contracts. It also expects the GTAM to gather additional momentum due to the additional capacity expected to be generated by wind generators in the summer season. It remains to be seen how the policies and regulations will evolve in the power sector and how IEX will fare with the addition of a new rival exchange in this space. It is still very early days in the power exchange market. However, as of date, IEX looks like a pivotal player in this industry.

FMCG

CCL Products

Financial Results & Highlights

Brief Company Introduction

CCL Products (India) is engaged in the manufacturing of instant coffee. The Company operates through the Coffee and Coffee related products segment. It is engaged in the manufacture of soluble instant spray dried coffee powder, spray dried agglomerated/granulated coffee, freeze-dried coffee and freeze concentrated liquid coffee.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	291	245	18.78%	189	53.97%	862	957	-9.93%
PBT	122	111	9.91%	31	293.55%	210	298	-29.5%
PAT	100	96	4.17%	22	354.55%	159	239	-33.47%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	335	267	25.47%	300	11.67%	1246	1144	8.92%
PBT	72	58	24%	56	28.57%	235	225	4%
PAT	49	42	17%	47	4.26%	182	166	9.64%

Detailed Results:

1. The company had an encouraging quarter with consolidated sales up 25% YoY and PAT up 17% YoY.
2. FY21 figures were good with consolidated revenues rising 9% YoY and PAT rising 10% YoY due to steady operations throughout the year from Vietnam facility.

Investor Conference Call Highlights:

1. The EBITDA for FY21 was at Rs 310 Cr vs Rs 290 Cr last year.
2. The management maintains volume growth guidance of 10-15% in FY22.
3. The company has not faced any inventory accumulation in Q4 due to delays in shipments from the container shortage that it faced in Q3.
4. The management states that there is scope for margin expansion in the Vietnam plant due to lower depreciation schedule for the old plant, expansion of capacity, and better working capital management.
5. Although freeze-dried proportion has risen in Q4, the main reason for gross margins rising is the heightened demand for small packs before the summer.

6. Freeze-dried capacity was working at 62% utilization in FY21.
7. The management has clarified that the volume growth guidance is not including the normalization of freight prices and if this happens, the guidance can be expanded further.
8. The company has not seen any drop or degradation in customer relationships due to the delays in shipping as the immediate requirements of customers were met from the warehouses in USA and Switzerland that the company owns.
9. The expanded capacity in the Vietnam plant should be operational from the 1st of July.
10. Vietnam capacity utilization was close to 95% in FY21. The Duggirala plant saw utilization at 65-70% in FY21.
11. There was indeed some margin loss in India operations in Q4 due to higher input costs.
12. The company was anticipating 30-40% growth in the India business, but it has revised its expectations down to 25-30% in FY21 due to the 2nd wave of COVID-19 if things normalize from July onwards.
13. The higher input costs are due to drought conditions in Brazil which led to a rise in arabica prices. Thus correspondingly, robusta prices also went up somewhat to match it.
14. But the management assures that this input price volatility will have minimal effects as most of the contracted sales of the company are on a cost-plus basis.
15. The expansion in the Vietnam plant is 3500 MTPA.
16. The India business sales were at Rs 150 Cr (vs Rs 95 Cr last year) of which branded sales were Rs 100 Cr while the rest was for institutions and private labels.
17. The management indeed has plans to double capacity in Vietnam and will look into it in 6-9 months after the current expansion is complete.
18. The management expects the company to hit peak utilization in small packs by October this year.
19. Vietnam sales for FY21 were Rs 375 Cr and profits were at Rs 85 Cr.
20. Switzerland sales were at Rs 180 Cr (net consolidated value addition of Rs 25 Cr) for FY21 and Profits were at Rs 6-7 Cr.
21. Short-term debt has risen for CCL as these funds were raised to buy inventory of green coffee when its prices rose.
22. The management has plans to reduce net debt by Rs 84 Lacs in FY22.
23. The company is also installing pending small pack capacity to 12000 MT which should be available for full-scale production by Q3FY22.
24. USA now accounts for 15% of sales. The management has stated that it expects better realizations going forward due to the rise in small pack sales.
25. The entire small pack capacity is in India currently. The management is thinking of establishing another such facility in Vietnam in the future.

26. There isn't much clarity on the replacement of the MEIS for CCL but the management expects the pending dues of Rs 27-28 Cr to be realized in FY22.
27. EU accounts for 22-25% of exports.
28. The total instant coffee market in India is around Rs 2000 Cr. Going by this, the company has a market share of close to 5%.
29. The company has a total reach of 95,000 outlets. It expects to reach 1.5 Lac outlets by the end of FY22. The 2 main rivals in India, Nescafe, and Bru both have total reach of 10 Lac+.
30. The expected capex in FY22 is around Rs 50-60 Cr. The CWIP currently is at Rs 148 Cr.
31. Volume growth in FY21 was at 10% YoY.
32. The company is looking to hit sales of 50,000 MT by 2024. To do this it is looking to increase capacity to 55,000-65,000 in the same period.
33. It is also targeting sales of Rs 250 Cr for the India business in the next 2 years. As branded sales rises, margins are also expected to rise to 25-30% for CCL.
34. The company is already getting inquiries for 1000 MT of cold brew mix and it is very optimistic about the prospects for this product.
35. Around 8-10% of retail sales are coming from e-commerce.

Analyst's View:

CCL has already established itself in the wholesale coffee space for many years and their foray into branded sales through the Continental Coffee label has been very encouraging. The company has had a good quarter with 25% YoY growth in Sales despite the rise in coffee beans. It also saw continued high utilization at the Vietnam facility. The company's branded business is growing well and has already reached Rs 100 Cr in sales in FY21. The company is doing well to capitalize on its unique offerings and is working hard on expanding its influence. This is evident from the response seen from customers for its new cold brew product and the inquiries it is getting from export destinations. It remains to be seen how fast the capacity expansion will be done for CCL and whether the branded business will be able to maintain its growth momentum. Nonetheless, given the enormous market opportunity for the branded business in the domestic market, CCL products may turn out to be a dark horse in the global coffee industry in the years to come.

ITC

Financial Results & Highlights

Brief Introduction:

ITC Limited is an Indian multinational conglomerate company headquartered in Kolkata, West Bengal. Established in 1910 as the 'Imperial Tobacco Company of India Limited', the company was renamed as the 'India Tobacco Company Limited' in 1970 and later to 'I.T.C. Limited' in 1974. It has a diversified presence in FMCG, Hotels, Packaging, Paperboards & Specialty Papers and Agri-Business. It has many famous brands under its stable like Wills, Classic, Gold Flake, Aashirvaad, Sunfeast, Bingo, Fiama, Vivel, Classmate and many others.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	14929	13734	8.70%	12176	22.61%	51776	49821	3.92%
PBT	4854	4880	-0.53%	4512	7.58%	17164	19167	-10.5%
PAT	3748	3688	1.63%	3797	-1.29%	13032	15136	-13.90%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	15984	14670	8.96%	13228	20.83%	55788	53991	3.33%
PBT	5039	4905	3%	4743	6.24%	17945	20026	-10%
PAT	3817	3587	6%	3926	-2.78%	13390	15585	-14.08%

Detailed Results:

1. The company had a decent quarter with a 9% consolidated revenue growth YoY and a rise of 6% YoY in consolidated profits in Q4. Pat grew 8.4% YoY
2. FMCG-Others segment grew almost 16% YoY in Q4 and 16% YoY in FY21. Segment EBITDA grew 19% YoY and EBITDA margin improved 115 bps YoY to 8.9% in FY21 and 8.3% in Q4. Staples, Convenience Foods, and Health & Hygiene products record growth of 13% YoY in Q4 & 20% YoY in FY21. Discretionary/'out-of-home' categories grew 23% YoY in Q4 & 2% YoY in FY21. Savlon saw consumer spend of Rs 1200 Cr in FY21.
3. ITC e-commerce FMCG Sales doubled: now accounts for close to 5% of revenue.
4. In Staples, Snacks, and Meals category, 'Aashirvaad' atta fortified its leadership position in the branded packaged atta industry during the year while Aashirvad Svasti range of dairy products saw a good response.
5. Sunrise Foods process integration completed.
6. Personal Care products saw capacity expansion across categories like Handwash 4.5x, Sanitizers 100x, Floor Cleaner 2.3x, Soaps & Antiseptic Liquids 6x during FY21.
7. The hotel business earned an EBITDA of Rs 25 Cr in Q4. Construction of 3 new properties -ITC Narmada, a Luxury Collection hotel in Ahmedabad, and Welcomhotels at Bhubaneswar and Guntur -with around 500 rooms are nearing completion.
8. In the Cigarette segment, Revenues grew 14.2% YoY while EBIT rose 7.7% YoY.

9. In the Hotels business, leisure destinations turned in a strong performance in the wedding business and staycations leading the charge. The company reduced fixed costs by 41% in FY21. ITC also commissioned Welcomhotel Shimla& Welcomhotel Ahmedabad.
10. In the Paper & Paperboard business, the company saw revenues rise 13.5% YoY & an EBIT rise of 13.1%. It saw strong growth in Specialty papers –Pharma & Décor segments.
11. Paper Machine Rebuild Project at Bhadrachalam successfully commissioned in March'21.
12. Agribusiness saw a robust revenue growth of 78.5% YoY & an EBIT growth of 54.2% YoY driven by wheat exports to Bangladesh, Malaysia, Sri Lanka & UAE. It also saw strong growth in value-added spices in food-safe markets.
13. ITC launched a total of 120+ products in FY21.
14. The company also announced a final dividend of Rs 5.75 per share bringing the total dividend for FY21 to Rs 10.75 per share.

Analyst's View:

ITC has been one of the biggest conglomerates in the history of modern India. The company has done well to diversify into other FMCG segments and build many leading brands like Aashirvaad, Bingo, etc. The company has seen good performance in the current quarter with the Agribusiness growing 78% YoY on the back of wheat exports and the FMCG-Others doing very well and rising steadily. The company is doing well in maintaining a leadership position in many of its brands and always introducing new products under these brands. The company has shown resilient growth in its FMCG segment in the health & hygiene space which was witnessed by the more than Rs 1200 Cr consumer spend on Savlon alone in FY21. It has also done well to keep expanding the Aashirwad range and maintain market share in strong areas like atta while expanding into pulses, breakfast meals, and most recently dairy products. The Hotel business is also on its way back with demand coming in from weddings and staycations and has earned Rs 25 Cr EBITDA in Q4. It remains to be seen how the company will mitigate the effects of the systematic decline of the cigarette industry and how long will it take for the Hotel business to get back to pre-covid level of operations. Nonetheless, given its history of building and maintaining durable brands, its leadership in various operating segments, and its mammoth cash-generating ability & the 5%, ITC remains a critical stock to watch for any investor interested in the themes of FMCG and consumption, all the while providing a consistent 5% dividend with a strong runway for business for many years to come.

Jyothy Labs

Financial Results & Highlights

Introduction

Jyothy Laboratories Ltd is a Mumbai-based fast-moving consumer goods company founded in 1983. It has 6 business divisions namely Fabric Care (Ujala -. market leader), Household Insecticide (Maxo), Utensil Cleaners (Exo), Fragrances, Personal Care (Margo) and Fabric Care Service. Ujala, Maxo, Exo, Jeeva and Maya are some of the brands it owns under these divisions. The company is the largest player in the fabric whitener space in India with a market share of 72%.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	493	387	27.39%	476	3.57%	1905	1685	13.06%
PBT	30*	20	50.00%	64	-53.13%	223*	166	34.3%
PAT	27	26	3.85%	52	-48.08%	190	158	20.25%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	499	398	25.38%	483	3.31%	1928	1731	11.38%
PBT	33*	23	43%	68	-51.47%	235*	182	29%
PAT	27	27	0%	53	-49.06%	191	163	17.18%

*Contains exceptional item of Rs 23.5 Cr.

Detailed Results:

1. Standalone and Consolidated quarterly revenues were up at 27% & 25% YoY respectively. (FMCG sales up by 27.3%)
2. The gross margin for the quarter increased from 45.6% last year to 45.7%.
3. Operating EBITDA at 14.3% (Rs 70.9 Cr) Vs 10.3% (Rs 40.6 Cr) in the same period last year.
4. The exceptional Item pertains to excise duty receivable for previous years of Rs 23.5 Crores written off pursuant to change in the government policy retrospectively (non-cash item).
5. In FY21, consolidated revenues were up 11% YoY while volumes were up 13.1% YoY.
6. Gross Margin in FY21 was 47.1% from 47.4% in the same period last year.
7. Operating EBITDA in FY21 improved to 16.5% vs 14.7% last year.
8. Category wise break-up of Q4 (& FY21) YoY Revenue Growth:
    1. Fabric Care: Up 15.7% (down 5.5%)
    2. Dishwashing: Up 33.2% (up 23.4%)
    3. Household Insecticides: Up 35.8% (up 42.3%)
    4. Personal Care: Up 38.4% (up 20.5)
    5. Others: Up 56.4% (up 32.4%)
9. WC days was at 15 days in FY21.
10. The board announced a final dividend of Rs 4 per share in Q4FY21.

Investor Conference Call highlights:

1. The company is seeing a shift towards digital adoption even from neighborhood stores.
2. The company saw market share gain across all brands including 120 bps in Exo, 130 bps in Pril, 170 bps in Maxo Coil, 40 bps in Maxo LV, 60 bps in Ujala whitener & 100 bps in Ujala IDD.
3. The post wash category remains constrained as offices and schools have yet to resume.
4. Henko has seen a return to normal growth.
5. The management maintains that it is pursuing a higher volume-led growth.
6. Rural and small packs have been big drivers for market share gain for Jyothy Labs, especially from local or unorganized players.
7. The company has added 500-plus sub-stockists to focus more on the rural side in FY21.
8. In urban areas, the company is employing back-end analytics to assist salesmen.
9. Market share gain in Henko is small as it is a small player in a large category.
10. The company has seen a large volume rise in many small stockists indicating a wider spread and reach of products and that it is being used by more and more new users.
11. Currently, the company's latest innovations at the national stage are Exo Dishwash Bar and Maxo Genius.
12. Maxo Genius LV has seen market share rise from 8.4% to 8.8% in FY21.
13. LV is now 35-40% of Maxo's portfolio.
14. The company has appointed a CRS system for better demand planning which should lead to better working capital management at the company level.
15. The management has stated that given the company's efforts it should be able to deliver >10% growth despite the uncertain environment.
16. The company is also open to M&A for regional entities or brands in its core categories, but it will not enter any new categories.
17. The management states that it will be looking to preserve margins and will be ready to do price hikes to combat RM price spikes.
18. The expected tax rate for the next 2 years is 18%.

Analyst's View:

Jyothy Labs is a consistent performer in the FMCG segment in India. They have successfully carved out a niche for themselves and have established themselves as market leaders in the fabric care and dishwashing segment. The performance of the company was very encouraging in this quarter mainly on the back of sustained good performance of all core categories except fabric care and increasing rural penetration. The company has done well to revive the HI segment and push for market share gains in almost all categories. The company still faces the issue of slow recovery in the post-wash segment which used to be the company's biggest earner. It remains to be seen how long will it take for the post-wash segment to revive and how the company will fare in the increasingly competitive environment in the health hygiene space. Nonetheless, given the renewed focus on health and hygiene going forward and the company's good distribution reach and resilient product portfolio, Jyothy Labs may turn out to be a pivotal FMCG stock to watch out for.

KRBL

Financial Results & Highlights

Brief Company Introduction

KRBL is the world's leading basmati rice producer and has fully integrated operations in every aspect of basmati value chain, right from seed development, contact farming, procurement of paddy, storage, processing, packaging, branding and marketing. It is also the owner of the famous basmati rice brand INDIA GATE.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	977	1072	-8.86%	1128	-13.39%	4014	4521	-11.21%
PBT	187	201	-6.97%	195	-4.10%	751	759	-1.1%
PAT	139	150	-7.33%	146	-4.79%	560	559	0.18%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	977	1072	-8.86%	1128	-13.39%	4015	4522	-11.21%
PBT	186	201	-7%	194	-4.12%	749	758	-1%
PAT	138	150	-8%	145	-4.83%	559	558	0.18%

Detailed Results:

1. The company had a dismal quarter with a 8.9% fall in consolidated revenues and an 7% fall in PAT at a consolidated level.
2. PAT fell 8% YoY.
3. EBITDA in Q4 fell 10.7% YoY.
4. EBITDA margin rose 133 bps YoY to 21.2% in FY21 while gross margin rose 256 bps to 31.45%.
5. FY21 performance was mixed with a 11% YoY revenue decline and flat PAT growth. This was mainly due to bad performance in Q1. KRBL also had its best EPS of Rs 23.8 in FY21.
6. Net debt to equity is now at 0.04 in Q4 from 0.14 a year ago. The interest Coverage ratio improved by to 25.88 times from 11.9 a year ago.
7. Sales volumes in Q4 have risen 15% YoY with India sales rising 19% YoY and export volumes rising 11% YoY. Total sales volumes in Fy21 have risen 1% YoY and export volumes have risen 8% YoY in the year.
8. Book value per share has risen to Rs 157 per share. The company also announced a final dividend of Rs 3.5 per share for FY21.
9. The overall market share of KRBL was at 38%.
10. Bulk pack sales have stabilized and are better than Pre-Covid Levels by the year end.
11. Consumer pack sales were at their highest ever levels in Q4.
12. GT channel grew 13% YoY in FY21 while modern trade channel grew 9% YoY.

13. Market share in modern trade across basmati & popular categories was at 44% and 41% respectively registering a YoY rise of 400 bps. Health foods also saw market share rise of 200bps to 44% in modern trade channel.

Investor Conference Call Highlights:

1. KRBL's net bank debt as of 31st March 2021, stood at Rs 53 Cr.
2. The announced increase in MSP for non-basmati rice and industry dynamics should help enhance the value of the current inventory for KRBK according to the management.
3. Around 5-% of sales came from consumer packs, which are all pack sizes of 5 kg and below.
4. The company launched 2 new health foods in FY21 which were India Gate Chia Seeds and India Gate Flax Seeds.
5. During FY21, KRBL added 1.5 million households to the consumption basket of India Gate.
6. The industry still has only a 40% share of branded products with 60% coming from the unorganized sector.
7. KRBL is going to undertake the end-to-end digitization of its channel partners. It is already seeing 30% of business flowing through the Salesforce automation software.
8. KRBL is planning to double its sales team.
9. Ecommerce now accounts for 4% of sales in FY21 from 0.3% of sales in FY20 showing a 13x YoY growth.
10. The dominant market for basmati export remains the Middle East with 70% of India basmati exports going to the region.
11. The management has stated that KRBL has lost almost 50% of its market share in brown rice in the EU due to the pesticide residue problem and it will take at least a year to comply and resolve the issue and regain the lost market share.
12. KRBL holds an inventory of 2.34 million tons of paddy valued at Rs 27374 per ton and 445,000 tons of rice valued at Rs 42920 per ton. The total inventory value comes to Rs 2841 Cr.
13. KRBL is also able to command 60% higher realization from exports as compared to the rest of the industry due to its strong brand image.
14. KRBL is looking to open regional distribution centers where it can reach directly to retailers or e-com players and bring in cost savings and operational efficiency.
15. The company has 45% capacity utilization at the Dhuri plant and 90%+ utilization at the Ghazia plant.
16. The management has stated that KRBL doesn't need any capex towards capacity expansion and only needs some capex of Rs 100-150 Cr to be done to expand warehousing capacity.
17. COGS was down 17% YoY in FY21 while realization was down 12% YoY. The management states that the realizations were lower due to cheap inventory.
18. In the Unity brand, the company made sales of Rs 400 Cr in FY21 where Rs 325 Cr was from HoReCa. The management expects to reach sales of Rs 1000 Cr from this brand in the next 2-3 years.
19. The company is targeting an increase in revenues to Rs 8000 Cr in the next 3-4 years after adding on the growth from both the rice and non-rice segments.
20. The management has stated that it is keeping a lot of liquidity due to inventory requirements and KRBL is also open to any possible acquisition opportunities.
21. The market price of basmati has remained subdued by almost rs 10-15 due to the issue of exporting to Iran. If these issues get resolved, then the entire industry would benefit from the rise in demand.

22. Any price inflation in basmati will be beneficial for KRBL as it already holds a lot of inventory procured at cheap prices.
23. KRBL has gotten 16 new samples from Pusa institute of which it has cleared 6 samples for commercial production. These new variants will see commercial production from next year.
24. KRBL has a production share of 9-9.5% of basmati in India, and it is aiming to reach 12.5% of production in the next 4-5 years.
25. Basmati consumption in India is at 2.2-2.4 million tons while the consumption of specialty rice like gobindbhog, sona masoori and others is at 15-18 million tons. Thus, the specialty rice segment should help KRBL expand its addressable market by a lot.

Analyst Views:

KRBL is one of the biggest sellers of basmati rice in the world. It has built up a long-standing legacy of more than 120 years and enhanced it using modern technology to make the process from grain to pack as efficiently as possible. The company has had a down quarter with an 8-9% YoY decline in sales & profits while all margins have risen YoY. Consumer pack sales were at their highest ever with around 50% of the top line coming from this segment. The health portfolio has seen the launch of India Gate Chia Seeds and India Gate Flax Seeds. The company has been marred by controversy due to the detention of Mr. Anoop Kumar Gupta, Joint Managing Director of the Company, by the Enforcement Directorate while cooperating with the investigation in the Augusta Westland case. But the company continues to show good performance and a resilient balance sheet that has enabled it to almost eliminate net debt from the company. It remains to be seen how the company will navigate this PR crisis and what roadblocks it will face in its quest to reach Rs 8000 Cr sales in 3-4 years. Nonetheless, given the company's long-standing brand image, its resilient operations and export structure, and its focus on maintaining its strengths and developing new avenues, KRBL may turn out to be a prime wealth creator in the next few years.

Marico

Financial Results & Highlights

Brief Company Introduction

Marico Limited is one of India's leading consumer goods companies providing consumer products and services in the areas of health, beauty and wellness. With its headquarters in Mumbai, Maharashtra, India, Marico is present in over 25 countries across emerging markets of Asia and Africa. It owns brands in categories of hair care, skin care, edible oils, health foods, male grooming, and fabric care.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1712	1290	32.71%	1744	-1.83%	6683	6159	8.51%
PBT	281	282	-0.35%	349	-19.48%	1311	1261	4.0%
PAT	244	224	8.93%	293	-16.72%	1106	1007	9.83%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	2041	1528	33.57%	2146	-4.89%	8142	7439	9.45%
PBT	283	252	12%	394	-28.17%	1523	1374	11%
PAT	227	199	14%	312	-27.24%	1199	1043	14.96%

Detailed Results:

1. Consolidated revenues grew 34% YoY in Q4.
2. EBITDA margins were down 300 bps YoY at 15.9% for Q4.
3. PAT for Q4 rose 14% YoY.
4. In Q4, domestic sales volumes were up 25% YoY while sales were up 33% YoY.
5. Gross margin was down 517 bps owing to the severe input cost pressure.
6. Parachute Rigids registered 29% volume growth.
7. Value-Added Hair Oils registered a 22% volume growth. The company anticipated market share gain in this segment.
8. Saffola Edible Oils continued its stellar run with 17% growth in volume terms.
9. The Foods portfolio grew by 134% in value terms & crossed Rs 300 Cr in FY21., with the base Oats franchise posting a strong 84% value growth. The company launched Saffola Oodles, 5-minute ring-shaped noodles, containing no refined flour.
10. Saffola Honey saw good growth and crossed 25% market share in E-Commerce.
11. The Premium Personal Care portfolios were flat as growth in Serums was offset by decline in male grooming.
12. Advertising & Sales Promotions pend was up 35% YoY.
13. The volume market share of various divisions is at:
    1. Coconut Oils: 61%
    2. Parachute Rigids: 51%
    3. Saffola –Super Premium ROCP: 81%

   4. Saffola Oats: 94%
   5. Value-Added Hair Oils: 37%
   6. Post wash Leave-on Serums: 63%
   7. Hair Gels/Waxes/Creams: 57%
14. Marico increased prices of Parachute by 8% in H2 to counter inflation.
15. In Q4FY21, the market price of copra was up 25% YoY mainly due to leaner supplies and lower coconut to copra conversions. It expects prices to cool off fromQ1FY22 as the peak season sets in.
16. Rice bran oil was up 39% YoY & 8% QoQ. The company expects this rise to be range bound over the next few months. Liquid Paraffin (LLP) was up 29% YoY, while HDPE was up 31% YoY.
17. During the quarter, General Trade performed consistently with sales in urban and rural markets up by 23% and 42% in volume terms respectively. Modern Trade was down 17% YoY. E-Commerce delivered an exponential growth of 81% YoY. CSD grew 59% YoY.
18. International business grew by 23% YoY in Q4 in constant currency terms.
19. The operating margin in the international business expanded to 19.3% in Q4FY21 vs 18% in Q4FY20.
20. The international revenue growth breakup is:
   1. Bangladesh: Up 20% YoY
   2. SE Asia: Up 13% YoY
   3. MENA: Up 62% YoY
   4. South Africa: up 48% YoY
   5. Others: up 18% YoY
21. Employee Cost was up 39% YoY, due to; i) higher incentive payout owing to better performance during the quarter; ii) integration of Beardo (not in the base quarter); and iii) higher share-based payout (linked to Marico's share price performance on the bourses). Excluding the same, the increase in employee cost was in line with average salary increments.
22. Other Expenses were up 12% YoY. Other expenses are likely to remain in the range of 11-13% of turnover in the medium term.
23. The Capex for FY22 is expected to be around Rs 125-150 Cr.
24. The company improved its ROCE in FY21 by 220 bps YoY to 44.6%. The debt to equity was maintained at 0.1 times.
25. The net surplus for the company was at Rs 1355 Cr after a gross debt of Rs 352 Cr as of 31st mar 2021.

Investor Conference Call Details:

1. The company is not seeing any weakness in demand or sales from the 2nd wave of COVID as >90% of the portfolio is in the essential category.
2. It also doesn't have any supply chain impact on the end of its sales. This is because grocery shops and deliveries are still operational even if they are restricted to certain time frames.
3. Input prices for copra have fallen around 15% since the end of March. In edible oils, the company did a price rise of 30% in H2FY21 and has further increased the price by 15-20% in FY22 so far. But the management expects the pricing to moderate going forward as the supply side issues get resolved.
4. The management is aiming to maintain operating margins at 18-19% at the lower end at least.
5. Despite the price of 50% YoY in edible oils, the management assures that the pricing is still competitive, and most industry players have done so as they are all on a cost-plus model.

6. The company has seen the previous issues in VAHO getting resolved and the thrust on rural expansion as major contributors to the segment's growth.
7. The management has provided medium-term guidance of reaching Rs 850 Cr in the Foods business by 2024.
8. It is also looking to focus on expanding rural distribution reach by 25% for each of the next 2 years.
9. The company has already piloted the soya chunks product in WB and is looking to expand it to other eastern states.
10. The management is aspiring to reach Rs 75-100 Cr of sales from the soya chunks business in the next 3 years. The soya market right now is at Rs 900 Cr while the top 3 branded players occupy 50%+ of the category.
11. The main areas for expansion of distribution in FY21 were the rural, chemist, and food channels.
12. The tax rate is expected to be at 22-24% in the next 3-4 years.
13. The chemist channel has seen good momentum with a wide variety of products like male grooming, skincare, value-added hair oils, immunity range including honey & chwanprash, and specific products like mediker, Bio-oil, etc. being sold through this channel.
14. The non-coconut oil business in Bangladesh has risen to 40% of sales. The management expects this to rise to 50% in the next 1-2 years.
15. The online channel now accounts for 12% of sales.
16. The company has gained in market share of 200 bps in the VAHO category mainly from smaller players.
17. The company has also taken an ambitious target of increasing direct distribution through stockists by 25% every year.

Analyst's View:

Marico is one of India's leading FMCG companies with many market-leading brands like Saffola and Parachute. The company has done well to maintain value and volume growth on a YoY basis in almost all categories and sustain growth momentum in domestic business. It is showing encouraging performance in the food category, especially in the health foods segment. The VAHO segment has seen a good recovery with a 200 bps market share gain. The company has seen a fall in margins due to input price pressures which are expected to moderate going forward. The company is also looking to focus on expanding rural reach by 25% p.a. for the next 2 years. The company's focus on expanding into new health food categories under the Saffola brand and the in-demand hygiene looks shows good room for growth in these segments. It remains to be seen how long the COVID-19 situation lasts and what second-order effects it has on the company and general consumer behaviour. Nonetheless, given the company's solid standing in its core categories, its expansion plans for high margin food categories, and its robust distribution network, Marico looks like a pivotal FMCG stock to watch out for.

Tata Consumer Products

Financial Results & Highlights

Brief Company Introduction

Tata Consumer Products Limited (formerly Tata Global Beverages) is an Indian multinational non-alcoholic beverages company headquartered in Kolkata, West Bengal, India and a subsidiary of the Tata Group. It is the world's second-largest manufacturer and distributor of tea and a major producer of coffee.

Tata Consumer Products markets tea under the major brands Tata Tea, Tetley and Good Earth Teas. Tata Tea is the biggest-selling tea brand in India, Tetley is the biggest-selling tea brand in Canada and the second-biggest-selling in United Kingdom and United States.

In 2012, the company ventured into the Indian cafe market in a 50/50 joint venture with Starbucks Coffee Company. The coffee shops branded as "Starbucks Coffee - A Tata Alliance" source coffee beans from Tata Coffee, a subsidiary company of Tata Consumer Products.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1879	1352	38.98%	1988	-5.48%	7287	5808	25.46%
PBT	115	96	19.79%	176	-34.66%	836	729	14.68%
PAT	82	71	15.49%	136	-39.71%	620	524	18.32%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3080	2427	26.91%	3089	-0.29%	11723	9749	20.25%
PBT	198	-17	1265%	292	-32.19%	1311	809	62.05%
PAT	133	-50	366%	237	-43.88%	930	460	102.17%

Detailed Results:

1. The consolidated performance was good at 27% YoY growth in revenue and PAT was at Rs 133 Cr vs loss of Rs 50 Cr last year.
2. During FY21, Consolidated Revenue grew 20% YoY with consolidated Net Profit growth of 102% YoY.
3. The company saw growth in consolidated EBITDA of 20% YoY in FY21. EBITDA margins fell 260 bps YoY to 10.4%.
4. Overall, India's business grew 29% YoY with a volume growth of 12% in beverages & 11% in foods. The company has a cash position of Rs 2421 Cr.
5. Distribution points for tea rose 15% YoY and salt rose 11% YoY. TCPL is on track to reach 1 million direct outlets by Sep ’21. E-commerce contribution has risen to 5.2% of sales vs 2.5% last year.

6. The India Beverages business showed revenue growth of 53% YoY & volume growth of 23% YoY in Q4. The business saw 32% YoY revenue growth in FY21 and a market share gain of 100 bps. Coffee Volume grew 19% YoY with revenue growth of 36% during FY21.
7. The India Foods business showed revenue growth of 22% YoY & volume growth of 21% YoY in Q4. Salt revenues grew 26% in Q4 with a market share gain of 180 bps in FY21. The value-added salt portfolio has grown 75% in FY21. Pulses grew 26% in FY21. Launched 5 products under Tata Sampann Ready to Cook (RTC) portfolio in Q4.
8. NourishCo had revenue of Rs 188 Cr in FY21 and saw 86% YoY revenue growth in Q4. Tata Water Plus sold 1.3 x volumes in FY21.
9. The Tata Coffee division saw value growth of 14% YoY in FY21 & 30% YoY in Q4. Plantations revenue grew 24% YoY and Extractions revenue grew 12% YoY in FY21. Vietnam plant now operating at near peak capacity.
10. In the Starbucks JV, the company saw a 14% YoY revenue growth in Q4 and a 33% revenue decline in FY21. Around 94% of stores are operational. 39 new stores and 7 new cities are added in FY21.
11. The UK tea business saw revenue growth of 2% YoY in FY21 & a revenue decline of 10% YoY in Q4. It maintained a market share of 20% in the everyday black tea segment. Teapigs revenue grew 18% YoY in FY21.
12. The USA coffee business saw a 9% & 3% YoY revenue growth in FY21 & Q4 respectively. The tea business saw revenue growth of 16% YoY in FY21.
13. In Canada, the company saw revenue growth of 15% & 6% YoY in FY21 & Q4 respectively. Tt maintained a market share of 29.3%.
14. The Board recommended a final dividend of Rs 4.05 per share for FY21.

Investor Conference Call Highlights

1. TCPL added about INR 2,000 crores to the top line in FY21.
2. Consolidated EBITDA for the year is also up 20%, with strong margin expansion in International and India Foods. India Beverages faced margin pressure due to inflation in raw tea prices.
3. TCPL is now at 2.4 million outlets in terms of total reach.
4. The company has added 2000 rural distributors in FY21.
5. Kanan Devan had a relaunch during the quarter. A&P spend in Q4 was up 18% YoY.
6. Q4 saw the relaunch of Tetley with Vitamin C & the pilot of Tata Tea Gold Care in some cities in the South.
7. TCPL also launched Tata Coffee Sonnets, its direct-to-consumer coffee product, & Tata Tea 1868, a range of gourmet tea, in Q4.
8. 100% of distributors are now online on the sales force and distributor management system.
9. TCPL has also gone live with its ERP system.
10. The company also launched thin poha & haldi doodh in Q4.
11. It launched a new brand called Fruski under NourishCo in Q4 which got good response in pilot cities of Hyderabad and Vijaywada.

12. TCPL is now realizing between INR 5 crores and INR 7 crores of monthly run-rate cost synergies alone.
13. The Soulfull integration should be done in the next 3 months.
14. The management states that TCPL has completed internal S&D integration and is now focused on adding outlets.
15. The major market share capture taking place across all segments is from the unorganized sector.
16. Although Sampann growth has tapered in H2, the management has stated that it has been finetuning this business and the segment should come back to high growth soon.
17. The company has still not passed on the entire price increase in tea to the consumers and it will do so on steps going forward if tea prices do not come down.
18. Although there is a capacity constraint for salt from Tata Chemicals, the company is increasing its capacity to align with the growth expectations of TCPL.
19. The management expects tea prices to moderate as the hyperinflation last year was mainly on account of lockdown and bad weather in July.
20. Despite the drought-like condition in April in Assam, the management is confident of prices normalizing for tea going forward.
21. The opportunity size of the pulses market is Rs 1.5 lac Cr.
22. The BigBasket acquisition by Tata Sons should provide the opportunity to leverage synergies and work closely for TCPL.
23. The pulses business is seen as a very high-volume opportunity at a decent margin today by the management. The management hopes to convert the decent margin to a high margin over the years with its enhanced brand value to be able to weather RM price volatility.
24. The concept behind Fruski is Indianized juice variants or street drinks for ready consumption.
25. The dividend in FY21 is at 405% vs 270% last year.
26. The company has been able to reduce days of sales from 59 to 42 with the digitization of the supply chain.
27. According to the management, Sampann, both pulses, spices, and nutrimixes are significantly underleveraged in the overall GT distribution system and thus there is big room for market capture & distribution expansion here for these products.
28. The short-term slowdown in the modern trade channel is being mitigated by the growth in the e-commerce channel for TCPL.

Analyst's View:

Tata Consumer Products has a very good product portfolio in diverse F&B segments and strong brands like Tata Tea under its umbrella. The company has seen good growth in both value and volume terms across all segments, especially in the tea and salt businesses in both Q4 & FY21. It has also been able to complete almost all of the internal integration and is now focussing on expanding the reach. The long-term growth runway for both Sampann and nutrimixes remains intact, especially given its underrepresentation in the general trade channel. The margins in the tea business have remained subdued due to high RM costs but the management expects it to come down going forward. It remains to be seen how the company's tea prices affect TCPL's margins going forward and how the company will fare against other branded players like ITC in the fast-rising branded staples category. Nonetheless, given the company's leadership position in its top brand segments, its enhanced distribution reach after the merger, and the incoming synergies and benefits from integration, Tata Consumer Products remains a good FMCG stock to watch out for.

Varun Beverages

Financial Results & Highlights

Brief Company Introduction

VBL are the second largest franchisee in the world (outside US) of carbonated soft drinks ("CSDs") and non-carbonated beverages ("NCBs") sold under trademarks owned by PepsiCo and a key player in the beverage industry. They produce and distribute a wide range of CSDs, as well as a large selection of NCBs, including packaged drinking water. PepsiCo CSD brands sold include Pepsi, Diet Pepsi, Seven-Up, Mirinda Orange, Mirinda Lemon, Mountain Dew, Seven-Up Nimbooz Masala Soda, Evervess Soda, Sting and Gatorade. PepsiCo NCB brands sold by the company include Tropicana (100%, Essentials & Delight), Tropicana Slice, Tropicana Frutz, Seven-Up Nimbooz and Quaker Oat Milk as well as packaged drinking water under the brand Aquafina.

Standalone Financials (In Crs)					
	Mar CY21	Mar CY21	YoY %	Dec CY20	QoQ %
Sales	1805	1344	34.30%	868	107.95%
PBT	175	5***	143.06%	-66	-365.15%
PAT	125	77**	62.34%	-52	-340.38%
Consolidated Financials (In Crs)					
	Mar CY21	Mar CY21	YoY %	Dec CY20	QoQ %
Sales	2276	1725	31.94%	1357	67.72%
PBT	195	8	2338%	-19	-1126.3%
PAT	137	60*	128%	-7	-2057.14%

*contains negative tax expense of Rs 52 Cr

**Contains negative tax expense of Rs 72 Cr

***contains exceptional item of Rs 66.5 Cr for impairment of certain plant & equipment

Detailed Results:

1. The current quarter was up for the company with a 32% YoY rise in consolidated revenues & a PAT of Rs 137 Cr.
2. The company saw an EBITDA rise of 40.7% YoY and a volume rise of 32.8% YoY in the quarter. CY20 EBITDA fell 17% YoY.
3. Other income in Q1 fell 77.3% YoY.
4. Organic sales volumes grew 24.7% YoY. Realization per case was flat at Rs 148.
5. CSD constituted 70%, Juice 7.2%, and Packaged Drinking water 22.8% of total sales volumes in Q1 CY21.
6. EBITDA margin improved by 86 bps YoY in Q1 CY21.
7. Gross margins fell by 294 bps YoY to 55.8% in Q1 due to change in product mix and lower realization in international operations.
8. Finance costs for the company declined 33.4% YoY due to the repayment of some debt and a lower average cost of borrowing.

9. The company announced a bonus share issue of 1 share for every 2 existing shares.

Investor Conference Call Highlights:

1. The management maintains that VBL has adequately stocked its supply chain and has not seen any issues from the local lockdowns so far. The situation is much better than last year as VBL has some stores to supply rather than no supply like last year.
2. The rural segment is doing much better than the urban segment according to the management as the lockdowns are less severe. It has grown >50% in 1 year.
3. The company is not facing any input price pressures. Sugar prices are running normally. PET resin prices have gone up in the last 2 months, but the company is adequately stocked beforehand to last till Sept or Oct and this price increase is expected to normalize by then.
4. The expected tax rate for CY21 is expected to be 25%.
5. The 3 categories that are doing very well currently for the company are the energy drink Sting (which has grown almost 10 times in volumes in 2 years), the newly launched Mountain Dew Ice (as a competitor to Limca), and Tropicana (which is the only juice in the country available in PET format).
6. The company has reduced Rs 600 Cr of debt in the last 1 year.
7. The North is the best performing zone for VBL. It had invested a lot for expansion in the South and the East but the improvements have been slow since the start of the pandemic.
8. The company will stick to its existing capex plans and will keep it lower than the depreciation for the year.
9. The management admits that there isn't clear evidence of VBL outpacing the market as the entire industry has done well in the past 1 year.
10. The peak season for the industry has again been affected due to the pandemic although not as severe as last year according to the management.
11. Sting has grown 2.5 times in the past 1 year for VBL.
12. The management clarifies that although out of home consumption has gone down a lot, once the situation normalizes, it will not be adding too much to organic growth as it will just be substituting the current in-home consumption to some extent since all of this growth has come from the same outlets and visi-coolers that are present in the market.
13. The management has stated that it has already put all the planned visi-coolers for the year before the peak season and will not be adding any more for the year.
14. The management has stated that the rise in standalone other expenses is mainly variable expenses which have risen with volume growth. Other contributing factors to it are asset write-offs that the company has done like for a glass line in Bazpur of Rs 15 Cr.
15. The management hopes to see the start of the currency reserve reversal in Zimbabwe soon.
16. There should not be any raw material factors weighing down the margin for CY21 according to the management. But the exact margins ultimately will depend on volumes sold and product mix.
17. The North and East Zones have grown 38% in the past year.
18. Tropicana is still small for the company, accounting for 3-4% of volumes.
19. The biggest competitor for Tropicana is Real by Dabur. But the distribution reach of VBL is much bigger than the competition especially in the rural regions and thus the management is confident of high growth in this product category.

20. The management feels that it will take 2 or more years for the South & West zones to start showing performance because of the addition of visi-coolers and other measures done by the company.
21. The management states that the penetration in the rural areas in the East zone remains low due to the low power situation and the penetration should improve as the power situation improves.
22. Although the energy drink Sting is assumed to be part of the urban portfolio, its pricing helps it sell well in all regions according to the management.
23. There isn't any significant demand impact from the local lockdowns since in-home consumption is steady and procurement has not stopped totally.
24. The Tropicana production capacity is running at close to full utilization.
25. There isn't any price differential as compared to the competitor Coca-Cola in soft drinks right now.
26. In terms of pricing action, the company is seeing good demand for the 1.25L pack which is sold for Rs 50 as home consumers are showing more interest in this compared to the 2L pack.

Analyst Views:

Varun Beverages have been one of the biggest bottlers in India and has been quite proactive in international expansion for some time now. The company has seen a good YoY recovery in the quarter with sustained margins. Although the local lockdowns have dampened out of home consumption, the broad demand looks to be steady at the moment. VBL has also seen good growth in 3 key categories of Tropicana, Sting and Mountain Dew Ice, which are expected to be big growth drivers once they scale up in the future. The company has also done well to shield itself from commodity price pressures by procuring PET resin earlier on and stocking enough requirement to last till Oct. It remains to be seen whether there is a further economic disruption in the future from the resurgence of COVID-19 cases in the peak season of April to June which may have severe second-order effects on the company's performance and. Nonetheless, given the resilient sales network, the rising demand for the company's products, and the arrival of the peak season for the beverages industry, Varun Beverages is a good consumption stock to watch out for at present. However, as it is a capital-intensive business, the current pandemic can put a strain on the Balance Sheet which is already laden with debt. The valuation at current levels does not provide any margin of safety.

HEALTHCARE & PHARMA

Cupid

Financial Results & Highlights

Introduction

Cupid is engaged in business of dealing, marketing and manufacture of rubber contraceptives and allied prophylactic products. It is the first company in the world to obtain Pre-qualification status from WHO/UNFPA for supply of both Male & Female condoms. It currently exports to more than 65 countries worldwide.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	42	43	-2.33%	48	-12.50%	149	164	-9.15%
PBT	8	14	-43%	13	-38.46%	38	53	-28%
PAT	6	10	-40%	10	-40.00%	29	40	-27.50%

Detailed Results:

1. The current quarter was dismal with revenue fall of 2% YoY and while PAT was down 40% YoY.
2. The company's total order book as of 1st April 2021 consists of Rs 113 Cr of confirmed orders.
3. The EBITDA margin for Q4 fell to 22.8% vs 35.8% a year ago.
4. Geographical sales breakup was 75% in exports and 25% domestic in Q4FY21.
5. Product-wise revenue breakup in Q4 is as follows:
    1. Male Condoms: 53%
    2. Female Condoms: 29%
    3. WBJ & Hand Sanitizers: 1%
    4. IVD: 17%
6. The company has started dispatching goods pertaining to the new tender order received from Brazil.
7. The company announced a final dividend of Rs 3.5 per share for FY21.

Investor Conference Call Highlights

1. The company has not gotten any approach for the buyout of Veru yet, but the management is optimistic that the sale will be good for Cupid and the industry.

2. The management is expecting full production in this post-corona period and is operating at 92% utilization currently.
3. There was an 18% increase in the last quarter for latex and a 25% increase in cost in silicon oil. The management expects these RM costs to have peaked and to come back to normal levels in the future.
4. The margin from male condoms is between 15% to 20%. From female condoms, it is anywhere from 45% to 55%. And in the lubricants, it is about 40%.
5. The management expects sales of Rs 40-50 Cr at minimum in the medical devices business,
6. The overall guidance for sales in FY22 is around Rs 170 Cr.
7. The South African government has floated a new tender, which is asking for a total procurement of 1 billion male condoms and 40 million female condoms each year for the next 3 years. Cupid expects sales of Rs 60-80 Cr from this tender each year which is 10-15% of the total tender requirement. This should start from Oct 2021 onwards.
8. The unit price is expected to be at INR 2 per unit for male condoms and about INR 30 per piece for female condoms.
9. The margin expectations from IVD are the same in both domestic and export markets.
10. The sales of medical devices are expected to reach Rs 100 Cr in FY23. It will include products like antigen COVID rapid test kits, test kits for malaria, dengue, HIV, and pregnancy test kits. Most of these sales are expected from exports. These expectations are from customers' inquiries and some of the tenders which are in the planning stages.
11. The company is also on the lookout for possible acquisition opportunities as its investments and reserves have exceeded INR 65 crores which should be sufficient for any such investments.
12. On the USFDA front, clinical trials in South Africa have been delayed by 5 months due to COVID-19.
13. The management expects a growth rate of 10-15% in sales from FY23 onwards.
14. The management reiterates that Cupid's priority is for the export business rather than for domestic sales of male condoms as domestic margins are a lot less than export margins.
15. The management admits that there is limited scope for increased sales of female condoms in the domestic market. It is selling only 1,000 female condoms per month currently, mostly through internet sales.
16. The total production capacity of Cupid is at 560 million condoms each year currently. The management believes that this size is best for an international condom manufacturer.
17. Cupid has lobbied the Health Ministry in Delhi and is hoping that they would come out with a tender to supply female condoms in India.
18. The company has been able to reduce the overall cost of production by aggressively negotiating with its suppliers.
19. The company is still on the lookout for a suitable candidate for the CEO job.
20. Around 35% of the order book of Rs 113 Cr is for female condoms. The order book is expected to give Rs 35 Cr of sales for the next 3 quarters.
21. The major reason for the delay in tender payments was that countries had diverted and relocated much of the discretionary funds to other corona-related facilities.
22. The sales from the South Africa tender will appear in P&L from Q3.
23. The average margin in male condoms in FY21 was near 18% vs 16% a year ago.
24. The Rs 40-50 Cr of sales from medical devices are expected to be distributed evenly throughout FY22 with a minimum of INR 10 Cr to INR 12 Cr per quarter.

25. The management believes that even if it is not able to locate a proper person for the CEO job, Cupid would train some people internally for the job.
26. The company is also looking to invest Rs 7 Cr in its Nashik facility to expand on the medical devices business. The company has set aside Rs 10-15 Cr for working capital needs in this business and anticipates a further Rs 5 Cr in additional R&D.
27. HIV and Malaria testing is also expected to be mostly driven by tenders in both domestic and export markets. The typical tender size for these devices is Rs 10-15 Cr. The big tenders for HIV from countries like South Africa can go up to Rs 40-50 Cr.
28. In the testing kit space, there are 7 to 8 manufacturers already working in India. But demand is outpacing industry capacity so there is enough scope for the business to expand. The company is expecting a min of 15-20% net profit margin from this business.
29. The company is expecting the testing kits business to be run 80% by tenders and 20% by distributors.
30. The biggest contract manufacturer of condoms in Malaysia is looking to launch its brand. The management believes that this will create an opportunity for Cupid to poach some of the international brands like Durex post this development. It is already doing contract manufacturing for Playboy USA.
31. Cupid has about 30 repeat customers worldwide from all categories from the institutional business to government tenders to NGOs and through private sales.

Analyst's View:

Cupid is a leading condom maker in India. It is also one of the only 3 WHO-approved female condom manufacturers in the world. It exports its products to over 80 countries around the world now. The company has had a down quarter revenue fall of 2% YoY and PAT decline of 40% YoY. The company seems to be well placed with a strong order book ensuring revenues of more than Rs 113 Cr which doesn't include the projected sales of Rs 40-50 Cr from medical devices. It is seeing renewed demand for male condoms and has also been able to improve the margin on this segment to 22%. The company is looking to expand in the medical testing space and is expecting sales of Rs 40-50 Cr in FY22 & Rs 100 Cr in FY23. It remains to be seen how the COVID-19 situation pans out for Cupid in South Africa, given it is a major market for both condom sales and HIV testing kits, and what challenges the company faces in its foray into the medical devices field in the domestic space where there are already 7-8 competitors. Nonetheless, given the company's long history of expertise in this field and the consistent sales growth and expanding order book, Cupid is a good small-cap stock to watch for.

Divi's Laboratories

Financial Results & Highlights

Brief Introduction:

Divi's Laboratories Limited manufactures and sells generic active pharmaceutical ingredients (APIs) and intermediates for in the United States, Asia, Europe, and internationally. The company also undertakes custom synthesis of APIs and intermediates; and supplies a range of carotenoids, as well as markets vitamins to nutritional, pharma, food/beverage, and feed industries. In addition, it exports its products. The company was formerly known as Divi's Research Center and changed its name to Divi's Laboratories Limited in 1994. Divi's Laboratories Limited was founded in 1990 and is headquartered in Hyderabad, India.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1741	1453	19.82%	1676	3.88%	6861	5500	24.75%
PBT	652	475	37.26%	630	3.49%	2628	1813	45.0%
PAT	488	392	24.49%	461	5.86%	1955	1373	42.39%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1812	1466	23.60%	1721	5.29%	7032	5584	25.93%
PBT	669	471	42%	642	4.21%	2666	1819	47%
PAT	502	388	29%	471	6.58%	1984	1377	44.08%

Detailed Results:

1. Consolidated revenues were up an impressive 23.6% YoY while profit saw a rise of 29% YoY in Q4.
2. The company saw forex gain of Rs 3.9 Cr in Q4 vs a gain of Rs 57.1 Cr last year.
3. FY21 numbers were very good with consolidated revenues up 26% YoY and profits up 50% YoY.
4. The company announced a dividend of Rs 20 per share in Q4.

Investor Conference Call Highlights

1. During FY21, assets worth 1,179 crores have been capitalized.
2. Capacity increases were completed in levodopa, pregabalin, mesalamine, & carbidopa.
3. The debottlenecking and backward integration programs taken up during the last 2 years have also become fully operational.
4. Divi's is now working at 86% capacity utilization currently.
5. As of 31st March 2021, Divi's has cash on the book of Rs 2156 Cr, receivables of Rs 1677 Cr, and inventory of Rs 2145 Cr.

6. Exports for the quarter accounted for 90% of sales, and for the year, it is 88% of sales.
7. The nutraceutical business for the quarter amounted to INR 156 Cr & Rs 595 Cr for FY21.
8. Currently, the ratio of API to custom synthesis is at 60-40. The company aims to bring it up to 50-50. The ratio is flexible and will be moving depending on the demand for custom synthesis and commitments towards it.
9. The management claims that Divi's has become one of the leaders in the world producing anywhere from 60% to 90% of the demand of the world for several generics. It believes that its strong suit is that it is a pure API maker which is not competing with its generic customers, unlike other Indian players. This has enabled Divi's to command premium prices for playing complementary roles to its customers.
10. The Kakinada is the main capex remaining in the company's plans and it is waiting on the court judgment to proceed here. The supply from the added capacities is expected to start in a few months and only requires some approval which doesn't include any inspections.
11. Divi's is MSD's authorized manufacturer for molnupiravir API and is allowed to supply APIs to MSD's VL partners in India.
12. MSD has retained its rights for supply into the Americas, the EU, and other regulated markets. The VL is for the rest of the world. The company has 3 streams for this API currently where 2 are to be used for exports only while the 3rd is to be used for Indian makers.
13. The huge cash chest is maintained to be on the lookout for acquiring newer APIs and will not be used for expansion in traditional APIs.
14. The traditional generics market for naproxen, gabapentin & dextromethorphan is growing 5-15% per year. The demand for these products is steadily rising with the global aging population. In newer APIs, like levodopa, pregabalin, mesalamine, carbidopa, especially pregabalin and mesalamine, Divi's has a market share of 20-30% and is looking to increase it to 60-70%.
15. Contrast media is growing at the rate of 15% to 25%. Although the company is meeting less than 10% of market demand here, there remains a big scope for expansion here according to the management.
16. There is good demand coming in from custom synthesis as most big pharma companies have sold off their API units. Thus for new compounds, they will have to turn to custom synthesis majors with big capacities like Divi's.
17. The main challenges for Divi's remain logistics and RM sourcing. To prevent any circumstantial delays and disruptions, the company is always looking to source and keep stock of 3-6 months in advance.
18. Although utilization is at 86%, the management is confident that Divi's can introduce 10 new products and operate them at different volumes from the spare capacity.
19. The management maintains that the drivers of margin expansion remain reducing RM costs and applying the tools of green chemistry that give the highest yields, highest recoveries, least waste; and consuming less raw materials while increasing atom efficiency.

20. The custom synthesis will indeed yield higher margins for smaller volume products but as they transition to generic products, the margin profile gets moderated which can be enhanced with cost-cutting and operational efficiency according to the management.

21. Despite the recent COVID pushed boom in global pharma, the fact remains that setting up manufacturing plants in this space requires a lot of clearances and time while the cost of running them in western economies is also high which ultimately defeats the purpose if it becomes economically unfeasible. Thus the threat from newly sanctioned and financed API makers in these markets is small for established players like Divi's.

Analyst's View:

Divi's Labs has been a celebrated API manufacturer in India for a long time. The company is doing well and differentiating itself from the rest of the Indian Pharma industry by continuing to hone its efforts in maintaining its dominance in the API industry and Custom Synthesis. It had another good quarter in Q4 and maintained its growth momentum in FY21 with 26% revenue growth and 44% PAT growth. The management is doing well to develop new avenues like contrast media APIs and overall efficiency through initiatives like green chemistry. It has also completed the majority of its expansion in capacities for generic APIs and nutra segment which should start contributing to sales in a few months. It remains to be seen how the company will be able to chart its path in the future by solely relying on its core areas of API and Custom Synthesis while everyone else is diversifying into as many emerging segments as they can and whether the rise in margins in FY21 can be sustained going forward. Nonetheless, given the company's history of excellent performance and its standing in the global API industry, Divi's Laboratories remain a pivotal pharma stock in India, especially given the massive China substitution opportunity.

Hester Biosciences

Financial Results & Highlights

Brief Company Introduction

Hester Biosciences Limited (HBL) is a publicly traded Indian company headquartered in Ahmedabad, Gujarat, India. Hester is an animal and poultry vaccines manufacturing Company with plants situated in Gujarat and Nepal. The company currently has a 30% share of the poultry vaccines market in the country.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	63	42	50.00%	53	18.87%	210	172	22.09%
PBT	13*	7	85.71%	18	-27.78%	55*	41	34.1%
PAT	9	5	80.00%	13	-30.77%	40	31	29.03%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	67	48	39.58%	58	15.52%	219	190	15.26%
PBT	14**	6	133%	18	-22.22%	50**	41	22%
PAT	10	5	100%	13	-23.08%	35	31	12.90%

*Contains an exceptional item of Rs 5.3 Cr

**Contains an exceptional item of Rs 3.3 Cr

Detailed Results:

1. The company had a great quarter with a 40% YoY rise in consolidated revenues and an 100% YoY rise in PAT at a consolidated level.
2. FY21 figures were encouraging with a revenue gain of 15% YoY and a profit rise of 13% YoY.
3. The EBITDA margin was at 32.62% in the current quarter vs 24.78% a year ago. ROE has risen to 14.92% in Q4FY21 from 9.85% a year ago.
4. The standalone revenue growth in Q4 & FY21 for the various segments is:
    1. Poultry Healthcare: Up 57% YoY (FY21 up 25% YoY)
    2. Animal Healthcare: Up 17% YoY (FY21 up 19% YoY)
    3. Other: Up 83% YoY (FY21 up 14% YoY)
5. Poultry healthcare remains the biggest contributor at 75% contribution to revenues.
6. Domestic sales have registered a growth of 55% in Q4FY21 and 29% in FY21 and the export sales have grown by 4% in Q4FY21 and declined 4% in FY21.
7. The Board of directors has recommended a dividend of INR 10.00 per equity share for FY21.
8. Registration process continues for the Classical Swine Fewer vaccine, Lumpy skin disease vaccine and Sheep Pox vaccine.
9. On 27 May 2021, an MOU was signed between Bharat biotech and Gujarat Covid Vaccine Consortium (GCVC) of which Hester is a part. The MOU was towards contract manufacturing of the Drug Substance for Covaxin, where Hester shall provide the complete infrastructure at its

Gujarat plant for the manufacturing of the Drug Substance. Hester has invested Rs 40 Cr towards this initiative.

10. Hester Nepal saw a dramatic fall in revenues. Revenues were at Rs 42 Lacs in Q4FY21 from Rs 11.6 Cr last year due to FAO tendering for PPR being extremely low.
11. The Texas Lifesciences unit also saw good revenue growth of 91% YoY in Q4 to Rs 6.69 Cr.
12. Hester Tanzania had a good quarter with sales at Rs 81 Lacs in Q3 vs Rs 61 Lacs a year ago. Commercial production in the Tanzania facility is expected to start from Sep 2021.

Investor Conference Call Details:

1. Hester has added a new CFO Mr. Nikhil Jhanwar recently.
2. The company should have a 100% share of the tenders of sheep pox and lumpy skin diseases as it is the only manufacturer for these two in India.
3. The company is looking to launch 3-4 new animal vaccines in the next year.
4. Sales are divided into 70% from vaccines and 30% from health products.
5. The pace of the vaccine development with IIT Guwahati has been slower than expected and they have yet to complete the master seed required for the next steps.
6. According to the management, the growth of the Hester health product business and Texas Lifesciences business is directly proportional.
7. The registration for CSF, LSD and sheep pox vaccine will be done first in India and then expanded to other countries.
8. The company should be able to sell all three in Africa where it already sells goat pox vaccines.
9. Hester is looking to increase the sales team by 40% to 50% within India in FY22.
10. The management is confident of sales in Tanzania going up 3-4x in FY22.
11. The animal healthcare division saw EBIT losses at the consolidated level due to poor sales in Nepal. The management believes that this is a one-off and should get resolved as Nepal sales come back to normal.
12. There is not any significant capex planned for FY22.
13. The management is expecting most of the business in Africa to be on the private side as the prevalent rates there are good. It also believes that the ramp-up in Africa will be faster than expected due to the latent demand there.
14. The management has stated that it is preferable to make a greenfield investment for Hester than an outright acquisition. But in terms of acquisition or collaboration targets, it will prefer to investigate distribution companies in Africa.
15. The management assures that although it expects the top line to rise by 25-30% in FY22, it will be looking to minimize any negative impact on margins from the shift in product mix.
16. The company's bid for the Brucella tender was the 2nd lowest and it has decided to not compete this year and go for it next year. It had already manufactured some vaccines in anticipation which

have already been sold in international markets at much higher prices which have helped mitigate any impact from this tender loss.

17. The management is confident that by making some changes, the Nepal plant can also be made ready to manufacture human vaccines.
18. The new facility made for Bharat Biotech can also be used in the future by Hester to handle many more viruses or bacteria. The capacity for this plant is expected to be at 50 lakhs to 1.5 crore doses a month.
19. The management expects the poultry business to grow 10-15% while the animal health business is expected to grow almost 50%. The management also expects to maintain current margins in the worst case.

Analyst Views:

Hester Bio has had a tough time in H1 this year with the COVID-19 outbreak and delays in the animal vaccine tenders. The company had a good Q4 with profits doubling YoY despite the absence of the domestic animal vaccine tender business & FAO tenders from Nepal. The company has made good inroads in the animal health products space and the poultry business remains resilient. The company has also entered an MoU with Bharat Biotech to make its drug substance which should yield 50 lacs to 1.5 Cr doses per month from August onwards. It is also looking forward to the start of production in Hester Africa in Sep. It remains to be seen how long the slowdown in animal vaccine tenders in India & from FAO continues and how long it will take for the company's novel vaccine in partnership with IIT Guwahati to be completed. Nonetheless, given its excellent technical expertise and the future potential of its international operations, and its upcoming foray into animal health products, Hester Biosciences remains a good small-cap stock to watch out for.

Syngene

Financial Results & Highlights

Brief Introduction:

Syngene International Limited, a contract research and manufacturing company, provides drug discovery and development services in India and internationally. The company serves start-up companies, pharma/biotech, agrochemical, chemical, nutrition, and animal health companies. It has partnerships with Bristol-Myers Squibb Co.; Baxter International Inc.; Amgen Inc.; Zoetis Inc.; GSK; Merck KGaA; Artelo Biosciences, Inc.; PharmAust Limited; HiMedia Laboratories; and Zumutor Biologics. The company was incorporated in 1993 and is based in Bengaluru, India. Syngene International Limited is a subsidiary of Biocon Limited.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	677	628	7.80%	601	12.65%	2244	2094	7.16%
PBT	192*	153	25.49%	116	65.52%	467*	516**	-9.50%
PAT	161	120	34.17%	102	57.84%	404	412	-1.94%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	677	628	7.80%	602	12.46%	2249	2094	7.40%
PBT	192*	153	25%	117	64.10%	469*	517**	-9.28%
PAT	161	120	34%	102	57.84%	405	412	-1.70%

*Contains an exceptional item of gain of Rs 35 Cr

**Contains an exceptional item of gain of Rs 71.3 Cr

Detailed Results:

1. Consolidated revenues were up with 7.8% YoY in Q4. Profit has risen 34% YoY in Q4 and 15% YoY when not accounting for exceptional gains.
2. FY21 saw revenue growth of 7.4% YoY while profits fell 1.7% YoY.
3. EBITDA margin at 33% in the quarter and 31% in FY21.
4. Syngene extended strategic collaboration with Bristol Myers Squibb until 2030.
5. It also completed qualification for Mangalore API facility for GMP certification.
6. Syngene received ISO/IEC 27001:2013 accreditation for the majority of its units.
7. Syngene also commissioned HPAPI lab to support scale up for manufacturing.

Investor Conference Call Highlights

1. The contract extension with BMS should provide for a 40% increase in the number of dedicated scientists as well as adding some additional lab space.
2. Syngene has 10 clients now on IDD projects.
3. In the last quarter, 10 of Syngene's scientists were cited in globally renowned publications.

4. Syngene's investments in digitization and automation have helped improve the speed of delivery and reduce the turnaround time.
5. Digitization initiatives now completed include a complete upgrade of the quality management system, a sophisticated document management system as well as the more widespread use of laboratory information management systems.
6. Syngene is manufacturing remdesivir under a voluntary license agreement with Gilead. This is not expected to yield any significant profits.
7. The company has added 40 new clients in FY21 taking the total to >400.
8. The BMS dedicated center now has more than 600 scientists.
9. The raw material cost for the quarter has marginally increased from 25% of revenues to 26% due to a shift of business mix towards manufacturing of biologics.
10. The headcount has risen 11% YoY to 5400 employees.
11. The company saw a forex gain of Rs 5 Cr in Q4 vs a forex loss of Rs 1 Cr last year.
12. The exceptional gains in Q4 were due to returns from insurance.
13. The company has added capacity to its Mamilion capabilities with 1 additional 2,000-liter reactor.
14. Syngene is also looking to start investing in viral vector development and manufacturing capability that will cater to clinical and commercial supplies of viral vectors to be used for cell and gene therapy. The manufacturing facilities will have a scale of operations up to 200-liter bioreactors, which can be further scaled up based on business needs. This initiative is supported by Biotechnology Industry Research Assistance Council under the National Biopharma Mission.
15. BIRAC has also provided Syngene a grant to part-fund this project. The first phase of this plant will require around INR 200 crores of investment, and the plant will be ready for operations in 2 years.
16. The CapEx plan is expected to be between INR 750 crores and INR 900 crores for the financial year 2022, including unspent CapEx rollover from the previous year.
17. EBITDA margins have historically been in the range of 30-33% and are expected to stay in the same range according to the management.
18. The management states that the biggest learning from the pandemic was to reduce dependence on physical sales channels and to enhance digital initiatives.
19. The management has warned that there might be some margin compression in the near future owing to the hiring of new scientific and sales people in USA, EU and client locations.
20. The company is awaiting approval for Odevixibat which is to be used to treat PFIC for children. This is the only treatment for the disease right now. This program is a good example of Syngene's core integrated end-to-end offering according to the management.
21. The management has guided for revenue growth close to 15% in FY22.
22. Sales growth in $ terms excluding other income has been 12% YoY.
23. The management states that the inherent advantage of India as a research destination is the widespread availability of Masters and PhDs as compared to western economies.
24. Around 10% of revenues come from the non-pharma segment.
25. The management maintains that in looking for capex projects, Syngene always looks to maintain asset turnover of 1 or more for a period of 5 or more years while revenue generation period should be at least 15-20 years.
26. The management remains confident of the IDD potential for Syngene and states that the company's ability to construct an integrated value chain right from IDD to manufacturing will be what drives its growth in the medium term.

Analyst's View:

Syngene is a fast-rising player in the CRMO space and has established itself well with its associations with industry leaders in the pharma space like Bristol-Myers Squibb, Amgen and others. It has seen a good Q4 with the contract extension with Bristol Myers Squibb until 2030. The company has also been enhancing its digital side to reduce turnaround time and improve efficiencies. The management remains confident that the IDD research capability and the end-to-end value chain construction ability will be what drives growth for Syngene for the next 5 years. It remains to be seen how long will it take for the company's foray into CMO to bear fruit and whether there are any surprises in store for Syngene from the 2nd wave of COVID-19. Nonetheless, given its scientific capabilities, its associations with industry leaders for drug discovery, and its expanding reach in the global pharma space, Syngene is a pivotal midcap pharma stock to keep in mind for all investors.

INSURANCE

HDFC Life

Financial Results & Highlights

Brief Company Introduction

HDFC Life (HDFC Life Insurance Company Ltd.) is a long-term life insurance provider with its headquarters in Mumbai, offering individual and group insurance.

It is a joint venture between Housing Development Finance Corporation Ltd (HDFC), one of India's leading housing finance institution and Standard Life Aberdeen PLC, leading well known provider of financial savings & investments services in the United Kingdom.

HDFC Life has about 414 branches and presence in 980+ cities and towns in India.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	19191	419	4480.19%	21127	-9.16%	71242	29261	143.47%
PBT	309	284	8.80%	267	15.73%	1353	1312	3.13%
PAT	318*	312**	1.92%	265	20.00%	1360***	1295	5.02%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	19193	430	4363.49%	21219	-9.55%	71268	29283	143.38%
PBT	310	284	9%	265	16.98%	1354	1314	3.04%
PAT	319*	312**	2%	263	21.29%	1361***	1297	4.93%

*contains tax provision of Rs 9 Cr.

***contains tax provision of Rs 27 Cr.

***contains tax provision of Rs 7 Cr.

Detailed Results:

1. There was 14% YoY growth in the value of New Business (VNB) in FY21.
2. Individual WRP (Weighted received premium) grew 40% YoY in Q4 & 17% in FY21 vs industry growth of 8%. Individual APE (Annualized Premium Equivalent) grew 16% YoY while Total APE also grew by 13% YoY in FY21.
3. The new business premium was up 17% YoY while the renewal premium grew 19% YoY in FY21. The new business Margin was at 26.1% while operating return on embedded value was at 18.5% in FY21 vs 18.1% a year ago.
4. There was also a 4% YoY growth in Individual Protection while Group Protection fell by 21% YoY in FY21.
5. Indian Embedded Value grew 29% YoY in FY21.
6. The company maintained a solvency ratio of 201%.

7. Ranked #2 in terms of Individual WRP with market share expanding by 130 bps from 14.2% to 15.5%. The overall market share for the company within the group and the new business segment rose to 27.6% & 21.5% respectively.
8. As of 31st Mar 2021, the AUM was at Rs 1.74 Lac Cr and had a 64:36 debt to equity mix. 98% of debt investments were in G-Sec and AAA-rated bonds.
9. The product mix was at: UL: 24%, Par: 34%, Non-par savings: 31%, Protection: 7%, Annuity: 5%.
10. The operating expense to total premium ratio was maintained at 12% in FY21 vs 13.1% a year ago.
11. HDFC Pension Fund saw AUM growth of 98% YoY while market share rose to 34.4% from 31.1% last year.
12. 13M and 61M persistency was at 90% and 53% respectively.
13. The board announced a final dividend of Rs 2.02 per share for FY21.

Investor Conference Call Highlights

1. In FY21, HDFC Life settled over 2.9 lakh death claims resulting in pay-outs over Rs 3,000 Cr.
2. The share of the banca channel in individual APE increased to 61%, while that of the agency & direct channel declined 13% & 19% respectively in FY21.
3. The company saw a rise in demand for savings products as customers continued to evaluate investing in bundled solutions to secure both their financial needs as well as protection requirements.
4. Individual protection demand in FY21 remained high but the sales in this business were constrained by lack of physical medical tests, central medical database, and mobility challenges. The management remains confident of the long-term opportunity in the protection space.
5. The management reiterated its positive stance on the pension opportunity. Although there are indeed some supply-side constraints in annuities, the long-term growth opportunity in this space remains intact.
6. Medium-term growth in annuity is expected to be higher than the overall company growth.
7. The company has created an additional COVID-19 reserve of Rs 165 Cr in Q4 to bring the total up to Rs 1360 Cr in FY21.
8. The banca channel grew 29% YoY in FY21. The contribution of business from Tier 2 and 3 locations increased to over 15% of online business.
9. The management has stated that HDFC Life will continue to maintain VNB margin at current levels. The margin expansion in FY21 here was due to a better product mix and higher growth across channels.
10. The industry partnerships made in FY21 with Ujjivan, Equitas, and many others are expected to contribute to growth from FY22 onwards from tier 2 & 3 markets.
11. The management has stated that there might be a possibility of a hike in reinsurance rates in the future.
12. The HDFC bank channel has done well in FY21 with high branch conversion and increasing HDFC Life penetration in rural regions with the expansion of HDFC Bank.
13. The reason behind the growth in the HDFC bank channel is said to be the full training given to its employees and the fact that the bank branches remain open as essential services while other physical channels have to close during the lockdowns.
14. Branch sales for HDFC Life were low due to low footfall in branches as they remained open only to service the critical needs of customers.

15. There is still uncertainty regarding the phenomenon called Long COVID appearing in COVID patients post recovery and how it will affect the insurance industry.
16. The company will continue its growth plans in UL in a calibrated manner.

Analyst's View:

HDFC Life is one of the front runners in the life insurance industry in India. The company has gone from strength to strength and maintained a good balance of new business and existing business while consistently growing over the years. The company has done well to outpace industry growth in Q4 and clock NBM of 26.1%. The results show a sustained rise in Individual WRP, its market share and renewal premium remains strong outpacing the industry growth. The company has also done well to extend partnerships with various banks and SFBs in FY21 which should lead to higher penetration in tier 2 & 3 regions. It also maintains that the opportunity in annuity space which is even bigger than the protection opportunity. It remains to be seen whether the situation ahead unfolds with the rise of the 2nd wave of COVID-19 & how will the industry change from its long-term impact of COVID-19 (Long COVID). Nonetheless, given the company's market positioning, its dynamic product portfolio, and its emphasis on the development of non-traditional channels and innovative products, HDFC Life remains a pivotal insurance stock in the country.

ICICI Prudential Life Insurance

Financial Results & Highlights

Brief Company Introduction

ICICI Prudential Life Insurance Co. carries on the business of providing life insurance, pensions, and health insurance products to individuals and groups. Riders providing additional benefits are offered under some of these products. The business is conducted in participating, non-participating, and unit-linked lines of businesses. These products are distributed through individual agents, corporate agents, banks, brokers, the Company's proprietary sales force, and the Company website.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	19639	-7648	-356.79%	28548	-31.21%	84079	21940	283.22%
PBT	114	172	-33.72%	327	-65.14%	1081	1069	1.12%
PAT	64	179	-64.25%	306	-79.08%	960	1069	-10.20%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	19639	-7648	-356.79%	28548	-31.21%	84079	21940	283.22%
PBT	112	171	-35%	325	-65.54%	1077	1067	0.94%
PAT	63	179	-65%	304	-79.28%	956	1067	-10.40%

Detailed Results:

1. There was a flat YoY movement in the Value of New Business (VNB) in FY21.
2. APE (Annualized Premium Equivalent) fell 12.5% YoY in FY21 and grew 27.1% in Q4.
3. The new business premium grew by 22.9% YoY in Q4 & 5.5% YoY in FY21. The new business margin was at 25.1% in FY21 vs 21.7% last year.
4. Embedded Value grew 26% YoY in FY21.
5. Total AUM grew 40% YoY since March 2020 to Rs 2142 billion and had a 55:45 debt to equity mix. 95.8% of debt investments were in AAA-rated bonds.
6. The company maintained a solvency ratio of 216.8%.
7. The cost to the TWRP ratio declined by 110 bps to 14.8% in FY21.
8. 13th Month & 61st Month Persistency improved to 84.8% (from 83.2% last year) & 58.3% (from 56% last year) respectively.
9. The company announced a final dividend of Rs 2 per share for FY21.
10. The sum assured market share in Protection segment grew to 13% from 11.8% last year.

Investor Conference Call Details:

1. The average time taken for settlement of all the claims was 1.4 days in FY21.
2. ULIP accounted for less than 50% of sales while non-linked savings and protection accounted for 31% and 16% of sales.

3. ULIPs have come under pressure when the Union Budget announced that high ticket ULIPs will be incurring capital gains tax from Feb 1 2021.
4. The company holds additional reserves of Rs 3.3 billion for potential COVID-19 claims.
5. For FY21, non-linked savings business grew by 56% YoY and annuity business grew by 120% YoY.
6. The AUM managed by Pension Fund Management Company has increased by 74% YoY to INR 75.59 billion as of March '21. Its PFMs market share has increased to 18.4% from 14.8% last year. With the renewal of the PFM license, the company can now charge 9 bps as management fees vs 1 bp earlier.
7. The company added 20,000 new agents in FY21.
8. The company now has a total of 23 bank partnerships and has expanded its reach to 162 million bank customers through this.
9. The annuity business through ICICI bank channel grew 400% YoY.
10. The agency and partnership distribution channels grew by 37% YoY and 63% YoY respectively.
11. The company delivered its highest ever monthly APE value of INR 11 billion in March.
12. Around 3.9% of margin improvement has been on account of business mix, which includes a higher non-linked savings and protection mix. 0.2% margin improvement was due to expense management while 0.7% margin degradation was due to yield curve coming down.
13. The RoEV for FY 2021 stood at 15.2%.
14. The management is confident of maintaining good momentum going forward given its stellar performance in March.
15. The management states that the entire group term margin outcome is a function of the level of pricing that ICICI Pru are able to sustain and what is the stickiness of the group client over a period of years.
16. The management has stated that it is not averse to releasing a ROP product and will do so if there is good demand for it from the consumers.
17. The management expects that the new banking partnerships should add to productivity by year 2 at the most. One of these has already grown 30% YoY already.
18. The company is also working to leverage technology and build its direct channel to reduce dependency on the banca channel.
19. The entire industry is also leaning towards moving physical sales to electronic sales and the regulator is also providing aid to this shift by dispensing with the physical signatures and going for electronic signatures and policy sales on virtual platforms and other measures.
20. The long term repricing will be a gradual process and will not be taken abruptly especially given the state of the country from COVID-19 and the urgent requirement of such products.
21. The ICICI bank has decided to focus mainly on protection and annuity businesses as they see a lot of value in the differentiated proposition that they can offer to their customer segments apart from focusing on banking products.
22. The management expects to achieve growth of 25-28% in FY22.
23. The company has observed that total claims in FY21 in other countries has been 20-40% higher than pre-covid times, depending on the country. But the number of lives claimed is only 2500 so far which highlights the massive under-penetration here.
24. VNB margin expansion in linked savings business was mainly driven by expense efficiency and increased rider attachment.
25. The company has been in the group business in large institutions for a fairly long time. It has also seen keen interest from customers to strengthen their employee benefit propositions using stronger group protection.

26. The management doesn't see this to be a temporary phenomenon and is confident that this move is here to stay.
27. The uncertainty in retail protection stems from underwriting norms and risk appetite in a live pandemic environment.
28. The online channel accounts for less than 10% of protection business and the majority of protection is from intermediary channels like banca, agency and others.
29. The credit life business was following the banking and loan industry in India and had recovered in Q3 & Q4 along with these industries. The company also observed that the banking partners returned to growth faster than NBFC partners.
30. Nonlinked savings business sees 40% of its sales from non-ICICI banca channel.

Analyst Views:

ICICI Prudential Life is one of the front runners in the life insurance industry in India. The company has established itself as one of the mainstays of the private insurance industry since its start more than 40 years ago. The company has done well to deliver good performance of VNB growth of >20% in Q4 and growth in EV of 26% YoY. The performance of the company's protection business is particularly encouraging with group protection being a special focus. The company has also seen a good increase in persistency across the board which highlights the resilience of its base. It was also able to deliver its highest ever monthly APE in March. It remains to be seen how the company will be able to fulfill its guidance for doubling FY19 VNB and whether it will be able to maintain its growth momentum from March given the dire state of the country from the 2nd wave of COVID-19. Nonetheless, given the company's market position, track record, and reach in the market, ICICI Prudential is a pivotal insurance stock to watch out for.

LIFESTYLE PRODUCTS

Vaibhav Global

Financial Results & Highlights

Brief Introduction

Vaibhav Global is a company dealing in fashion jewellery and lifestyle products. They mainly source and assemble their products in India and South East Asia and sell these products in the US and UK primarily. They sell both to businesses and retail customers whom they reach through TV sales channels and shows through they reach more than 100 million TV homes in the US and UK.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	132	198	-33.33%	131	0.76%	462	543	-14.92%
PBT	23	108	-78.70%	14	64.29%	51	133	-61.7%
PAT	21	106	-80.19%	13	61.54%	47	127	-62.99%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	673	502	34.06%	729	-7.68%	2558	2001	27.84%
PBT	72	48	50%	116	-37.93%	344	236	46%
PAT	56	40	40%	92	-39.13%	272	190	43.16%

Detailed Results:

1. The company continued its phenomenal run in FY21 with a consolidated revenue rise of 34% YoY and PAT rise of 40% YoY. Retail revenues rose 33% YoY in Q4 & 31% YoY in FY21.
2. EBITDA grew 41% YoY with margins improving 70 bps YoY to 12.8%.
3. The company has declared a final dividend of Rs 1.5 per share bringing up the total dividend for FY21 to Rs 17.5 per share.
4. TV sales accounted for 64% of sales while web sales accounted for 36% in FY21. Mobile sales accounted for 61% of web sales in Fy21.
5. Non jewellery items now account for 31% of sales in FY21.
6. The company has a TV reach of 79 million households in the USA and 25 million households in the UK.
7. The revenue growth in different categories in Q4 is:
    1. TV sales: 27.9% up YoY (Rs 417 Cr)
    2. Web sales: 43.2% up YoY (Rs 242 Cr)
    3. B2B: 115.6% up YoY (Rs 7 Cr)
8. Shop LC revenues grew 28.7% YoY to $62.7 million in Q4 & 22.2% YoY to $234.9 million in FY21.
9. TJC UK revenues grew 35% YoY to GBP 20.1 million in Q4 & 31.6% YoY to GBP 80.2 million in FY21.
10. TV sales volumes have risen to 2.05 million in Q4 from 1.529 million last year. Correspondingly average selling price has fallen to $27.9 from $29.5 a year ago.

11. Web sales volumes have risen to 1.348 million from 1.067 million a year ago. The average selling price here has risen to $24.6 from $21.9 a year ago.
12. Gross margins in Q4 have risen to 61.2% from 60.4% last year while EBITDA margin has risen to 12.8% from 12.4% in the same period.
13. PAT margin in Q4 has also improved to 8.4% from 8% a year ago.
14. The company has a negative net debt of Rs 377 Cr.
15. Operating cash flow for FY21 was at Rs 324 Cr while free cash flow was at Rs 268 Cr.
16. ROE in FY21 was at 32% while ROCE was at 61%.

Investor Conference Call Highlights:

1. VGL now has a cash balance of Rs 468 Cr on the balance sheet.
2. The unique customer count has grown 38% YoY to a total of 501,000 (321,000 in USA & 179,000 in UK).
3. Shop LC, USA added international marketplaces like Amazon and Walmart Canada to its system.
4. VGL launched a new channel in TJC called TJC Beauty, which focuses on offering beauty products while providing viewers with expert reviews.
5. The company recently announced the formation of Shop LC GmbH which will be covering Germany. Germany is Europe's largest home trading market with 38 million TV homes. The management is confident of breaking even in Germany within 3 years of rollout.
6. Capex in the German entity is expected to be at $2 million in FY22.
7. VGL registered an average purchase of 27 pieces on a TTM basis in FY21 by customers as compared with 30 pieces in FY20.
8. The customer retention rate stood at 51.5% on a TTM basis, which was higher than 50% last year.
9. The management guides for 15% to 18% retail revenue growth in constant currency terms in UK & USA.
10. During FY '21, CapEx of INR 56 crore was incurred, mainly for investments in newly commissioned solar power projects, studio improvements, warehouse improvements, ERP, mobile upgrades, and website upgrades.
11. Q4 expenses had 2 one-time items of a one-off COVID bonus payout and some initial OpEx on the German company setup.
12. The new separate beauty channel is only live 4 hours a day compared to 24 hours of the regular new channels. It is to be scaled up slowly from 4 hours to 8 hours as more customers come in. it is operating at a profit currently.
13. The management expects operating losses of $3-5 million in the first year of operations in Germany.
14. The company is seeing the clearance and rising auctions pulling in higher ASPs in the web channel.
15. The company is not going for a separate TV channel for Canada and is mainly relying on web channel and US shipping facilities to service Canadian customers. The company will only be using the TV channel from the U.S. broadcasting into Canada.
16. The focus on German operations will be predominantly on jewelry.
17. The management expects growth in digital to continue to outpace overall growth for VGL.
18. The company has reduced its delivery time in UK to within 24 hours of dispatch.
19. The debt has increased in FY21 as the company was eligible for the paycheck protection program loan in USA and it decided to take a PPP loan of $4.8 million. VGL has already applied for forgiveness as per the rules of the scheme but has not received audit confirmation yet.

20. VGL will convert this $4.8 million into a grant on audit completion. Till then it will stand as a loan in the balance sheet.
21. The $2 million capex in the German entity includes the website, new offices, and a new studio that is going to be built.
22. Through social media and web channels, the company is targeting the female 40-plus demographic as most of its products are geared towards this segment.
23. The packaging and distribution expense has risen sharply mainly due to the TJC PLUS membership program and the rising Lifestyle Products which incur higher shipping costs.

Analyst's View:

Vaibhav Global has established itself as an influential player in the jewellery exporting and telecommerce business. They have consistently delivered good revenue growth in recent years and continue to grow their business through new selling mechanisms and product offerings. The company has had another blockbuster quarter with revenue growth of 34% & profit growth of 40% in Q4. It has also seen its unique user base expand 38% YoY to 5.01 lacs. The company has also launched a new channel TJC Beauty which is already profitable and has established its German subsidiary. It is expecting this new geography to break even in 3 years. It remains to be seen how long the company will be able to maintain its current growth pace and match up to its other TV sellers rivals like QVC and JTV, and whether the venture into the new country become fruitful as per management expectations. Nonetheless, given the company's prudent and efficient cost management, its resilient supply chain, and its agility to introduce new products fast depending on changing situations, Vaibhav Global seems to be an interesting jewellery stock to watch out for.

VIP Industries

Brief Company Introduction

VIP Industries Ltd is an Indian luggage maker which is the world's second largest and Asia's largest luggage maker. The company has more than 8,000 retail outlets across India and a network of retailers in 50 countries. VIP's products are imported in numerous other countries. It acquired United Kingdom luggage brand Carlton in 2004. It also owns the Aristocrat and Skybags brands which are very popular in India.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	258	316	-18.35%	239	7.95%	673	1734	-61.19%
PBT	-16	-6	-166.67%	-9	-77.78%	-113	121	-193.4%
PAT	-12	-6	-100.00%	-9	-33.33%	-85	89	-195.51%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	259	316	-18.04%	242	7.02%	667	1727	-61.38%
PBT	-6	10	-160%	-8	25.00%	-125	148	-184%
PAT	-4	10	-140%	-7	42.86%	-97	112	-186.61%

Detailed Results:

1. The results for the quarter were down YoY with 18% YoY decline in standalone and consolidated revenues.
2. The profits for the quarter were in negative territory in both standalone & consolidated terms.
3. The company saw good performance on QoQ basis in consolidated terms.
4. Gross Margin for VIP after netting of other income was 47%. It was mainly due to higher discounts and liquidation of old stocks.
5. EBITDA margin was at 8% vs 8% last year.
6. Overall Expenses were down by 29% YoY in Q4 & 52% YoY in FY21. Employee cost was lower by 8% YoY & Other expenses were lower by 38% YoY.
7. The company has cash & cash equivalents of Rs 231 Cr as of 31st Mar 2021.
8. Net borrowings were at Rs 154 Cr as of 31st Mar 2021.
9. Net debt was at 0.

Investor Conference Call Highlights

1. The polycarbonate ABS prices were almost 2.3x to 2.5x of pre-COVID level.
2. The management expects to sustain cost reductions of Rs 80-90 Cr at the annualized level.
3. The post-pandemic impact on consumer behaviour has been mainly focused on safety and security with demand for hard luggage greater than that for soft luggage.

4. The management has stated that margins will be dependent on the demand situation and how it comes back to pre-covid levels.
5. The management expects that this time the turnaround will be faster than the last downtime.
6. The management has stated that it doesn't expect any more cuts in employee strength going forward.
7. The company has not been affected by the disruption in Indo-China trade as most of the RM from China is being used in Bangladesh.
8. The management assured that the reason for VIP's gross margins being less than other listed peers is mainly on accounts of ongoing discounts and it shall come back to original levels as these discounts go away.
9. VIP has done 2 price increases in March and April in selective products due to the rise in import prices.
10. The company did Rs 171 Cr of cost savings in FY21 and the management states that around 50% of this savings should carry forward in normal times.
11. The management is confident of delivering normal sales for Rs 600-700 Cr in normalcy despite the reduction in stores and employees.
12. The value portfolio has seen a greater contribution in FY21 vs FY20. This was mainly due to pushing on the e-commerce channel and the low sales of other big brands like Skybags.
13. The management is confident of getting back lost market share and it will be pursuing it once normalcy returns to get it back to previous levels.
14. The E-commerce channel is showing good traction in tier 2 and 3 cities for VIP.
15. Other than the rise of the e-commerce channel, the management expects all other channels for the industry to stay at normal levels once the industry revives.
16. The short-term loans taken in FY21 will be repaid in July & Sep.
17. The management is confident that the Bangladesh plant is technically capable enough to make all the products that were being imported from China.
18. The management expects FY22 to be muted as well given that most of the Q1 (its best season) was under local lockdowns. Thus, it expects the recovery to growth by FY23 at the least.
19. In FY21, 17% of sales were from the ecommerce channel. The rise of this channel has also resulted in the rise of the value segment in the product mix as mostly low-priced products are sold here for the entire industry.
20. Q1 was much better than expected according to the management. This was mainly due to the stocking of enough inventory in both RM and finished goods. VIP is also looking at revamping its whole supply chain structure & inventory optimization.
21. The major focus for VIP remains the recovery of domestic business. It is indeed on the lookout for export opportunities but will not be aggressively pursuing them. The Middle East is the biggest market for VIP after India.

22. The company is planning capex of Rs 10-20 Cr for enhancing capacity in H2.

Analyst's View:

VIP has been the market leader in the soft and hard luggage segment in India for a long time now. The company is one of the biggest luggage manufacturers in the world by volume. However, the company and the industry have been facing tough times with sales contraction due to a fall in demand and disruption from COVID-19. The company continued to see good sequential recovery in Q4 but Q1 was again hit hard with the 2nd wave of COVID-19. As per the management, it will take at least FY23 for the company and industry to come back to normalization. It remains to be seen how VIP continues to strengthen its internals in the meantime and develop the ecommerce channel which was small for them so far. Given the slowdown in travel and travel activities at the moment, demand-revival seems a distance away. Nonetheless, given the company's strong brand image and leadership position in the industry along with the resilient balance sheet of the company, VIP industries remains a pivotal mid-cap stock to watch out for.

MICROFINANCE & SMALL FINANCE BANKS

AU Small Finance Bank

Financial Results & Highlights

Brief Introduction:

AU Small Finance Bank is an Indian scheduled commercial bank that was founded as vehicle finance company AU Financiers (India) Ltd in 1996 and converted to a small finance bank on 19 April 2017.

AU Small Finance Bank has a long-standing track record of over two decades of being a retail-focused and customer-centric institution; serving low and middle income individuals and micro/small businesses that have limited or no access to formal banking and finance channels. The Bank offers a comprehensive suite of loan, deposit & payment products and services.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1569	1367	14.78%	1925	-18.49%	6402	4992	28.25%
PBT	196	165	19%	589	-66.72%	1459	914	60%
PAT	169	122	39%	479	-64.72%	1171	675	73.48%

Detailed Results:

1. AU had a decent quarter with revenue growth of 15% YoY and PAT growth of 39% YoY in Q4. Removing the effect from Aavas stake sale, FY21 revenues grew 17% YoY and PAT grew 1% YoY.
2. The AUM for the company grew 22% YoY, while disbursements in FY21 were flat YoY.
3. Deposits have gone up 38% YoY.
4. CASA Ratio was at 23% in Q4FY21 vs 14% last year.
5. The yield on AUM stayed stable at 14.1% in FY21 vs 14.7% a year ago. The cost of funds fell to 6.8% in FY21 vs 7.7% a year ago. Thus, Yield spread grew to 7.3% in FY21 vs 7% a year ago.
6. ROE for FY21 fell by 380 bps YoY to 12%. On including the profit from the sale of a stake in Aavas, the ROE goes up to 23.4% in FY21.
7. The cost to income ratio for Q4 was at 59.9% vs 57.9% a year ago. The same in FY21 was at 52.4% vs 56.1% a year ago.
8. Opex was at 4.6% in Q4 vs 4.2% a year ago. The same was 3.5% in FY21 vs 3.8% a year ago.

9. GNPAs rose to 4.3% vs 3.7% last quarter & 1.7% last year and NNPA followed a similar pattern and rose to 2.2% in Q4 vs 0.8% last year.
10. PCR was at 50% in Q4 vs 43% a year ago.
11. CRAR for Q4 was maintained at 23.4% with tier 1 capital at 21.5%.
12. NII for the SFB rose 24% YoY in FY21 while other income rose 29% YoY in FY21. NIM is at 5.3% in Q4.
13. The company maintained a comfortable LCR of 119% in the quarter.
14. Retail deposits (CASA + Retail TD) now at 55% of deposits in Q4.
15. Overall collection efficiency in Q4 was at >100%.

Investor Conference Call Highlights:

1. AUM growth was aided by disbursals of vehicles, secured business, and housing loans rebounded back. Disbursements grew 48% YoY.
2. The sharp increase in GNPAs is due to the relaxation of the Supreme Court directive issued in H1FY21.
3. The local lockdowns in key states of Rajasthan, Gujarat & Maharashtra are expected to result in lower collections in Q1.
4. Collection efficiency in April has already gone down 5-7% with the taxi segment dipping the most.
5. Opex growth was higher as the bank invested in technology, launching credit cards, and strengthening collection teams along with expanding branch network to 729 vs 528 in FY20.
6. The management stated that the bank will continue to invest in expanding branch network expansion and technology and thus cost to income should remain high in the next few years.
7. The bank restructured loans of Rs 641 Cr during Q4 which brings the total to 1.8% of total advances.
8. The management has indicated that the cab aggregators segment will remain under pressure due to local lockdowns.
9. The bank has also made its credit screening stricter and thus rejection rate has risen by 10%.
10. The customer base for AU is now at over 20 lakhs.
11. The average collection efficiency of Q4 was above 120%.
12. Although PCR has fallen to 50%, the management is confident that the LGD will remain low as most of the loans are secured by the vehicle or property.
13. All costs in Q4 were at normal levels except ESOPs which were elevated and should come back to normal soon according to the management.
14. the management assures that despite the high disbursements in FY21 despite the pandemic situation, the bank has not relaxed its underwriting and it remains confident that after the initial shock at the start of the pandemic, customer repayment should get more and more steady as we get more used to operating during the pandemic.
15. The average cost of SA was 5.7% for AU.

Analyst's View:

AU Small Finance Bank has been a fast-rising player in the banking and microfinance sector in the country. The company has differentiated itself from other microfinance players by structuring itself early as a commercial bank accepting savings and term deposits. The company had a decent quarter with 39% PAT growth & a good rise in disbursements in Q4. But it also saw the GNPAs rise swiftly to 4.3% with the withdrawal of the Supreme Court directive. The bank has also seen collections rising above 120% in Q4. The bank remains committed to maintaining its current spending levels in tech and expansion. Despite the rise in GNPAs and the corresponding decline in PCR, the management remain confident that the bank has enough provisions to tide over the current situation. It remains to be seen whether Au will be able to maintain its robust growth momentum with the advent of the 2nd wave of COVID-19 in India and how will the company's digital journey pan out. Nonetheless, given the company's good performance record, its robust customer engagement, and its prudent management of its AUM, AU Small Finance Bank remains a good small finance stock to watch out for.

Credit Access Grameen

Financial Results & Highlights

Brief Introduction:

CreditAccess Grameen Limited (formerly known as Grameen Koota Financial Services Pvt. Ltd.) is a microfinance institution providing a wide range of financial services to the rural poor and low-income households, particularly women. It is registered with the Reserve Bank of India under the NBFC-MFI category. The company provides loans primarily under the joint liability group (JLG) model. Its primary focus is to provide income generation loans which comprised 87.02% of its total JLG loan portfolio, as of March 31, 2018. It also provides other categories of loans such as family welfare loans, home improvement loans and emergency loans to existing customers.

CreditAccess Grameen is also an aggregator of the National Pension Scheme (NPS) of the Government of India. As of March 31, 2018, CreditAccess Grameen had 516 branches across 132 districts in the states of Karnataka, Maharashtra, Madhya Pradesh, Chhattisgarh, Tamil Nadu, Odisha, Kerala, Goa, and the union territory of Puducherry.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	609	461	32.10%	440	38.41%	2031	1684	20.61%
PBT	99	30	230.00%	-95	204.21%	194	451	-57.0%
PAT	72	23	213.04%	-72	200.00%	142	328	-56.71%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	726	482	50.62%	543	33.70%	2466	1705	44.63%
PBT	79	41	93%	-105	175%	180	462	-61%
PAT	56	31	81%	-79	170.89%	131	335	-60.90%

Detailed Results:

1. The company had a good quarter with a 32% YoY rise in standalone revenues. The consolidated numbers are not comparable due to the addition of Madura MFI revenues in FY21 which was not present last year.
2. The standalone PAT for the company saw a profit of Rs 72 Cr.
3. GLP grew 13% YoY to Rs 13,587 Cr. Standalone GLP grew 14.6% YoY. MMFL GLP grew 7% YoY.
4. Disbursements grew 42% YoY with CAGL up 42% YoY and MMFL up 41% YoY.
5. New disbursals (June 2020- March 2021) accounted for 69% of GLP.

6. The customer base fell 3.5% YoY to 3.912 million. The standalone customer base fell to 2.871 million down 1.2% YoY. MMFL's customer base fell by 9.7% YoY.
7. NII has risen 58.7% YoY to Rs 463.7 Cr. PPoP grew 83.3% YoY at Rs 329 Cr.
8. Total ECL provisions were 5% in CAGL and 5.07% in MMFL.
9. Overall RoA and RoE were at 1.5% and 6%.
10. Overall GNPA was at 4.43%.
11. CRAR: CAGL 31.8% (Tier 1: 30.5%), MMFL 20.9% (Tier 1: 17.7%).
12. Collection efficiency at 94% for CAGL in March excluding arrears & including it collection was at 97%. MMFL collection efficiency excluding arrears was at 90% and including it was at 91%.
13. Standalone debt to equity was at 2.4 times. MMFL debt to equity was at 5.3 times.
14. Standalone cost to income ratios was at 29.2% in Q4 & 34.8% in FY21. Opex to GLP was at 4.6% in Q4 & 4.5% in FY21.
15. WA cost of borrowing for CAGL was at 8.9% in Q4.
16. Positive ALM mismatch with an average maturity of assets at 18.5 months and average maturity of liabilities at 22.7 months in CAGL.
17. GL loans accounted for 96.4% of total loans for CAGL with the rest being retail finance.
18. GL loan usage breakup was:
    1. Animal Husbandry: 45.7%
    2. Trading: 26.6%
    3. Partly Agri: 15%
    4. Production: 7.9%
    5. Housing: 1.6%
    6. Others: 3.2%
19. Only 1 district for CAGL & 2 districts for MMFL have >4% of the total loan portfolio currently.
20. Karnataka remains the biggest market for the company with 38.2% of GLP. Maharashtra comes in second with 23.4% of GLP and Tamil Nadu is third with 18.9% of GLP.

Investor Conference Call Highlights:

1. The consolidated customer base declined from 40.55 lakhs to 39.12 lakhs primary due to the write-off of over 2.4 lakh delinquent borrowers.
2. The company added a total of 4 lakh new borrowers at CAGL primarily during H2 and 1.6 lakh borrowers at MMFL during the same period.
3. Consolidated NII grew by 59% YoY.
4. The company decided to recognize accelerated write-off of accounts worth Rs 273 Cr with 180 DPD and no payment since Jan 2021, resulting in an additional credit cost of Rs 64 Cr in Q4.

5. The process integration of MMFL is expected to be complete in H1FY22.
6. The company maintained liquidity of over 15% of gross AUM and holds undrawn sanctions over Rs 2614 Cr.
7. It is seeing a decline of 5-6% in collections in April due to localized lockdowns.
8. The drop in customer base is due to customer attrition, where 5% to 8% natural attrition is there accounting for 2.4 lakh, & a rise in portfolio per customer due to vintage linked increase.
9. Q1 should stay subdued in terms of collections if customer accessibility is restricted, but any normalization here should lead to a revival in collections.
10. Maharashtra continues to lag other states in terms of revival in collections due to the early lockdowns announced in the state.
11. MMFL & CAGL collections are not comparable as they have different models with MMFL having a lag in collections due to the monthly model which leads to a delay in recognition.
12. New customer loan size is Rs 30,000-35,000. The majority of new customer acquisition is taking place in Gujarat, Rajasthan, UP, Bihar, Jharkhand, and Odisha while there is Karnataka & Maharashtra is seeing customer set decline, particularly in Maharashtra as CAGL is not allowing employees to add new customers because wherever the collection efficiency is less than 90%.
13. 61% growth comes from the new branches according to the management.
14. Older customers have loan sizes of Rs 35000-50,000. 12-14% of old customers have loans of > Rs 50,000.
15. 70-80% of MFI customers are in essential services. Thus this set remains resilient especially given that it has already gone through the tough period at the start of the pandemic and persisted through with good repayment behaviour.
16. CAGL has suspended all group meetings at present, keeping the 2nd wave of COVID in mind. It is only asking one group member to keep the money ready with them and 1 collection agent will come to pick it up only from that member. This is because, despite the option of online payment, its adoption has remained low among customers given that it has become harder to go to banks to deposit cash.
17. MMFL has not done any restructuring.
18. The management hopes that MFIN will be able to convince the regulatory body to relax the cap on spread for MFIs to create a level playing field for everyone engaged in the MFI business.
19. Only 20-25% of vintage customers eligible for an additional loan have availed of the benefit.

Analyst's View:

Credit Access Grameen has emerged as one of the most reliable microlenders in the country. Their revolutionary JLG model has helped bring communities of borrowers together and helped reduce overall risk from their lending to a very large extent as seen in their low NPA numbers. The company has delivered a good Q4 performance which saw robust GLP, revenue, and disbursement growth but profits remained subdued due to high provisioning. The company rising collection efficiency till March but it is expected to drop due to the rise of the 2nd wave of COVID-19. The complete integration of Madura Microfinance is expected to be done in H1FY22. It remains to be seen whether the company will be able to come back to its pre-covid growth rate of 30-40% CAGR given the possible integration issues with MMFL and how the 2nd wave of COVID-19 will affect near term operations. Nonetheless, given its strong market position and exemplary operating and risk management practices, Credit Access Grameen remains one of the must-watch stocks in the Microfinance sector for any interested investor.

Ujjivan Small Finance Bank

Financial Results & Highlights

Brief Introduction:

Ujjivan Small Finance Bank Limited is a mass-market focused bank in India, catering to financially unserved and underserved segments and committed to building financial inclusion in the country. Their Promoter, Ujjivan Financial Services Limited (UFSL) commenced operations as an NBFC in 2005 with the mission to provide a full range of financial services to the 'economically active poor' who were not adequately served by financial institutions. On 7, October 2015, UFSL received RBI In-Principle Approval to set up a Small Finance Bank(SFB), following which it incorporated Ujjivan Small Finance Bank Limited as a wholly-owned subsidiary. UFSL, subsequent to obtaining RBI Final Approval on November 11, 2016, to establish and carry on business as an SFB, transferred its business undertaking comprising of its lending and financing business to the Bank, which commenced its operations from 1, February 2017. Ujjivan Small Finance Bank has a diversified portfolio with branches spread across 24 states and union and a customer base of 4.9 million as of September 30, 2019.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	735	810	-9.26%	789	-6.84%	3117	3026	3.01%
PBT	184	94	96%	-380	-148.42%	10	466	-98%
PAT	137	73	88%	-279	-149.10%	8	350	-97.71%

Detailed Results:

1. The company had another dismal quarter with a 9% decline in YoY revenues. The bank saw PBT and PAT rise 96% & 88% YoY respectively in Q4. These figures were high because of the increased provision made in Q4 last year.
2. The company made disbursements of Rs 4274 Cr in the current quarter vs Rs 3254 Cr last year. March disbursements were up 2.2x YoY.
3. The gross loan portfolio has risen to Rs 15140 Cr registering a YoY growth of 7%.
4. The non-MicroBanking portfolio now contributes 28% to the portfolio against 23% as of last year.
5. Secured loans now constitute 27% of all loans as compared to 22% a year ago.
6. GNPA in Q4 was at 7.1% while NNPA was at 2.9%, after the withdrawal of the Supreme Court directive.
7. Deposits were at Rs 13136 Cr were up 22% YoY, covering 87% of total loans.
8. Retail deposits are now at 48% of total deposits vs 44% a year ago. CASA has improved to 21% vs 14% a year ago. Retail deposits grew 32% YoY in Q4.
9. Net Interest Income was up 6% YoY in FY21 at Rs 1729 Cr.

10. Net interest margin declined 330 bps to 7.9% in Q4FY21 vs 10.9% a year ago. NIM for FY21 was at 9.5% vs 10.8% a year ago.
11. PPoP for FY21 rose 27% YoY. It fell 17% YoY in Q4.
12. The cost to income ratio was at 67% from 65% a year ago in Q4. It was improved to 60% in FY21 vs 67% in FY20.
13. ROA and ROE for the company were at 2.7% (vs 1.6% a year ago) and 17.3% (vs 9.3% a year ago) in Q4.
14. The company maintained an LCR of 116%. CAR was at 26.4% with tier 1 capital at 25%.
15. 3.15 Lac new customers were acquired in Q4.
16. Collection efficiency was at 94% in March.
17. Q4 disbursement in micro banking was up 18% YoY.
18. The cost of deposits was at 6.6% in Q4 vs 7.8% in March 2020 & 7% in Dec 2020.
19. Collection efficiency in MSE was at 91% in March with disbursements of Rs 276 Cr in Q4 vs Rs 136 Cr in Q3.
20. Collection efficiency in Affordable Housing was at 96% in Q4 disbursements of Rs 324 Cr in Q4 vs Rs 209 Cr in Q3.
21. Collection efficiency in Personal Loan was at 91% in Q4 with disbursements of Rs 44 Cr in Q4.
22. Collection efficiency in Vehicle Loan was at 99% in Q4. with disbursements of Rs 38 Cr in Q4.
23. Digital transactions at 57% in Q4-FY21.
24. Digital collection was at 11% in Q4.
25. Low Collections were only in Maharashtra at 74%, 89% in WB, 66% in Assam & 87% in Punjab in April. Low collections in Assam are due to the new MFI waiver bill and for the rest it was due to COVID-related lockdowns.
26. No additional restructuring was done in Q4.
27. Total provisions in FY21 were at Rs 955 Cr with PCR at 60%.
28. The top 3 states Tamil Nadu (15.8%), Karnataka (14.4%), and West Bengal (13.3%).
29. 78% of MFI loans were given to repeat customers in Q4.
30. Group loans account for 59% of gross advances.
31. The average ticket size in group loans is Rs 38463.

Investor Conference Call Highlights:

1. The bank saw its highest-ever disbursement in a quarter in Q4.
2. The bank crossed the Rs 2000 Cr mark in the affordable housing book.
3. The rise in cost to income to 69% in Q4 was due to the reversal of interest on the non-performing portfolio of Rs 75 Cr.
4. The management expects the momentum in the deposit building to continue and CASA to rise to 25-27% by the end of FY22.
5. Overall collection efficiency has fallen to 89% in April.
6. 99.5+% collection efficiency was seen for loans disbursed in FY21.
7. The bank plans to add 55 new branches in FY22.
8. The bank currently carries excess provisions of Rs. 172 crores or 1.2% of the total portfolio and has not made any new provisions for the impact of the second wave of COVID during Q4.
9. The company reduced headcount by 200+ in Q4.
10. Although the bank is looking for repeat business from existing customers it is not looking to go above Rs 1 lac of indebtedness per customer. It is also looking to cap first-time loans to below Rs 40,000.
11. While the business has improved significantly in Q4FY21, the management states that the resurgence of COVID-19 cases across geographies and regional lockdowns are likely to hamper near-term performance.
12. But the management does not expect disbursement to be affected as severely as at the start of the pandemic.
13. It also states that Q1FY22 disbursement may be at similar levels as Q2FY21.
14. The management has guided for a credit growth of 20-22% in FY22.
15. The bank is looking to reduce dependence on MFI loans by expanding on MSE & affordable housing segments. It is doing this primarily to build a more secured loan book. It expects MFI share to fall to below 60% of sales by the end of FY23.
16. The corresponding shift towards secured loans will also put pressure on NIMs.
17. Opex fell 6% YoY in Q4 mainly due to lower employee costs. The management expects branch level efficiency to improve resulting in almost 3% improvement in cost to income by the end of FY22.
18. The bulk of the slippages in Q4 were from the MSE loan book. The management states that is expected to restructure Rs 100 Cr of loans but only Rs 13 Cr were restructured while the rest was taken as NPA.
19. The Assam portfolio now accounts for ~2.3% of the total loan book. Due to the uncertain situation in the state regarding the MFI industry, Ujjivan has not added any new customers in the last 15 months.
20. The main role of fintech partners is profiling, social media promotion & identifying locations.

Analyst's View:

Ujjivan Small Finance Bank has been one of the top players in the SFB industry. It is the biggest and most diversified company in this sector in terms of geographical reach. The company has had a down quarter with a 9% revenue decline and pre-provision profit decline of 17% YoY. But it also saw its highest-ever disbursements in a quarter which shows that growth is coming back. The bank continues to see uncertainties in Assam. Ujjivan has seen encouraging results in its digital initiatives and the

smaller loan segments like affordable housing and MSE. The company has also seen a good bounce back in collections, but they have gone down due to the 2nd wave of COVID. It remains to be seen how the situation in Assam pans out and how will the bank cope with the disruption caused by the 2nd wave of COVID-19 in India. Nonetheless, given the bank's industry position, its wide geographical reach, and its rising digital transactions, Ujjivan Small Finance Bank is a pivotal Small Finance Bank stock to watch for, particularly given its current valuation of less than 2 times book value.

NBFC

AAVAS Financiers

Financial Results & Highlights

Brief Company Introduction

Aavas Financiers Limited provides housing loans to customers belonging to low and middle income segments in semi-urban and rural areas in India. The company offers home loans for flats, houses, and bungalows, as well as resale properties; land purchase and construction loans, including finance for self-construction of residential house; and home improvement loans, which include loans for tiling or flooring, plaster, painting, etc. It also provides home equity loans; and micro, small, and medium enterprise loans for business expansion, purchase of equipment, working capital, etc., as well as balance transfer products. The company was formerly known as AU Housing Finance Limited and changed its name to Aavas Financiers Limited in February 2017.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	291	235	23.83%	310	-6.13%	1105	903	22.37%
PBT	95	66	43.94%	111	-14.41%	353	302	16.89%
PAT	88	60	46.67%	86	2.33%	289	249	16.06%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	291	235	23.83%	310	-6.13%	1106	903	22.48%
PBT	95	66	44%	110	-13.64%	353	302	16.89%
PAT	87	60	45%	85	2.35%	289	249	16.06%

Detailed Results:

1. The company had a good quarter with a 24% YoY rise in revenues and 45% YoY rise in PAT.
2. AUM growth for the company was 21.3% YoY to Rs 9454.3 Cr as of 31st Mar 2021.
3. Disbursements in FY21 have fallen 9.3% YoY mainly due to the tough Q1.
4. Gross Stage 3 loans were at 0.98% vs 0.46% a year ago. Net Stage 3 loans were at 0.71%.
5. NIM in FY21 has gone down 45 bps YoY to 7.71%.
6. Product breakup was 73.5% Home Loans & 26.5% Other Mortgages Loans.
7. Around 60.4% of existing customers are self-employed while the rest are salaried.
8. 99.8% of customers are retail-driven.
9. The company has kept the yield spread at a stable 5.76% in Mar ’21.

10. Opex to AUM in FY21 was down to 3.01% from 3.38% a year ago.
11. ROA for FY21 was at 3.49%.
12. The company has no CP exposure and has recently raised borrowings of Rs 729 Cr for 119 months at 6.31%.
13. The company maintains a positive ALM mismatch across all time periods and has an average tenure of outstanding borrowing at 130 months.
14. It has total liquidity of Rs 2836 Cr as of 31st Mar 2021.
15. It maintained a CAR of 54.54% with Tier 1 capital at 53.33%.
16. Book value per share was at Rs 305.9 vs Rs 267.9 a year ago.

Investor Conference Call Highlights

1. Aavas disbursed Rs Rs 1012.7 Cr in Q4 which was up 17% YoY and 30% QoQ.
2. The company has reduced its prime lending rate by 10 basis points with effect from January 1, 2021. It has also decided to further reduce Aavas Financial's Limited prime lending rate by 15 basis points with effect from April 1, 2021.
3. The total number of customers was 125,591 which was up 20% YoY as of March 2021.
4. Aavas added 30 new branches in FY21 bringing up the total to 280 branches overall.
5. Employee count rose 22% YoY to 4336.
6. Overall borrowing mix as of March 31, 2021, is 34.1% as term loan from banks, 24.2% from assignment and securitization, 22.6% from National Housing Bank, and 19% from other debt capital markets.
7. As of March 31, 2021, Aavas had an average borrowing cost of 7.40% against the average portfolio yield of 13.16% resulted in a spread of 5.76%.
8. Total COVID-19 provisions stood at Rs 19 Cr.
9. The management has stated that the company now has enough capacity to originate loans of Rs 400 Cr per month while keeping its underwriting standards high as always. So, it is easy to maintain a quarterly run rate of Rs 800-900 Cr of disbursements if the demand outlook remains steady.
10. The tax rate in Q4 was lower than the rest of FY21 as the tax refund was processed in Q4.
11. The 1 day past due number has improved to 6.37% from >8% in Q3.
12. Given current lockdowns and economic situation, the management has admitted that 1+DPD will indeed rise before coming down to guided numbers in subsequent quarters.
13. Collection efficiency increased to >100% as 1+DPD fell QoQ.
14. The total write-off in FY21 was Rs 2.84 Cr vs Rs 3.88 Cr last year.
15. The salaried yield is 12.24% and the self-employed yield is 13.75%.
16. The company has very less exposure to ECLGS of around Rs 54 Lac only.
17. Most of the employee additions were in sales and collections in the 30 new branches added in FY21.
18. The management has guided that Opex to AUM should improve by 25-30 bps in the next 2-3 years depending on the environment.
19. The 1+DPD in Maharashtra was at 10.3%.

20. The company always plans to have contiguous growth of 50 km in each branch which takes around 2-3 years of operations to reach. Thus, once the growth potential of existing branches was reached in terms of the above metric, the company decided to add a further 7-8 branches in Rajasthan.
21. The company is aiming to expand to 4 new states in the next 5 years and add around 30-40 branches each year. 40-50% of these new branches are to be in the new states while the rest will be in existing states.
22. The income derived from direct assignment activities is volatile as it depends on the loan assignment mix. LAP has a yield spread of 7.5% while pure home loans have a yield spread of 3-4%. Thus, actual profitability in the quarter from direct assignment depends on the volume of which type is sold in it.
23. According to RBI issued guideline in 2012, any assignment transaction is directly booked as upfront profit and not recognized as book income.
24. NPA number for housing loans is 1%, for non-housing it is 1.9%, for salaried it is 0.44% and for self-employed it is 1.3%.
25. The management maintains that Aavas has not had any impact on its operations from the expiry of the CLSS scheme in Pradhan Mantri Awas Yojana.
26. The company has a fixed policy of hiring a risk team at first before hiring a business team when expanding to a new state and for the first 3 years of operations, it guides the new teams to try and understand cash flow patterns, income, seasonality, asset behaviour, judiciary behaviour, etc and thus has no targets in the initial 3-year period.
27. The management expects city penetration to hit a ceiling of 10-20% in 15 years since opening a new branch. Thus, it is confident that Aavas can disburse around Rs 50,000-60,000 Cr in the next 10 years from the 180 branches it has opened in the last 5 years.
28. The management clarified that Aavas has very clear tenets that it follows to keep high collections and good quality underwriting. They always choose a market with <5% housing finance penetration and do not do any risky assets like builder financing, under construction financing, or loans of Rs 1 Cr+.
29. The main approach here is to have a fixed but efficient underwriting process while avoiding the obvious risky ones and scaling up this underwriting process as Aavas expands. Thus, at present, 85% of financed properties are individual homes and 95% of customers are living in those homes that they financed.

Analyst's View:

Aavas Financiers is a fast-growing housing finance company in India. What sets it apart from the large housing finance players like HDFC, LIC Housing Finance & Repco is the space they cater to. The average ticket size of loans is less than 9 lacs against more than 14 lacs for others. Aavas caters to smaller towns where the population is less than 10 lacs. Aavas has done very well in Q4 with 24% YoY revenue growth and 45% profit growth. It has also maintained AUM growth of >20% despite disbursements falling 9.3% YoY in FY21. It also managed to do >100% collections in Q4 owing to falling 1+DPD in Q4. But the management admits that the collections will indeed fall as a result of local lockdowns and the overall impact of 2nd wave of COVID. It remains to be seen whether the company will be able to sustain the sky-high valuations that it is currently going at. However, stretched valuations may have factored in most of the positives. Nevertheless, it is a good business to track in the housing finance space, especially given its consistent and steady growth while maintaining good asset quality and underwriting standards.

Angel Broking

Financial Results & Highlights

Brief Introduction:

Angel Broking is one of the largest retail broking houses in India in terms of active clients on NSE as of June 30, 2020 (Source: CRISIL Report). It has a network of 11,000 Authorised Persons and has had more than 4.39 million downloads of Angel Broking mobile application and nearly 1 million downloads of Angel BEE mobile application as of June 30, 2020. It manages ₹ 132,540 million in client assets and over 2.15 million operational broking accounts as of June 30, 2020.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	414	199	108.04%	312	32.69%	1290	743	73.62%
PBT	139	46	202.17%	105	32.38%	398	117	240.2%
PAT	100	35	185.71%	73	36.99%	290	87	233.33%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	419	200	109.50%	316	32.59%	1299	755	72.05%
PBT	142	44	223%	105	35.24%	411	119	245%
PAT	102	33	209%	73	39.73%	298	87	242.53%

Detailed Results:

1. The company had an excellent quarter with 110% YoY growth in consolidated revenues and 209% YoY growth in consolidated profits.
2. It has an 8.3% share in NSE Active Client Base in Mar'21 from 5.3% a year ago. Angel has a total client base of 4.12 million as of Mar '21 across 97.9% of pin codes in India.
3. Q4 & FY22 saw gross client addition of 87% QoQ & 322% YoY respectively.
4. In FY21, revenues rose 72% YoY while profits rose 243% YoY.
5. FY21 saw the top 5 digital brokers hold around 73% share of Incremental NSE Active Clients. Top 5 brokers now have a share of 47% In Cumulative NSE Active Clients Base.
6. Overall equity market share of Angel has risen to 20.8% in Q4FY21 vs 6.9% a year ago. F&O market share has risen to 20.9% in Q4FY21 from 6.7% a year ago.
7. Cash market share was at 16.3% vs 14% a year ago while commodity market share has risen to 25.5% vs 20.9% a year ago.
8. ~94% Of Gross Client Addition Contributed By Tier 3 & Tier 2 Cities In Q4 '21 with Angel's share in Incremental Demat Accounts of 17.6% vs 15% a year ago.
9. Around 90% Of Gross Clients Added Under Flat Fee Plan.
10. The gross client base grew 29% QoQ and 127% YoY. Average daily turnover grew 66% QoQ in Q4 and 380% YoY in FY21.
11. Angel announced a dividend of Rs 7.5 per share.

12. Segment revenue breakup was 68% from Gross Broking, 15% from Interest, 6% from Depository, 1% from distribution, and 9% from other income.
13. Gross Broking split was 60% from F&O, 33% from Cash, 6% from Commodity & 1% from Currency.
14. Traditional broking plan now accounts for only 17% of sales.
15. Cost to net income was at 52.1% in FY21 vs 70.6% in FY20.
16. Angel has cash and cash equivalents of Rs 1877.4 Cr as of 31st March 2021.
17. It has a book value of Rs 138 per share.

Investor Conference Call Highlights:

1. The company appointed Mr. Narayan Gangadhar as the new CEO. Mr. Gangadhar has extensive experience and has been part of global experience leading technology businesses like Google, Microsoft, Amazon, and Uber.
2. Angel saw its highest ever overall ADTO of over Rs. 3.75 trillion in Q4 FY2021 which has grown close to 15x between Q1 FY2020 to Q4 FY2021.
3. The company has endeavored is to share at least 35% of its profits in the form of dividends every quarter.
4. Around 72% of broking revenue comes from direct clients.
5. The management has highlighted that Angel is also looking to become a platform company where it can offer lots of other financial services to its customers.
6. For the next 2-3 years, the focus will be to get maximum market share from the stockbroking business, to get maximum market share in the mutual fund business, and to get some inroads in the insurance business on the digital platform.
7. Angel is looking to make a multifunctional app where it will be selling mutual funds and insurance on the same app platform.
8. The management also sees huge scope in passive investment and ETF business and smart beta product through the digital app route.
9. It will be looking to introduce a mutual fund having backed by its Robo advisory passive strategy where it can reduce costs of distribution as well as the cost of managing funds.
10. The company is not spending on mass media and is instead targeting social media and search engines and the internet for acquiring customers with AI/ML-led acquisition plans. It is also specifically targeting Tier 2 & 3 areas that remain underpenetrated.
11. The scope for expansion in the underpenetrated tier 2 & 3 regions is present for all digital players due to the lack of physical branch accessibility here.
12. Angel boasts of an activation rate of 38% to 40%.
13. The company is earning an OPM of 44% from the digital model and it is aiming to bring this up to 50%. The company is also looking to maintain a breakeven time of 3-4 months for every new customer.
14. The company is aiming to become the largest player in the stockbroking space in the next 2 years.
15. The vision for becoming a preferred fintech company through the all-in-one app should take 6-7 years according to the management.
16. Angel has not had to burn cash like other online brokers as it has a well-established customer base already and didn't need to spend too much on expanding its scale. Given its size in broking space, it can easily put up the acquisition cost for new segments from cash flows from the established segment.

17. In the AMC business, the company will be going the passive funds' way with its ARQ engine and it will not be doing any human stock selections as its model has proved to give good performance over the past few years.
18. The new CEO states that a big part of his focus shall be to build large teams with the right skill set on machine learning, data science, and AI sides.
19. The tech investment should be around 13-14% of total OPEX excluding fees & commissions for Angel.
20. The increase in opex in Q4 was mainly due to higher customer acquisition as the acquisition costs are always front-loaded.
21. >90% of customers added in Q4 were young people with an average age of 30.
22. The main cost in setting up the AMC will be coming in year 3 which is the marketing cost.
23. The management is looking to launch the new super app in the next 2 quarters.
24. Easy access to stock markets through mobile apps, declining interest rates, and significant under-penetration of equity investment in India are expected to be the key factors driving growth for the industry.
25. On average a customer takes around 4-4.5 months to break even for Angel and provides at least 5 years in terms of regular revenues.
26. The company is not looking to acquire any existing AMCs as it is looking to make its disruptive model rather than pay a premium for an old model in the AMC business.

Analyst's View:

Angel Broking is one of the front runners of the online broking space in India. They have been in the broking business for over 25 years now and have time and again showed remarkable adaptability by pivoting its business model and transforming from a traditional physical broking house to an AI/ML-led digital-only broker that has its eyes set on becoming a fintech platform. FY21 was a phenomenal year for Angel with gross client addition of over 300% YoY and a rise in equity market share to over 20% from 6.9% a year ago. The company has made good inroads in sourcing customers through the internet through social media and search engines which has seen them acquire >90% of customers in Q4 from Tier 2& 3 regions with an average age of 30 years only. Angel also has big plans to launch its super app to offer a variety of financial services from mutual funds to insurance and transform itself into a fintech powerhouse in the next 6-7 years. It remains to be seen whether Angel will be able to maintain its growth momentum amidst the highly competitive space with seemingly everyone in the financial sector from traditional banks like HDFC Bank & NBFCs like Bajaj Finance to fintech unicorns like Paytm & Zerodha looking to get a slice of the pie and go a similar way to become fintech giants. Nonetheless, given the sustained momentum Angel has in this crowded space and the history of successful pivots along with the vision of the new tech-oriented CEO, Angel Broking may prove to be a reliable bet in the ever-rising fintech space.

Bajaj Finance

Financial Results & Highlights

Brief Introduction:

Bajaj Finance is engaged in the business of lending. BFL has a diversified lending portfolio across retail, SME and commercial customers with a significant presence in urban and rural India. It also accepts public and corporate deposits and offers variety of financial services products to its customers.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	6010	6515	-7.75%	5848	2.77%	23546	23834	-1.21%
PBT	1572	1205	30.46%	1422	10.55%	5363	6808	-21.23%
PAT	1161	892	30.16%	1049	10.68%	3956	4881	-18.95%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	6855	7231	-5.20%	6658	2.96%	26683	26385	1.13%
PBT	1823	1278	43%	1555	17.23%	5992	7322	-18.16%
PAT	1347	948	42%	1146	17.54%	4420	5264	-16.03%

Detailed Results:

1. The company had a mixed Q4 with consolidated revenue decline of 5% YoY & PAT growth of 42% YoY.
2. Consolidated AUM for the company has risen 4% YoY. The Company estimates disbursement levels to go up to 90-105% of Q4FY20 in Q4FY21.
3. The Company booked 5.47 MM new loans in Q4 FY21 as against 6.03 MM in Q4 FY20. New loans origination across businesses except auto finance is back to pre-COVID levels.
4. The Company acquired 2.26 MM new customers in the current quarter. Total customer franchise stood at 48.57 MM as of 31 Mar 2021, a growth of 14% YoY. The cross-sell franchise stood at 26.89 MM growing 11% YoY.
5. Existing customers contributed to 59% of new loans booked during Q4 FY21.
6. NII has risen 2% YoY in FY21.
7. As of 31st Mar 2021, the Company had a consolidated liquidity buffer of Rs 16,485 Cr representing 12.5% of borrowing.
8. Consolidated cost of funds was at 7.39% in Q4 vs 8.37% last year.
9. Deposit book stood at Rs 25,803 Cr, a growth of 20% YoY. It accounted for 20% of total assets.
10. The Retail: Corporate mix stood at 77:23 in Q4 FY21 as against 67:33 in Q4FY20.
11. Opex has risen by Rs 153 Cr YoY. Total Opex to net interest income risen to 34.5% in Q4FY21 vs 31% in Q4FY20.
12. Loan losses and provisions for Q4 FY21 was Rs 1,231 Cr. The company has done accelerated write off in the quarter of ₹1,530 crore due to COVID related stress and advancement of its write-off policy. The Company holds management overlay provision of Rs 840 Cr as of 31 Mar 2021 for COVID-19 related stress.

13. CRAR remains at 28.34% while Tier-1 capital was at 25.1%.
14. GNPA was at 1.79% while NNPA was at 0.75%. The company also maintained a PCR of 58.4%.
15. In Q4, urban consumption businesses (B2B) were at 105%, rural consumption business (B2B) at 119%, credit card origination was at 95%, e-commerce was at 84% and auto finance business was at 85% of last year's volumes.
16. The Company is on course to deliver its 3-in-1 financial services for its 48.57 MM customers in a seamless manner by creating an omnichannel framework. It will also implement 3-in-1 financial services through an update in its Experia app.
17. The company's 4 productivity apps- Sales One app, Merchant app, Collections app and Partner app -will go live in a phased manner across businesses between May and September 2021.
18. The breakup of growth in the consolidated loan book is as follows:
    1. Auto Finance: -7% YoY
    2. Sales Finance: -9% YoY
    3. Consumer B2C: -3% YoY
    4. Rural Sales Finance: 8% YoY
    5. Rural B2C: 11% YoY
    6. SME Lending: 4% YoY
    7. Securities Lending: 26% YoY
    8. Commercial Lending: 29% YoY
    9. Mortgage lending: 7% YoY
19. Bajaj Housing Finance had a good quarter with AUM growth of 19% YoY and a rise in net interest income of 30% YoY. PAT increased 97% YoY. The entity's Opex to NII improved to 26.6% in Q4FY21 vs 25.4% in Q4FY20.
20. Bajaj Financial Securities Ltd (BFinsec) made a net profit of Rs 4.5 Cr on revenues of Rs 17 Cr in Q4 FY21.
21. The company announced a dividend of Rs 10 per share in Q4.

Investor Conference Call Highlights:

1. The company has capped its retail EMI card spend business at 50,000 accounts per month versus 150,000 accounts that they used to do pre-COVID.
2. The management states that it expects operating leverage to kick in as AUM starts to grow over the next 2, 3 quarters. Thus, Opex to NII should be back to pre-covid levels then.
3. The company already has 7.5 million customers on the Experia app and it expects to have 10 million users at the time of launch.
4. The first phase of eStore has gone live in February and it has around 25,000 SKUs currently.
5. The onboarding app of Bajaj Financial securities has gone live, and the trading app will go live on the 31st of May.
6. The B2B or point of sale business has fully automated underwriting. The B2C business has partial automation where the company decides on loaning money based on data points and analytics.
7. Only around 10% of retail customers will be eligible for automatic underwriting. The rest will need a human hand for underwriting.
8. As only 10% of customer acquisition will be fully automated, sales through the app through a merchant or others will be integral going forward.

9. The company is not looking to compete with other fintechs on new customer acquisition but to build a durable customer franchise and enhance upon it while steadily adding new customers.
10. There aren't any significant switching costs in most products except in mutual funds.
11. The company is planning on a small marketing budget of only Rs 40-50 Cr as it aims to drive customer acquisition through greater engagement at the point of sale.
12. The management has planned for credit costs of 150-170 bps, given there isn't any instance of full lockdown and the 3-4 large GDP states do not shut down together.
13. The total write-off in Q4 was around Rs 2000 Cr with Rs 1500 Cr being COVID-related and the rest is normal.
14. The management remains committed to maintaining the long-term guidance metrics of 25-27% balance sheet growth and 18-20% ROE. It states that the business should see the optimization payout once the apps are fully operational by Sep.
15. The management states that except for the B2C business, all of the others have momentum going for them.
16. The cost to NII ratio excluding the digital transformation costs would be 31.5%.
17. The company is looking to originate almost 2 million customers per quarter.

Analyst's View:

Bajaj Finance is one of the fastest-growing NBFCs in India today. The company has done well to bounce back quickly from the post-COVID situation and has seen good traction across most categories. The current quarter was good for the company with PAT rising 42% YoY despite revenues and AUM growth flat YoY. The company's focus on building an omnichannel framework and app ecosystem is the immediate concern as it will also help it harness its potential through digital transformation. The app suite should be up and launched by Sep. It remains to be seen how the current situation evolves with the 2nd wave of COVID-19 in India and whether the company's preparations are adequate to weather the incoming uncertainty. Nonetheless, given the company's strong market position, the management drive to derive new opportunities through the use of data and technology, and its strong balance sheet position, Bajaj Finance remains a pivotal NBFC stock for all Indian investors.

Manappuram Finance

Financial Results & Highlights

Brief Company Introduction

Manappuram Finance Ltd. is one of India's leading gold loan NBFCs. Today, it has 4208 (Includes branches of subsidiary companies) branches across 28 states/UTs.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1319	1191	10.75%	1355	-2.66%	5194	4352	19.35%
PBT	608	461	31.89%	623	-2.41%	2270	1680	35.1%
PAT	458	340	34.71%	465	-1.51%	1698	1230	38.05%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1630	1618	0.74%	1650	-1.21%	6375	5551	14.84%
PBT	622	534.0	16%	657	-5%	2316	2007	15%
PAT	468	398	18%	483	-3.11%	1725	1480	16.55%

Detailed Results:

1. The company had a decent quarter with consolidated revenues rising 0.74% YoY and consolidated PAT rising 18% YoY.
2. Standalone numbers were very good with revenue & profit growth of 11% & 35% YoY respectively in Q4 and 19% & 38% YoY respectively in FY21.
3. RoA for the quarter came in at 6.0% while consolidated RoE came in at 26.4%.
4. Total AUM grew 7.9% YoY to Rs 272 bn while gold AUM grew 12.4% YoY, highlighting excellent growth in standalone business.
5. The company has a borrowing cost of 9.1% in the quarter.
6. The share of new businesses in revenues was at 29.9% in Q4.
7. The book value per share was at Rs 86.3 at the end of Q4.
8. The company has access to Rs 7364 CR of undrawn bank lines.
9. In the gold loan business, the Opex to AUM has remained steady at 6% in Q4 & FY21.
10. Gold AUM per branch rose significantly to Rs 5.41 Cr per branch in FY21vs Rs 4.81 Cr per branch a year ago.
11. The standalone business has GNPA and NNPA of 1.9% and 1.5% respectively while maintaining a CAR of 29%.

12. The online gold loan's share of total gold AUM was at 54% in Q4 & FY21.
13. In Asirvad MFI, AUM was at Rs 5982.6 Cr which is up 8.8% YoY while RoE was at 0.2% in Q4.
14. The GNPAs for Asirvad has risen to 2.5% in Q4 vs 2.1% in Q1. The NNPA is still due to the company's good provisioning. Asirvad maintained a CAR of 23.3%. The cost of funds for Asirvad was at 10.5% in Q4.
15. Collections are back to 101% in March.
16. The company has announced a final dividend of Rs 0.75 per share.

Investor Conference Call Highlights

1. About 70% of Manappuram's loan book is against gold.
2. The commercial vehicle business saw higher GNPAs due to lockdowns. It came down to 5% at the end of FY21.
3. The company's consolidated profit of Rs 468 Cr is its highest ever full-year profit.
4. In Q4, the company added 3 lakh new customers and collateral of nearly 4 tonnes of gold. Gold loan average ticket size and the average duration were INR 44,600 and 100 days, respectively.
5. Total gold holdings stood at 65 tonnes.
6. The gold loan AUM declined 5.6% QoQ due to a significant decline in gold prices by 12% in Q4 and 21% from Q2 prices.
7. The weighted average LTV stands at INR 2,922 per gram or 71% of gold price on 31st March 2021.
8. Loans to NBFCs at INR 183 crores and loans to SME and others at INR 261 crores.
9. The home loan business was up 5.2% QoQ at Rs 666 Cr.
10. The collection efficiencies in Jan, Feb & March were at 99%, 100% & 101% respectively. The company has made provisioning of 5.71% of AUM for Asirvad.
11. Collections have dipped 7-8% in April on account of the 2nd wave of COVID.
12. The collection efficiencies for vehicle finance in Jan, Feb & March were at 106%, 105% & 113% respectively. Currently, they are at 90%.
13. The company did a write-off of Rs 123 Cr in FY21.
14. Of the Rs 5985 Cr MFI loan book, Rs 45 Cr is secured SME loans and Rs 2.5 Cr of loan deferrals the rest is all MFI. The company will be looking to use the 15% other lending limit in MFIs to develop gold loan businesses in the areas where they are not currently present and where Asirvad is present.
15. On average, the company maintains around 15-20 days of repayments in cash.
16. 62% of the loan book is of Rs 1 Lac plus size but it corresponds to around 20% of the customer set.
17. The LTV holiday provided by RBI has been over the industry should see a rollover of existing customers to the normal LTV.
18. The company policy has always been to retain non-defaulting and in-time repaying customers by giving them a higher ticket size.
19. The company is targeting the ratio of 80:20 for existing to new customers for Asirvad.
20. The company has done restructuring of 4% of MFI loans and 8% of vehicle loans only.
21. The management believes that microfinance business on a sustainable model can bring forth an ROE of over 20%. Overall, it plans to keep microfinance at 10-15% of the overall AUM.

22. The company is aiming to grow other secured lending segments like vehicle, home loans, etc to a higher proportion to match MFI contribution.
23. The opportunity size for NBFCs in the gold loan space remains high since 75% of the gold loan market is still dominated by unorganized players according to the company's research.
24. The management is ambivalent on the need for doing an IPO for Asirvad as both Manappuram and Asirvad have enough capital with them now.
25. The company is targeting a customer growth rate of 10-15% annually. In MFI, it is looking to add around 4-5 lac customers each year.
26. Interest accrual as of FY21 was at Rs 716 Cr.
27. The company auctioned off 1 ton of gold in Q2 amounting to around Rs 400 Cr.

Analyst's View

Manappuram Finance has long been one of the most consistent players in the NBFC sector in India. The company has cemented its position as one of India's leading gold loan providers by growing its core business consistently. The company's current quarter performance has been mixed with 0.74% YoY revenue growth & 18% PAT growth. Gold AUM fell 5.6% QoQ mainly due to a 12% drop in gold prices. The company saw a good revival in Asirvad and collections have improved to 101% in March before falling 7-8% afterward due to the 2nd wave of COVID. The vehicle finance division has also come back strong and posted collections around 113% in March before declining in FY22 due to the 2nd wave of COVID. It remains to be seen whether the company will be able to sustain its growth momentum in the gold loan space with falling gold prices and how will things pan out for Asirvad and the MFI industry given the accelerated upcoming waves of COVID. Nonetheless, given the company's resilient customer base and gold loan AUM along with the rising star among MFIs in Asirvad Microfinance, Manappuram Finance seems like a pivotal finance stock to watch out for.

Piramal Enterprises

Financial Results & Highlights

Brief Company Introduction

Piramal Enterprises Limited (PEL) (including its subsidiaries) is one of India's large diversified companies, with a presence in Healthcare, Healthcare Insights & Analytics business and Financial Services. In Pharmaceuticals, through an end-to-end manufacturing capabilities across its manufacturing facilities and a large global distribution network, the Company sells a portfolio of niche differentiated pharma products and provides an entire pool of pharma services (including in the areas of injectable, HPAPI etc.). In Financial Services, PEL provides comprehensive financing solutions to real estate companies.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	517	569	-9.14%	586	-11.77%	1920	2678	-28.30%
PBT	129	-237	154.43%	-158	-181.65%	-69	276	-125.00%
PAT	79	-605	113.06%	-165	-147.88%	-120	-115	-4.35%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3566	3581	-0.42%	3265	9.22%	13173	13559	-2.85%
PBT	966	-1101	188%	1001	-3.50%	3456	1407	145.63%
PAT	-510*	-2361**	78%	799	-163.83%	1413*	-553**	355.52%

*Contains tax adjustment of Rs 1258 Cr for earlier years

**Contains tax adjustment of Rs 1758 Cr for earlier years

Detailed Results

1. The company had a flat quarter with consolidated Revenues for Q4 falling 0.4% YoY and PAT turning negative due to tax adjustment. Normalized net profit for FY21 was at Rs 2627 Cr which was flat YoY in terms of normalized profit.
2. The DHFL acquisition has gotten RBI & CCI approvals already and is awaiting IRDAI approval & NCLT resolution.
3. Net debt to equity has fallen to 0.9 times.
4. The company has unallocated equity of Rs 11,029 Cr which is 31% of overall equity.
5. The wholesale loan book in the Financial Services segment was at Rs 39365 Cr vs Rs 41060 Cr last year.
6. Sales of developer clients are now at 115% of Q4 last year.
7. GNPA at 4.5% with provisioning at 6.3% of the total loan book. NNPA was at 2.4%.
8. CAR was at 37% in Q4 vs 31% last year.

9. Net debt to equity for this business was improved to 1.8 times from 2.3 times last year.
10. The revenue drop in Financial Services was at 14% YoY in Q4 & 8% YoY in FY21. This division accounted for 55% of total revenues in FY21.
11. The company's multi-product retail lending platform made disbursements of Rs 9270 Cr in Q4 with fresh disbursement yield at 11.9%.
12. The average yield on loans was at 14.1% while the average cost of funds was at 8.5% in FY21. NIM was at 5.6% while the cost to income was at 22% in FY21. ROA and ROE were at 3.4% and 10% respectively.
13. Pharma revenues grew 19% YoY in Q4 & 7% YoY in FY21. This division accounted for 45% of total revenues in FY21.
14. The breakup of pharma revenues was:
    1. Pharma CDMO: Up 23% YoY in Q4 & 15% in FY21
    2. Complex Generics: Up 1% YoY in Q4 & Down 10% in FY21
    3. India Consumer Healthcare: Up 55% YoY in Q4 & 20% in FY21
15. EBITDA margin in the Pharma division was at 22% in FY21.
16. Pharma revenues were in the ratio of 62% B2B & 38% B2C.
17. Added 50+ customers in FY21 in CDMO business.
18. Gained market share in complex health generics in major markets.
19. Launched 15+ products and 35+ SKUs in FY21 in the India Consumer Products division.
20. Announced Hemmo acquisition for INR 775 Cr which is One of the few pure play peptide API manufacturers globally with 75% export sales.
21. The Board announced a dividend of Rs 33 per share.

Investor Conference Call Highlights

1. PEL holds around Rs 7,000 Cr of cash and cash equivalents as of March 31st, 2021.
2. The company is aiming to become a 50% retail lending NBFC from the current level of 12% in retail lending contribution.
3. PEL is now the largest Sevoflurane supplier in the U.S. for the third and fourth quarter of FY '21.
4. The new acquisition Hemmo has a higher EBITDA margin than PEL's 22% and is expected to grow 3x or more in the next few years according to the company projections.
5. PEL is now getting ready for demerging into 2 large listed entities in the financial sense and pharma sector.
6. NIM has come down due to the rise of the retail book as retail NIMs are lower than Wholesale NIMs at present.
7. The management expects the proceedings in NCLT for the DHFL acquisition to be over in the next 2 months.

8. The management has stated that the company has enough capital to grow at 25% for the next 4-5 years.
9. The company made a reversal of Rs 75 Cr of interest on interest which was also another factor that contributed to lower NIM.
10. In the case of the Omkar transaction, PEL has taken over the development rights of 67 lakh square feet. It has yet to decide on doing either the joint development or selling of the development rights.
11. In partnering with fintechs, the company only allows the partners to apply a gating criterion to filter the applicants and does the underwriting for these filtered applicants by itself.
12. The collections from customers in April were at Rs 750 Cr which was in line with normal COVID levels. Out of this Rs 75 Cr only Rs 25 Cr was from new sales and the rest was from old sales locked up in receivables.
13. May is expected to see a dip in construction activity of 20-25%.
14. The management maintains that the current provisions are adequate to ride out the 2nd wave of COVID-19.
15. The management has provided long-term guidance of a 15% growth rate in the pharma business. It believes that the immediate growth in the business will be greater than the long-term rate.
16. EBITDA margin in Q4 was at 285 and the management believe that it can continue to stay high as operating leverage comes into play with the rise in sales of the India Consumer Products division. It can even go higher when the Complex Generics business starts growing again.
17. The management expects a capex of $ 90-100 mn per year in the pharma business in the next 2 years. This capex is mainly for the facilities in Canada at Riverview and Grangemouth.
18. The management states that it doesn't need any additional capital to grow both Financial Services & Pharma businesses but the unallocated equity can be used at a later date for any acquisitions in both businesses if the need arises.
19. The CDMO business is expected to grow faster than overall pharma business due to the additions of the Sellersvile & Hemmo which should add to growth.
20. The Lodha exposure as of March '21 is at Rs 2637 Cr, of which Rs 1593 Cr is now in SPV with a one-time 1.5x cover of fully ready inventory of apartments. The balance of Rs 1058 Cr is in macro tech developers. Rs 431 Cr has already been prepaid and only Rs 620 Cr of exposure is pending now. The total pending exposure adding to the SPV comes to Rs 2150 Cr which is less than 15% of the total book.
21. The total exposure to Omkar was Rs 1300 Cr and the management believes that the value of the underlying land is far greater than the loan amount due.
22. In CDMO, commercial revenues are 65% of sales while the rest 35% is from development. The management has pointed out that development used to account for only 10% of revenues and as it is rising, it is also providing new avenues for commercial production.
23. The company saw a lot of synergies rising from Hemmo which spurred them to this acquisition. For example, a lot of peptides are injectables, and the company already has a client that gets its APIs from Hemmo and gets it filled at PEL's Lexington plant.
24. The main issue with Hemmo was its limited capacity. PEL came to know that many customers didn't put orders with Hemmo as it didn't have enough capacity to service these orders. Once the capacity expansion is completed here, PEL is confident of bagging many orders from existing customers.

Analyst's Views

Piramal Enterprises has seen the continuation of recovery in the financial division and good growth in the pharma division. The company DHFL bid has already gotten CCI & RBI approval & is expected to get NCLT approval soon. It has also brought the net debt to equity for overall business to 0.9 and for Financial Services business to 1.8 times which is exceptional for a predominantly NBFC company. The management maintains that the company has enough capital for organic growth of 20-25% per year for both financial services & pharma divisions. The pharma business has good runway in all 3 segments, especially in the CDMO division with the addition of capacities here throughout the year. It is also expected to see additional demand coming back in the complex generics business which has been subdued due to the postponement of most surgeries due to COVID-19. It remains to be seen how long this slow period for financial services will last for the company and what challenges will it face in establishing its retail lending platform and the integration of DHFL from the ongoing 2nd wave of COVID-19. However, given their past track record, management capability, and surplus unallocated capital which can be deployed to support any of the conglomerate's various businesses, Piramal Enterprises continues to be a good conglomerate stock to watch out for, particularly in the real-estate lending space.

NETWORK & COMMUNICATIONS

Sterlite Technologies

Financial Results & Highlights

STL, Sterlite Technologies Limited (Formerly Sterlite Tech) is a digital technology multinational company having offices in India, China, US, SEA, Europe and MEA. It is listed on Bombay Stock Exchange and National Stock Exchange of India. It has more than 270 patents and serving customers in over 150 countries, including Fortune 100.

The company is specialized in optical fibre and cables, hyper-scale network design, and deployment and network software and offer bespoke integrated solutions for global data networks of CSPs, Telcos and OTTs. STL has also partnered with global telecom companies, cloud companies, citizen networks and large enterprises to design, build and manage such cloud-native software-defined network. It has strong global presence with next-gen optical preform, fibre and cable manufacturing facilities in India, Italy, China and Brazil and two software-development centres.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1338	1049	27.55%	1199	11.59%	4200	4793	-12.37%
PBT	157	83	89.16%	109	44.04%	366	542*	-32.47%
PAT	109	71	53.52%	79	37.97%	261	434	-39.86%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1491	1170	27.44%	1322	12.78%	4868	5189	-6.19%
PBT	173	90	92%	120	44.17%	380	592*	-35.81%
PAT	123	77	60%	86	43.02%	269	433	-37.88%

*Contains exceptional item of loss of Rs 50.71 Cr.

Detailed Results:

1. The quarter saw revenue growth of 27% YoY in consolidated terms.
2. Consolidated net profit rose by 55% YoY for the quarter.
3. The current order book stands at Rs 10754 Cr.
4. Exports accounted for 44% of revenues in FY21.
5. The client base revenue breakup in FY21 is as follows:
    1. Telcos: 65%
    2. Enterprises: 11%
    3. Citizen Networks: 22%
    4. Cloud Players: 2%
6. The completion of various data network projects for the company are as follows:
    1. Network Modernisation for Indian Navy (VARUN): 92%
    2. MAHANET: 98% (A) 61% (B)
    3. T-Fibre for Telangana: 26% (A) 18% (B)

    4. Modern Optical fibre rollout for large Indian telco: 41%
7. Sterlite is on target to increase OFC capacity to 33 mn km by June '21.
8. Sterlite now has a global OFC market share of 5.1%. It has seen OFC volume growth of >35% YoY in FY21 despite flat industry growth.
9. The order book spread across customer segments is as follows:
    1. Telcos: 54%
    2. Citizen networks: 29%
    3. Enterprises: 16%
    4. Cloud: 0.3%
10. The order book spread is expected is Rs 5470 Cr in FY22 and Rs 5284 Cr for beyond FY22.
11. EBITDA margins were at 19% in Q4 and 18% for FY21.
12. Key deal wins in Q4 were:
    1. A three-year strategic collaboration with Openreach to provide millions of kms of optical fibre cable to help connect UK with a full-fibre network.
    2. ~$100Mn deals in the MEA region - for building future-ready digital networks.
    3. Partnership with Airtel to build optical network across 10 circles.
13. STL also grew it patent portfolio by 191 filings in FY21 bringing the total till date to 569, including its first 5G patent.
14. The company announced a final dividend of Rs 2 per share.

Investor Conference Call Highlights:

1. Over 163 commercial deployments of 5G occurred globally in FY21.
2. OFC demand in India has grown 19% driven by FTTH rollouts and Bharatnet.
3. The addressable market for STL has risen to $40 billion with $18-20 billion in optical connectivity products, $15 billion in Virtualised access & Network software, and $7 billion in system integration services.
4. R&D spending was at 3.1% of revenues in FY21.
5. The management has identified 3 main drivers for growth for STL. They are:
    a. Growing OFC and Optical interconnect business
    b. Going global on system integrations and scaling it up in India
    c. Scale up the virtualized access solutions based on VRAN and ORAN
6. The debt is expected to peak in FY22 and then start to go down.
7. Net debt as of 31st March 2021 is at Rs 2410 Cr vs Rs 1970 Cr last year.
8. The product to services mix is around 45-55 with many deliveries containing both sides.
9. The management has admitted that given the low prices that the industry has seen in the past few years, it is logical to see price strengthening going forward. But the impact is small for STL since most of the company's deals are long-term contracts.
10. The management states that for 5G networks, all different elements like wired connections, wireless and data centers, and servers are all being converged together for the network formation. There are indeed many competitors in the ORAN space including Altistar and others.
11. The industry shift to ORAN is providing more opportunities than what all players can take according to the management.
12. The capex in FY22 should be similar to FY21 to the tune of Rs 400-450 Cr. Capex will come down after FY23. This will also coincide with the start of the drop in the debt-to-equity ratio.
13. The maintenance capex is around 60-65 Cr only and the rest will be towards growth.

14. The breakup of the funnel is around 40% while India is around 60%.
15. The Openreach deal is a product deal only.
16. The EBITDA margin should remain stable around 17-18% while R&D spend is expected to rise going forward.
17. The delivery time for STL in USA and EU has expanded to 6 months and 4 months respectively.
18. 5G in India should start from the 2nd half of CY 2022 according to the management.
19. The management has stated that it will try to keep days of working capital to 75-100 days going forward.
20. The management has stated that the capex planned to date should be sufficient for the company's growth for the next 2-3 years.

Analyst's View:

The company has had a good quarter and it has seen many major deal wins. Sterlite has managed to grow its OFC volumes around 35% YoY despite flat industry growth. The company has seen a good FY21 with around 191 patents filed in the year, including the company's first 5G patent. There is a massive opportunity in the cards for the company from the widespread industry shift towards ORAN networks and the rising investments in the network connections space around the world and in India. It remains to be seen how the 2nd wave of COVID-19 unravels for Sterlite and how fast will the move towards 5G take place in the company's principal geographies. Nonetheless, given the company's capabilities in providing integrated and tailored network solutions, its expanded production capacity, and long-running order, Sterlite Technologies looks like a pivotal stock to watch out for in the communications technology space.

OTHERS

CRISIL

Financial Results & Highlights

Brief Company Introduction

CRISIL (formerly Credit Rating Information Services of India Limited) is a global analytical company providing ratings, research, and risk and policy advisory services. CRISIL's majority shareholder is Standard & Poor's, a division of McGraw Hill Financial and provider of financial market intelligence.

Standalone Financials (In Crs)					
	Mar CY21	Mar CY21	YoY %	Dec CY20	QoQ %
Sales	393	243	61.73%	255	54.12%
PBT	196	57	243.86%	51	284.31%
PAT	181	81	123.46%	-64	-382.81%
Consolidated Financials (In Crs)					
	Mar CY21	Mar CY21	YoY %	Dec CY20	QoQ %
Sales	509	458	11.14%	612	-16.83%
PBT	111	117	-5%	134	-17.16%
PAT	84	88	-5%	110	-23.64%

Detailed Results:

1. The current quarter was dismal for the company with consolidated revenues rising by 11% YoY while profits fell 5% YoY.
2. The board of directors has declared an interim dividend of Rs 7 per share.
3. The rating business rose 11.7% YoY riven by strong surveillance fees, new client additions and Global Analytical Center (GAC) deepening coverage across practices including ESG.
4. The research business grew 18% YoY in revenues in the quarter due to existing and new mandates across transformation, change and regulatory offerings and increased demand from buy-side for research in the areas such as distressed and private debt.
5. India Research successfully hosted the 5th edition of India Outlook Seminar engaging with over 700 clients from 400+ organisations. It also saw increased demand for data, research and analytics underpinned by uptick in capital market and industrial activity.
6. Coalition Greenwich saw client wins in the US, Asia-Pacific and Europe during the quarter & it released over 15 reports, including Coalition Index reports and thought leadership research.
7. The Advisory segment saw revenues in this division grew 12.5% YoY in the quarter with Infrastructure advisory saw increased demand across government-and multilateral-supported programs.
8. CRISIL saw forex losses of Rs 4.7 Cr in current quarter vs forex gain of Rs 16.6 Cr last year.

Analyst's View:

CRISIL has been a trusted financial service and information provider for a long time. They have established themselves as a reputed name in their operational fields of ratings, research, and advisory. The company saw a good response to the rating business while the research business grew steadily with the addition and integration of Greenwich Associates to the company's umbrella. Although the profits for the company are subdued due to the addition of Greenwich this drop in profits is expected to be temporary only. The advisory business is expected to rise going forward due to the revival in demand and govt push for infra development. It remains to be seen how long the Greenwich integration takes and when will it start delivering according to the company's expectations. Nonetheless, given the company's industry position and its financial resilience, CRISIL remains a pivotal stock in the rating sphere.

Mayur Uniquoters

Financial Results & Highlights

Brief Introduction:

Mayur Uniquoters is the largest manufacturer of artificial leather/ PVC vinyl, using the 'Release Paper Transfer Coating Technology' in India.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	194	145	33.79%	169	14.79%	520	536	-2.99%
PBT	53	36	47.22%	45	17.78%	118	106	11.3%
PAT	39	27	44.44%	35	11.43%	89	81	9.88%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	183	137	33.58%	176	3.98%	533	548	-2.74%
PBT	47	33.0	42%	46	2%	120	104	15%
PAT	35	25	40%	35	0.00%	88	80	10.00%

Detailed Results:

1. The company had a great quarter with consolidated revenues rising 34% YoY and PAT rising 40% respectively YoY.
2. FY21 numbers saw revenues fall 2.74% YoY due to loss of operations in Q1 but PAT was up 10% YoY which is remarkable for Mayur.
3. The company announced a final dividend of Rs 2 per share for FY21.

Investor Conference Call Highlights

1. The product supply to Mercedes Benz's South Africa plant will start within a month.
2. The 7th PVC line is still commissioning and is expected to start production at end of July.
3. Currently, the company is selling around 40,000-50,000 metres of PU but the breakeven level is at 2,00,000 metres.
4. Demand from US auto OEMs has been down as many players are reducing their production targets due to the IC chip shortage.
5. The margin profile is expected to stay up as the product mix shifts towards PU. The management has stated that the adoption of PU is gaining momentum in USA due to it being environmentally better than PVC and more cost-efficient than real leather.
6. Although the material costs have gone up due to the production of PU, the margin profile has gone up even more which is preferable for the company.
7. EBITDA margin for FY21 was at 24%. Volume decline in FY21 was around 8-9% YoY.
8. Mayur sold almost Rs 7-8 Cr of PU in FY21.

9. The management assures that the demand from global OEMs is indeed intact but has been delayed due to the chip shortage and will come back up once it is sorted.
10. The company will start supplying 30,000 metres per month to Mercedes Benz at the start and it expects the volumes to rise to 50,000 metres by the end of Q3.
11. The company is not looking to expand the PU lines as the current line has a peak capacity of 4,00,000 metres but it is making only 30,000 to 40,000 metres currently. The management expects that this capacity should be sufficient for growth for the next 1-1.5 years.
12. The company is looking to make PU resin and will require a capex of Rs 150 Cr to set up a facility for it.
13. The company is now in talks with a South Korean company to make a JV with them for coagulated PU used for automotive companies. Coagulated PU is mainly to be sold to South Korean OEMs as most of the OEMs from USA use solid PU only.
14. The sales breakup was 32% export and 68% domestic. In terms of industry, sales breakup was at 8% for general exports, 24% for export OEM, 13% for domestic OEM, 21% for replacement, 33% for footwear, and 1.5% for others.
15. The management states that there is no proper competitor for Mayur in India for the OEM supply and there are very few companies making PU for auto in the world.
16. Mayur is currently pitching for Chrysler and once the process is over it will start approaching domestic auto OEMs.
17. The PVC capacity for Mayur is at 3.15 million metres per month.
18. The company sold 79 lac metres in Q4 & 2.31 Cr metres in FY21.

Analyst's View:

Mayur Uniquoters has been one of the biggest artificial leather makers in the world. But the company has been through a rough patch in the past few years with stagnant revenues and a decline of the unorganized footwear segment which was a big revenue generator for the company. The company is making good inroads into the auto-export segment. Q4 performance for Mayur was phenomenal with its highest ever quarterly revenues and profits. The management remains confident of the product's technical and quality edge which has helped it bag multiple export orders global auto OEMs. But international demand from auto OEMs has stagnated due to the ongoing chip shortage. The footwear industry has come back well for Mayur in the meantime. It remains to be seen how long the auto segment will remain slow due to the IC chip shortage last and whether the demand for Mayur's products will remain resilient through it. Nonetheless, given its dominant market position both in the domestic and export segments and the management's focus on not compromising on quality no matter what, Mayur Uniquoters remains a good small-cap stock to watch out for.

Stove Kraft

Financial Results & Highlights

Brief Introduction:

Stovekraft is an Indian company that manufactures cooking appliances under Pigeon and Gilma brands. The company was founded in 1999 and is headquartered in Bangalore, Karnataka. Among its cooking appliances are mixer grinders, pressure cookers, cooktops, toasters, chimneys and kitchen utensils.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	236	154	53.25%	295	-20.00%	860	672	27.98%
PBT	19	-10	290.00%	33	-42.42%	81	3	2600.0%
PAT	19	-10	290.00%	33	-42.42%	81	3	2600.00%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	236	154	53.25%	295	-20.00%	861	673	27.93%
PBT	19	-10	290%	33	-42.42%	81	3	2600%
PAT	19	-10	290%	33	-42.42%	81	3	2600.00%

Detailed Results:

10. Consolidated revenues were up 53% YoY in Q4. Profit was at Rs 19 Cr vs a loss of Rs 10 Cr last year.
11. FY21 revenues were up 28% YoY while PAT was up 26 times YoY.
12. EBITDA for FY21 was up 234% YoY.
13. Volume growth (Q4 & FY21) in segments was:
    1. Pressure Cooker: Q4 up 90% YoY (FY21 up 19% YoY)
    2. Gas Tops: Q4 up 11% YoY (FY21 down 18% YoY)
    3. Induction Tops: Q4 up 52% YoY (FY21 up 21% YoY)
    4. Non-stick cookware: Q4 up 39% YoY (FY21 up 43% YoY)
    5. LED: Q4 up 241% YoY (FY21 up 136% YoY)
    6. Others: Q4 down 5% YoY (FY21 up 6% YoY)
14. Trading sales have gone down to 19% from 28% last year.
15. Working capital days reduced to 27days in March ’21 vs 37 days in March ’20.
16. RoE was at 26.8% & RoCE was at 31.9%.

17. EBITDA margin for FY21 improved to 13.1% vs 5% last year.
18. Cash & cash equivalents as of March 2021 was at Rs 29.5 Cr.
19. Net debt reduced to Rs 15 Cr from Rs 338 Cr last year with Rs 185 Cr from Conversion of CCDs to Equity, Rs 90 Cr from IPO proceeds & Rs 48 Cr from internal accruals.

Investor Conference Call Highlights

1. The company generated an operating cash flow of Rs 100 Cr.
2. The company has separate distribution networks for each of its brands.
3. The company has 651 distributors in 20 states and 5 UTs & 12 export distributors.
4. The retail reach is around 46000 outlets.
5. Pigeon brand products are also sold in Metro Cash & Carry stores.
6. Gilma brand is also sold through exclusive branded outlets which are owned and operated by franchisees. There are 65 such stores across 28 cities currently.
7. The company is looking to maintain A&P spending of 3-4% of revenues going forward.
8. It is also planning to clear the remaining net debt soon.
9. The company was at 50% capacity in May due to the 2nd wave of COVID and has contributed to only ecommerce and export demand.
10. The company is working on a cost+ model and passes on any input cost rises. The price correction is taken once each quarter. COGS is around 65% for Stovecraft overall.
11. The company hiked prices around 5-8% in Feb.
12. The company is operating near 33-34% gross margin and with near 14% EBITDA margin. The management has stated that the gross and EBITDA margin may come down temporarily if there is a sudden price rise, but it will correct as the price rises are passed on. As revenues go up, EBITDA will also rise as operating leverage comes into play.
13. Employee costs are expected to be near 8-9% of sales.
14. The company is positioning the Pigeon brand as a premium brand while the others will be positioned as mass brands.
15. The company is looking to focus on all major categories equally as they are adjacent categories and will want to make all three equal contributors to sales.
16. The management maintains that Stovecraft will be able to maintain its growth rate of near 15-20% despite the partial lockdown in May.
17. The management has also stated that as the Gilma and Black & Decker brands start contributing more, EBITDA margin will rise as these brands have higher gross margins.
18. The management has stated that the company has been outpacing industry growth in the cooktops and cookware categories.
19. The company is evenly spread across the country in modern trade and ecommerce channels.
20. In general trade, 55% is from South India and 45% is from the Rest of India. Exports account for 10% of sales. Ecommerce is 30% of sales in FY21.
21. The company has around Rs 45 Cr of carryover loss and once this is over, the company will be paying a 25% tax rate on the new earnings.
22. The growth rate of ecommerce channel will outpace the other channels. Around 10% of sales of the entire industry comes from ecommerce while Stovecraft has around 30% from ecommerce.
23. The capex for FY21, FY22 & FY23 altogether will be Rs 100 Cr.

24. Asset turnover is 3.94 for FY21. The new capex is also expected to work at a similar asset turnover.
25. The company has an order book of 130-135 Cr from exports. The management expects export contribution to rise in the future.
26. The export business generates EBITDA margins of close to 15%.
27. The company is not looking to participate in sales from govt distribution schemes like PMUY.
28. The company is looking to make the distribution even across the South & the rest of India.
29. Around 40-50% of sales come from Q2 & Q3 each and so most of the A&P spend is also done in the same quarters.
30. The company is looking to reduce dependence on China for raw materials. This is done by backward integrating and making things in-house to reduce dependence on imports.
31. The company is not looking to indulge in price competition by reducing margin and it has been able to maintain its low prices by reducing expenses through backward integration and making things in-house.
32. Currently, the company is making 81% of product volumes in-house.
33. The company is looking 3000 outlets in West and 2000 outlets in North Zone.
34. 100% of the export part is made in-house and the company is looking to expand slowly on the export side and eventually set up branded stores and distribution in places with Indian diaspora.
35. The revenue capacity from 100% utilization is expected to be around Rs 1000-1200 Cr.
36. Pigeon is accounting for 82% of sales, 9% is from the export business of which 80% is white label. The remaining 9% is from Gilma and Black+Decker.
37. The management expects demand to remain resilient despite price increases due to the RM price rise.

Analyst's View:

Stove Kraft is one of the rising players in the Indian kitchenware and appliances space. It has built a good presence in the industry through brands like Pigeon & Gilma. The company has seen a good Q4 post the IPO in Feb with 28% YoY revenue growth in FY21 and PAT of Rs 81 Cr vs Rs 3 Cr last year. The company has also seen a good contribution of almost 30% from ecommerce which is a long way above the industry average of 10%. The company is also seeing good demand from export orders with an order book of Rs 130+ Cr. But the company's manufacturing was stalled somewhat by the 2nd wave of COVID with May manufacturing at only 50% capacity to serve ecommerce and export demand. It remains to be seen how the company will be able to face off against big-name competitors with historic brands like Hawkins & Prestige and whether it will be able to maintain its growth momentum faster than the industry by capitalizing on ecommerce. Nonetheless, given the stellar growth in FY21 and the steady but rising brand profile of its products, Stove Kraft is a good consumption small-cap stock to watch out for.

TECHNOLOGY

Intellect Design Arena

Financial Results & Highlights

Brief Introduction:

Intellect Design Arena is a global leader in Financial Technology for Banking, Insurance and other Financial Services. It is positioned at the forefront of the digital transformation that global banks are looking for in a connected world. Intellect's robust iDigital platform enables products across four distinct lines of businesses: Global Consumer Banking (iGCB), Risk, Treasury & Markets (iRTM), Global Transaction Banking (iGTB), Central Banking and Insurance (Intellect SEEC). Deep banking domain expertise, coupled with investments of Rs 800 Crores over the last ten years in developing the world's first full spectrum of banking products has made Intellect the company with one of the most advanced technologies for financial institutions with global businesses.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	283	205	38.05%	278	1.80%	1019	764	33.38%
PBT	59	30	96.67%	70	-15.71%	223	-20	1215.0%
PAT	56	19	194.74%	67	-16.42%	207	-31	767.74%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	400	361	10.80%	386	3.63%	1510	1373	9.98%
PBT	90	42	114%	86	4.65%	290	23	1161%
PAT	82	41	100%	80	2.50%	264	18	1366.67%

Detailed Results:

1. The company had an excellent quarter with consolidated revenues rising 10% YoY while profits were at Rs 82 Cr vs Rs 41 Cr last year in Q4.
2. In $ terms, revenues grew 9% YoY in Q4.
3. SaaS revenues rose 68% YoY in Q4 and 47% YoY in FY21.
4. The gross margin was at 56.5% in Q4.
5. EBITDA margin was at 25% in Q4 vs 18% last year.
6. The Net Days of Sales Outstanding (DSO) is 114 days in Q4 FY21 as against 150 days in Q4 FY20.
7. Investment in Product Development (Capitalised)is Rs 28.4 Cr vs Rs 23.97 Cr last year.
8. The company has cash & cash equivalents of Rs 262 Cr as of 31st Mar 2021.
9. The company had 12 digital led deal wins in Q4 with 4 of them being large deal wins. In FY21 period, the company won 32 deals with 15 of them being large ones.
10. The current funnel of Intellect is around Rs 4177 Cr out of which Rs 3302 Cr is accounted for by 136 Opportunities.

11. The average destiny deal size in Q4 FY21 stands at Rs 40.8 Cr against Rs 38 Cr in Q4 FY20. Destiny deals contribute to 53% of the total Opportunity funnel in Q4 FY21.
12. Revenue breakup is 55% Advanced Markets, 29% Rest of the World & 16% India.
13. Intellect bagged a large transformational deal with SocieteGenerale, a leading financial institution in France.
14. One of the top banks headquartered in Singapore has chosen Intellect Digital Cards.
15. Intellect also went live in 13 projects in Q4.

Investor Conference Call Highlights:

1. The banking industry would run with 100 TPS or 200 TPS at the most according to the management. Thus, Intellect has an edge here by expanding this capacity to 5000 TPS which is the ley to advanced markets in this space.
2. The management has likened Intellect's business to IKEA where it is selling package business components like core banking, lending and credit card, etc, and is delivering new business solutions depending on client requirements. The range here consists of 35 PBCs and 300 APIs.
3. The company has 25 customers in the Americas, 23 in Europe, 53 in APAC, 139 customers in India, Middle East, and Africa.
4. The main competition in consumer banking are Temenos, Finastra, TCS, Finacle, Mambu, Thought Machine nCinos. The competitors in transaction Banking are Finastra, ACI Worldwide, CGI, bottom line. In core banking, they are Carpe Data, Planck, and Palantir. In Risk and Treasury competition is mainly from Sungard, Finastra, and Calypso.
5. The company has added a few leadership profiles in the US.
6. The company has become the de facto market standard and won most of its wins in 2 products, digital transaction banking, and corporate liquidity management.
7. The company has also added Lloyds Bank as a customer in Q4.
8. It now has 40+ customers for liquidity across 56 countries.
9. The company has added salespeople in U.K., Spain, Austria, U.S., UAE, Singapore to drive the funnel in these regions.
10. All of the company's products are cloud-native and platform agnostic so they work on all cloud providers including Microsoft and AWS.
11. Lending is expected to develop into another growth lever for Intellect. The management has stated that it has no direct competitor for its offering in this space. The offering includes an integrated lending suite across retail, retail customers, SME customers, and corporate customers, and it also got across loan origination, loan management, collateral, limit management, and debt management.
12. The company also has 12 modules in quantum banking today.
13. All SEEC customers are cloud and subscription-based.
14. The company reported license revenue of INR 849 million and AMC revenue of INR 750 million in Q4.
15. The management has stated that Intellect now has an assured revenue run rate of revenue of near $76 million per annum. This ARR now forms 38% of total revenues.
16. The management maintains its confidence in doubling Intellect's revenue from $200 million to $400 million in the next 5 years. It has stated that it has designed the business around 20% growth but needs a 14% CAGR for growth to reach $400 million in the given time frame.

17. AMC revenues are directly dependent on the closure of the project and thus it has not maintained a stable growth rate as other segments according to the management. AMC is also growing at a slower rate than other businesses at 11-12% CAGR.
18. The main idea is to pursue cloud and recurring revenue like nCinos for Intellect according to the management.
19. The order backlog is around Rs 1200 Cr at present.
20. The company's TCO offering is expected to be 10-12% cheaper than a comparable price competitor software for the customer bank.
21. In the replication of cross streaming tech from Netflix, the company has taken some open-source from Netflix and is looking to offer the synchronization of the entire back end to front-end technologies for corporates with large databases like Reliance or Coca Cola or GE. It has also been able to streamline it for banking specifically in the last 4 years.
22. 80% of new deals are in cloud delivery.
23. The management is encouraged by the deal wins against industry majors that have provided entry into major economies like Canada, Germany, and France.
24. The company is looking to deliver on current deals with big players and use these deals as a springboard to secure the next leads from these marquee customers.
25. nCinos is mostly in USA and is built on Salesforce. But Intellect offers distinct advantages due to domain advantages in the case for BFSI industry which has helped it win deals against nCinos, according to the management.

Analyst's View:

Intellect Design Arena is a fast-rising disruptor in the world fintech space. The company's products are well received all over the world which is evidenced in the diverse set of geographies and financial institutions that they cater to. The company has had an excellent quarter with marquee deal wins with SocGen and Lloyd's Bank. FY21 was exceptionally good for Intellect with it scoring 32 deals in the year so far with 15 of them being big destiny deals. The company is now targeting to grow organically at a CAGR of near 14% and reach $400 million sales in the next 5 years. It is also looking to use its marquee deal wins to source new leads and establish itself as a serious competitor in all BFSI technology spaces worldwide. It remains to be seen whether the company will be able to maintain its growth momentum as the management has proposed or whether there will be any other headwinds that will put pressure on the company. Nonetheless, given the acceptance of the company's products in all kinds of financial institutions worldwide and its high customer retention rate and accelerated implementation time for its projects, Intellect Design Arena remains a stock to watch out for in the financial software industry.

L&T Infotech

Financial Results & Highlights

Brief Introduction:

Larsen & Toubro Infotech Limited, a technology consulting and digital solutions company, provides information technology services and solutions in India, North America, Europe, the Asia Pacific, and internationally. The company operates through Banking, Financial Services & Insurance; Manufacturing; Energy & Utilities; High–Tech, Media & Entertainment; and CPG, Retail, Pharma & Others segments. It offers application development, maintenance and outsourcing, enterprise solution, infrastructure management, testing, digital solution, and platform-based solution services. It is a subsidiary of Larsen & Toubro Limited.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3079	2898	6.25%	3039	1.32%	11787	10606	11.14%
PBT	623	530	17.55%	662	-5.89%	2391	2007	19.1%
PAT	466	416	12.02%	494	-5.67%	1787	1552	15.14%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3372	3082	9.41%	3222	4.66%	12644	11208	12.81%
PBT	717	551	30%	699	2.58%	2588	2003	29%
PAT	546	428	28%	519	5.20%	1938	1520	27.50%

Detailed Results:

1. The company had a decent quarter with 9% YoY growth in consolidated revenues and 28% YoY growth in consolidated profits.
2. The constant Currency Revenue increase was at 4.4% QoQ and 7.1% YoY in Q4.
3. USD revenues were at $447.4 million which is a growth of 9.1% YoY. FY21 revenues were at $1.67 billion which was up 9.5% YoY.
4. ROE for FY21 was at 30.5% and the company announced a final dividend of Rs 25 per share for FY21.
5. Digital revenues were at 45.6% of revenues in Q4.
6. EBITDA margin expanded 270 bps YoY to 21.9% in Q4.
7. Revenue breakup in Q4 by vertical is:
    1. BFS: 30.7% (Up 21.8% YoY)
    2. Insurance: 14.5% (Down 5.9% YoY)
    3. Manufacturing: 16.9% (Up 2.2% YoY)
    4. Energy & Utilities: 9.1% (Down 12.6% YoY)
    5. CPG, Retail & Pharma: 10.8% (Up 5.4% YoY)
    6. Hi-tech, Media & Entertainment: 11.8% (Up 16.3% YoY)
    7. Others: 6.2% (Up 69.7% YoY)

8. Revenue breakup by Service Offerings is:
    1. ADM and Testing: 33.3% (Up 4.9% YoY)
    2. Enterprise Solutions: 32.3% (Up 8.5% YoY)
    3. Cloud Infrastructure & Security: 15.1% (Up 31% YoY)
    4. Analytics, AI & Cognitive: 11.1% (Up 4.9% YoY)
    5. Enterprise Integration & Mobility: 8.2% (Up 2.6% YoY)
9. Geographical breakup is North America @ 66.2%, EU @ 16.5%, RoW @ 8.4% & India @ 8.9%.
10. Top 5 clients account for 27.8% revenue, Top 10 account for 41% revenue & Top 20 account for 55.6% revenue.
11. The company has added 14 new clients in Q4.
12. Effort Offshoring is at 82.1% while offshore revenues are at 55.9%.
13. Utilization including trainees is at 80.8% and excluding is at 82.2%.
14. Cash and Cash equivalents as of end of Q4 was at Rs 759.4 Cr.
15. The company won two large deals with cumulative net new TCV of $278 million.
16. Recent deal wins of L&T Infotech are:
    1. LTI has been chosen as a long-term strategic partner in a vendor consolidation deal for management of core insurance platforms for a large Fortune 500 Insurance company.
    2. A leading regional bank, a new logo, selected LTI for a core banking transformation program involving implementation of Temenos.
    3. LTI has been selected by a US based heavy equipment manufacturing conglomerate for an application managed services deal for its parts business.
    4. A North American property and casualty mutual insurance company has partnered with LTI to replace its existing on-premises legacy core systems with a SaaS based Duck Creek solution.
    5. A Global Fortune 500 multinational pharma corporation has chosen LTI as its advisory partner to transform its finance function.
    6. A Germany based multinational engineering conglomerate has selected LTI for an SAP HANA Data Lake migration project to Snowflake for its energy business company.
    7. A Global Fortune 500 energy distribution company has selected LTI to support its SAP Customer Information System implementation for one of its acquired entities.
    8. A leading property and casualty insurance software and data analytics provider based in North America has selected LTI to migrate from their legacy enterprise data warehouse platform to Snowflake's data cloud.
    9. LTI has been selected to provide infrastructure support and network operations services to a leading distributor of specialty concrete and construction products in North America.
    10. A Global Fortune 500 entertainment and media enterprise has selected LTI to build a global reporting platform for its digital media supply chain applications using Snowflake.
    11. The international branch of a leading financial services providers in the UK has appointed LTI as the lead systems integrator for their core banking modernization and transformation program.
17. LTI and AWS have entered into a Strategic Partnership to Accelerate Enterprise Cloud Adoption to expand joint offerings for Migration, Modernization, SAP, IoT, and Data-on-Cloud.
18. LTI is recognized as a Microsoft Azure Expert Managed Services Provider.

Investor Conference Call Highlights:

1. The 2 large deal wins in Q4 were the vendor consolidation win with an existing logo and in the BFS vertical with a new logo.
2. The deal tenure of the 1st big deal is 5 years with a net-new TCV of $21 million.
3. The deal tenure of the 2nd big deal is 2 years with a net-new TCV of $45 million.
4. LTI has also added 2 Fortune 500 logos to its client list in Q4.
5. The total Fortune 500 customer count goes to 71, an addition of 5 during the year.
6. The management expects margins to remain in the range of 14-15% in FY22.
7. FY21 operating margin was at 19.3% vs 16.1% last year.
8. Diluted EPS for FY21 was at Rs 110.3 vs Rs 86.6 last year.
9. The major impact in the top 10 accounts has come for oil & gas clients while insurance clients have done very well for LTI.
10. In terms of deal pipeline, the revenue mix in terms of geography should remain close to current levels according to the management.
11. The management has stated that it needs to keep investing in sales and marketing to be able to compete with the biggest global players and bag mega deals like the Injazat deal.
12. LTI is now the second-largest player in the Temenos ecosystem.
13. The company has also increased dividend pay-out to Rs 40 in FY21 from Rs 28 in FY20. It is also on the lookout for possible acquisition opportunities.
14. The offshore ratios going up has been seen across the industry and thus productivity has also gone up for LTI. The company has also made significant hiring in Q4 and is expected to do the same in Q1FY22.
15. The pricing environment is expected to become stable with the price points becoming better than the outsourcing price point.
16. The management states that the mega-deals with >$50 million have been paused as major oil & gas clients have faced a difficult year due to COVID but these deals are expected to come in as normalcy comes back.
17. Q1 & Q2 should see a ramp-up of the Injazat deal.
18. The $5 million bucket is up by 10, the $10 million bucket is up by 8, and the $20 million bucket is up by 2 in FY21.
19. The hiring plans in Q4 & Q1 are in line with the rise in demand from the new deal wins.
20. LTI will also be doing its fresh graduate intake earlier in Q2 & Q3 keeping the anticipated demand in mind.
21. In the last 3 quarters, SG&A has been at 12% of revenues and it is expected to remain at current or below levels going forward.

Analyst's View:

L&T Infotech is a major in the digital solutions space in India. The company has done well to maintain its presence in many end industries like BFS, Insurance, Manufacturing, etc, and focus on cloud and data products to drive growth soon. It has had a good Q4 with major deal wins including from including 2 deal wins with Net TCV of $21 and $ 45 million each. The management expects more deal wins and is also expecting a demand comeback from oil & gas clients in the future. It is now looking to focus on Fortune 200 companies as they will be the next frontier for LTI to expand into. It remains to be seen how the company will be able to sustain its growth momentum and the increased competition in the tech space. Nonetheless, given the company's ever-increasing roster of marquee clients and its focus on driving growth from cloud & data products, L&T Infotech is a pivotal technology stock to watch out for.

Persistent Systems

Financial Results & Highlights

Brief Introduction:

Persistent Systems Limited provides computer programming, consultancy, and related services. It operates through three segments: Technology Services, Alliance, and Accelerite (Products). The company engages in the provision of software products, services, and technology innovation in telecom and product lifecycle management domains, and digital practice; software development, professional, and marketing services; and telecommunication API gateway for defining, exposing, controlling, and monetizing telecom services to partners and application developers, as well as an Internet of Things service creation platform that allows enterprises to add a service layer to the basic APIs exposed to by connected devices, and to expose and monetize APIs. The company serves the banking, financial services, insurance, healthcare and life sciences, industrial, and software and technology industries.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	720	598	20.40%	675	6.67%	2597	2268	14.51%
PBT	190	166	14.46%	161	18.01%	668	533	25.33%
PAT	140	127	10.24%	126	11.11%	505	408	23.77%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1153	956	20.61%	1105	4.34%	4296	3698	16.17%
PBT	185	113	64%	165	12.12%	609	452	34.73%
PAT	138	84	64%	121	14.05%	451	340	32.65%

Detailed Results:

1. The company had an excellent quarter with consolidated revenue growth of 21% YoY and PAT growth of 64% YoY.
2. FY21 performance was similar with revenue growth of 16% YoY and 32% YoY PAT growth.
3. USD revenues for FY21 were at $566.1 million which was up 12.9% YoY.
4. EBIT margin was at 13.2% in Q4 while EBIT was up 70.9% YoY.
5. Industry revenue mix was at:
    1. BFSI: 30.1%
    2. HCLS: 19.3%
    3. Tech & Emerging: 50.6%
6. Client concentration was: Top 1 @ 17.9%, Top 5 @ 36.4% & Top 10 @ 46.3%.
7. Revenue breakup in terms of business offerings was at 85.1% for Services & 14.9% for IP led.
8. Geographical revenue breakup was:
    1. North America: 79.2%
    2. EU: 10%
    3. India: 8.9%

   4. RoW: 1.9%
9. Persistent Systems was recognized as a Top 15 Service Provider in 2020 ISG Index™ for a fourth consecutive quarter.
10. The company has cash & investments of Rs 1983 Cr as of 31st Mar 2021.
11. The company has 17 clients of > $5 million engagement and 66 clients of engagement size of $1-5 million.
12. Employee strength has risen 28.7% YoY to 13680.
13. The Board recommended a final dividend of Rs 6 per share for FY21.

Investor Conference Call Highlights:

1. USD revenues for Q4 were at $152.8 million which was up 20.3% YoY.
2. The order booking total contract value for the quarter came in at $246.5 million. The annual contract value of this booking is $200.7 million.
3. Persistent added 1,242 net hires in Q4 with 1037 lateral hires and 205 freshers.
4. The company announced >100% corporate bonus for all employees given its good year.
5. The Alliance business showed a growth of 14% YoY.
6. The gross margin for Q4 had fallen 40 bps QoQ to 33.9%.
7. Forex gain in Q4 was at Rs 17.4 Cr.
8. The operational CapEx for the quarter was Rs 28.1 Cr.
9. The company also had an interim dividend payout of Rs 14 per share in Feb.
10. In BFSI, PS was chosen by a leading Fortune 25 financial services of ISV as a key partner for core IT modernization. This is a 3-year deal to support and maintain identity and authentication products for enterprise applications, involving both offshore, nearshore teams across time zones.
11. It was also chosen by a large insurance company for its credit union consumer segment to deliver retail experiences and build a cloud-based data and analytics platform. This would be helping their customers see insights as a service and build customer data warehouses.
12. In Healthcare & Life sciences division, PS was chosen by a leading U.S. health system to help them build a digital front door and patient experience solution with integration to EMR systems and patient portals. This will enable the health system to build a unified one-patient portal, simplifying business decisions, enabling a single view of the patient across departments.
13. Under software, hi-tech, and emerging technologies, PS was chosen by a global technology leader to partner with them on an engineering and go-to-market partnership on a portfolio of security products. This is a 5-year multi-million-dollar deal to develop an identity and access management product portfolio, with delivery teams spread globally across U.S., U.K., and Asia.
14. Persistent announced the partnership with FinMkt point-of-sale lending for banks and credit unions. This partnership is aimed at enabling small to mid-sized financial institutions across the globe to accelerate their digital lending strategy for merchant customers.
15. PS has also partnered with AWS ROSA on the Red Hat OpenShift platform to bring services on the AWS services to clients seeking a fully managed OpenShift platform.
16. The TCV has fallen QoQ mainly as some of the large customers do their annual renewal in Q3 which is the end of the US fiscal year.
17. The management states that the potential for the Red Hat opportunity for PS is around 2-3.5 times of current levels.

18. The management states that TCV anywhere between $10 million to $50 million is a sweet spot for Persistent from a bigger deal perspective.
19. The management is confident of maintaining an EBITDA margin in the range of 16-17%. It states that this is because there is still room for cost optimization and increasing utilization of the new additions to the workforce.
20. Around 65% of the company sales are coming from new product development while 35% are older products that are being modernized.
21. The management states that the alliance business should show good sustained growth from Q1 onwards.
22. The company has seen many new deal wins for mining only in the past 5 quarters and it is looking to double down on this area and establish itself here.
23. The management admits that PS has indeed been pre-emptive in its hiring to build enough capability ahead of the curve.
24. The company is looking at acquisition options and will announce its decision in 3-6 months.
25. The management has clarified that onshore teams are critical for many important functions like active delivery at the client site, for front end piece of work or for doing proof of concept or for onshore related discussions, and many others.

Analyst's View:

Persistent System is a fast-rising player in the digital transformation space. It has seen good growth in recent years and is looking to capitalize on this momentum and aim to reach revenues of $1 billion in the next 4 years. The company had another excellent quarter with many deal wins resulting in a TCV of $246.5 million and consolidated revenue and PAT growth of 21% & 64% YoY respectively. Q4 caps off a stellar year for Persistent which was evident from its action of awarding >100% bonus for all its employees. The management is also confident of the alliance business gaining momentum going forward. The company is also looking at possible acquisition opportunities and has maintained its steady rate of employee additions citing building capability ahead of the curve. It remains to be seen whether the company will be able to maintain its current momentum and how its India operations will be affected by 2nd Wave of COVID-19. Nonetheless, given its fast rise in recent years and its big presence in North America & its various Alliances, Persistent Systems remains a key technology stock to watch out for.

Ramco Systems

Financial Results & Highlights

Brief Introduction:

Ramco Systems Limited operates as an enterprise software company in India, the Americas, Europe, APAC, the Middle East, and Africa. The company offers Ramco AviationSoftware, an enterprise-wide M&E/MRO software to address the needs of airlines, heli operators, MROs, and business aviation segments; Ramco VirtualWorks, a software meta model that captures data required to generate and deliver solutions in various technology platforms; and Ramco DecisionWorks for analytics/reporting. It also provides Ramco ERP on Cloud, a suite of products that covers enterprise functions, such as manufacturing; financial, supply chain, human capital, customer relationship, enterprise asset, and project management; process control; analytics; advanced planning and optimization; and connectors. In addition, the company offers Ramco Human Capital Management, a HR and talent management, and payroll software; and Ramco Logistics Software, a cloud based software that covers the needs of third-party logistics, freight forwarders, and parcel/courier service providers.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	90	76	18.68%	101	-10.69%	354	320	10.63%
PBT	19	13	46.15%	30	-36.67%	81	61	32.8%
PAT	11	-14	178.57%	17	-35.29%	44	25	76.00%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	153	136	12.50%	174	-12.07%	641	578	10.90%
PBT	15	2	650%	36	-58.33%	108	34	218%
PAT	7	-5	240%	18	-61.11%	57	11	418.18%

Detailed Results:

1. Consolidated revenues grew 12.5% YoY in Q4. Consolidated profits saw a phenomenal rise to Rs 7 Cr vs a loss of Rs 5 Cr last year.
2. Similarly, FY21 revenues showed growth of only 10.9% YoY but profit growth of almost 4 times YoY.
3. USD revenues were at $21 million for Q4 and $84.92 million for FY21.
4. The company retired all borrowings to become debt free.
5. The company booked orders of over $100 million in FY21.
6. 22 'Million-Dollar-Plus' deals signed in FY21; with average deal size moving beyond $1 million.
7. EBITDA grew 58% YoY in FY21.

8. The Ramco Global Payroll platform now has statutory compliance across 50+ countries and 12 other European and African countries on the roadmap.

9. Sharper focus on 3PL service providers, couriers & express parcel, freight forwarders, and chemical logistics becomes the way forward for Ramco Logistics.

Investor Conference Call Highlights

1. The biggest impact from covid in Asia was in the Philippines for Ramco.
2. Revenues from North America grew 40% YoY in FY21 while bookings grew >100% YoY.
3. Ramco signed the first order with an eVTOL company which is one of the largest drone makers in the world.
4. For the traditional ERP and logistics business, Ramco has now started focusing basically on large customers and a few selective customers to completely revamp our fundamental user experience and technology according to the management.
5. The order booking from Asia has dropped in H2 to $24-25 mn from an average booking of $45-50 mn previously.
6. The management has stated that there will be a lumpiness in revenues going forward depending on the completion of various projects.
7. The management has stated that the selling of the stock by the CEO was a personal decision and should not be any indication of him turning bearish on the company's prospects.
8. The aviation business has also seen >100% YoY growth in bookings and >30% Yoy growth in revenues. Around 30% of the aviation pipeline is now from US defense. There is also big scope in drones with eCommerce giants like Amazon working towards drone delivery.
9. The company has already built connectors into Oracle and Workday for its ERP. It does not see many possibilities of any partnerships in this space currently.
10. In the last 18 months, Ramco has signed on all the top 4 US fighters jet training companies. It is also pitching now for submarines and other defense products like tanks and warships.
11. The current order book of $ 90 million should get realized in the next 3-3.5 years. Around $22-23 mn will be done in year 1 while $19 mn will be done in year 2.
12. The company has gone to the top 15 countries where it gets the most business and has managed to reduce implementation times for these places to 8-10 weeks.
13. The release of the ERP modules will start in 3-4 months and end-to-end release will take at least a year. Around 6 modules of Finance, inventory/procurement, AP, AR, GL, & fixed assets should be done by Sep according to the management.
14. The company made a debt repayment of Rs 96 Cr in FY21.
15. The company will be moving from the premise model to the cloud model for most of its products, but it will be doing the premise model for its defense contracts due to security and regulatory requirements.
16. The management has stated that it is indeed capitalizing on R&D expenses as it is a continuous process for the company.
17. The unexecuted order book is $182 million for Ramco across all segments. About half of that or $90-91 million is for HR and payroll business, the aviation business is about $49 million. The logistics business will be about $10 million. The rest is from ERP.
18. All the order book should take around 4 years to execute completely.

19. Ramco has partnered with Oracle and Workday for offering its payroll solutions to places where these 2 are not offering currently.
20. Revenues from EU will start from FY23. The company is also going to start taking orders aggressively from multinationals in Japan now.
21. 70% of the large civilian helicopter operators globally with over 50 helicopters each are maintained on Ramco.
22. Logistics also grew >100% YoY in bookings in FY21. The company had to invest to refurbish the product as it was not ready initially for the volume of data it was getting from its large customers on shopping heavy days like Black Friday.
23. The company has also built an ERP platform specially for the cement industry using insights from Ramco Cements and has also identified at least 70-80 global potential customers for this product.
24. Of the $90 mn order for HR and payroll, 50% is SaaS and 50% is license-based.
25. Once Ramco moves to a pure cloud model, all customers everywhere will run a single version. This should reduce maintenance and deployment costs.

Analyst's View:

Ramco is a fast-growing enterprise software player disrupting the market with its multi-tenanted cloud and mobile-based enterprise software in the area of HCM and Global Payroll, ERP, and M&E MRO for Aviation. Ramco Systems had a decent quarter with revenues rising 10.9% YoY with a profit of Rs 7 Cr vs a loss of Rs 5 Cr in Q4 last year. It had a good FY21 so far with a total order book of $182 million. The management has repeatedly emphasized the importance of the SaaS cloud model going forward for all its verticals. The management remains confident of the demand going forward despite admitting to the lumpiness of revenues at the same time. It remains to be seen whether this earning momentum can carry on in the quarters to come and whether the company will be able to fulfill its promises of superior implementation times without any compromise on quality. Nevertheless, Ramco Systems is one stock to watch out for in the IT product space.

Tata Elxsi

Financial Results & Highlights

Introduction

Tata Elxsi provides product design and engineering services to the consumer electronics, communications & transportation industries and systems integration and support services for enterprise customers. It also provides digital content creation for media and entertainment industry.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	525	452	16.15%	492	6.71%	1866	1668	11.87%
PBT	162	110	47%	146	10.96%	512	352	45.45%
PAT	115	82	40%	105	9.52%	368	256	43.75%

Detailed Results:

1. The company saw revenues rise 16% YoY in Q4.
2. FY21 revenues were also up 12% YoY. Revenues from operations in the same period rose 13.4% YoY.
3. The PAT for the company rose 40% YoY in Q4 & 43.7% YoY in the FY21 period.
4. The EBITDA margin was at 32.4% in Q4 and 28.6% in FY21.
5. The company recorded its highest ever yearly PBT of Rs 511.9 Cr.
6. EPD division grew 14.6% YoY in FY21 and 15.5% YoY in Q4.
7. Transportation division fell 4.1% YoY in Q4 & 6.2% YoY in FY21.
8. Media & Communications vertical grew 22.4% YoY in Q4 & 20.5% YoY in FY21.
9. Healthcare division grew 65.4% YoY in Q4 & 41.8% in FY21.
10. IDV grew 9.1% YoY in FY21 & 39.2% YoY in Q4.
11. Revenue distribution by geography for FY21 was as follows:
    - EU: 36.1%
    - Americas: 36.8%
    - India: 13.3%
    - Rest of the World: 13.9%
12. The top 10 customers now account for 46.8% of the total sales while top customer accounted for 11.8% of sales.
13. The company had offshore % at 70.4% in Q4 & 66.9% in FY21.

14. The company is giving out a final dividend of Rs 24 & a special dividend of Rs 24 in Q4 totalling the dividend at Rs 48 per share in the quarter.

15. The company won many key deals from:

    - A leading global automotive OEM with a multi-year and multi-million USD connected vehicle program leveraging IoT.
    - A leading European Tier 1 automotive supplier for cybersecurity.
    - A leading US headquartered medical devices company with a multimillion USD deal for development and regulatory services.
    - A leading US video provider selected Tata Elxsi's FalconEye test automation solution for their next generation of video products and applications.

Investor Conference Call highlights:

1. The management states that the reason for margin appreciation in Q4 was the higher proportion of services projects.
2. The management maintains that sensors remain integral to the company's service offerings for more than 15-20 years and will continue to do so.
3. The company is approaching VR tech space in multiple ways. In system integration business, it is looking to integrate and sell VR gear for corporates where they're setting up large enterprise visualization setups. In the development and design side, it is working on VR for education, training, and to help customers market new services through VR technology.
4. The margins in VR remain low until it gains mass adoption and large-scale use.
5. The management states that although margin profile may come down once economic recovery happens as normal expenses shall resume, margins should remain on the high side given the trend of increased offshoring is here to stay.
6. The management insists that the turnaround to growth for EPD division is sustainable and should continue for the coming financial years.
7. The management admits that the company is facing some supply side issues especially in senior management roles given the rapid expansion in the last 3 quarters. The company is indeed adding as it goes and expects the brand of the company to be helpful in attracting top talent.
8. The company will undertake the next salary hike in July 2021.
9. The management remains optimistic on the auto segment given emerging themes in this sector like electrification and autonomous vehicles.
10. The management is confident of sustaining the growth in medical devices business as the company has built its own IP and frameworks which help differentiate it from the rest of the industry.
11. The company is indeed pursuing both organic and inorganic opportunities for expanding into a $1 billion company. The organic growth is to be pursued by developing new segments which are adjacent to existing ones while the inorganic growth will be led by strategic acquisitions.
12. The management states that there are both positives and negatives of engaging with new-age EV players. The positives include the exposure to cutting edge tech and innovations while the negatives include the enormous risks involved with such ventures as they are mostly in R&D stage.
13. The management has identified many key subsegments in its operating divisions which are:

   a. Auto: Connected, autonomous, shared and electric mobility.
   b. Media & Comms: Media devices, operators & new media companies.
   c. Healthcare: Medical devices, pharma & digital health
14. Utilization rate was very high at 97% in Q4.
15. The management is fairly confident that the company's deal pipeline is good enough to help avoid a soft Q1.
16. Around 700 or more employees are currently on-site.
17. The semiconductor shortage represents a very small risk for Tata Elxsi mainly from the auto sector.
18. The number of multiyear deals that Tata Elxsi has won in FY21 is greater than in FY20. The company also is not operating under a standard IT pricing mechanism which is based on number of hours. This is because the company is often operating in niche segments and thus can avoid a pricing competition.
19. The management has stated that the transportation segment is going through a transformative phase with new innovations like electrification and autonomous vehicle tech being widely seen as inevitable evolutions and thus there is some uncertainty in the industry. But there is no denying the rising importance of technology in the auto sector especially considering these new industry innovations.
20. 8-9% of revenues for Tata Elxsi come from Japan. The company has been associated with the region since 1996. Because of its long association, it sees the opportunity here as there is marginally less competition due to language barrier and slow adoption of outsourcing.
21. The company is planning to make at least 700 lateral hires in FY22.
22. The onsite-offshore mix is expected to stay at current levels for the next 3 quarters at least.
23. The effective tax rate is around 25-26% and is expected to reduce as the company expands its business in the SEZ.
24. The management clarifies that the cybersecurity is not for enterprise security like McAfee but for cybersecurity for the devices that the company is working on only.

Analyst Views:

Tata Elxsi had a good quarter with its highest ever quarterly revenues and capped off a remarkable performance in FY21. The company continues to see good growth in in all segments and recovery in transport segment. It has also managed to maintain its offshore ratio and high levels of utilization which has helped boost PBT growth. The company is also identifying both organic and inorganic opportunities for its expansion to achieve its goal of $1 billion revenues. The auto segment continues to be subdued due to the COVID-19 situation. The company has done well to achieve multiple deal wins in Q4 including a multiyear deal for its connected mobility IoT platform. It remains to be seen how the company's major clients adapt to the new world after COVID-19 and what opportunities will the company explore in its quest to achieve $1 billion sales. Nonetheless, given the company's strong technological capabilities and its resilient performance in the last year, Tata Elxsi remains a good technology stock to watch out for, particularly given the rising demand for its services in the broadband and media & communications spaces.

TRAVEL & HOSPITALITY

IRCTC

Financial Results & Highlights

Brief Introduction:

Indian Railway Catering and Tourism Corporation (IRCTC) is a Mini Ratna (Category-I) Central Public Sector Enterprise under the Ministry of Railways, Government of India. IRCTC was incorporated on 27th September 1999 as an extended arm of the Indian Railways to upgrade, professionalize and manage the catering and hospitality services at stations, on trains and other locations and to promote domestic and international tourism through the development of budget hotels, special tour packages, information & commercial publicity and global reservation systems

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	358.25	595.70	-40%	245.23	46%	868.69	2342.41	-63%
PBT	139.20	193.21	-28%	104.39	33%	260.88	729.58	-64%
PAT	103.79	135.14	-23%	78.09	33%	189.90	513.10	-63%

Detailed Results:

10. The company saw a 46% QoQ rise in total revenues and a 33% QoQ rise in PBT & PAT.
11. Compared with Q4 last year, the revenues were down 40% YoY while PBT & PAT were down 28% & 23% YoY respectively.
12. Considering the major expenses, the biggest change was in “Expenses for Tourism” which rose to Rs 50 Cr in Q4 from Rs 13 Cr in Q3 indicating a QoQ rise in tourism activities for IRCTC.
13. The QoQ improvement was good across all segments with the biggest improvement in tourism which more than doubled as travel restrictions were coming down as compared to Q3.
14. Considering the segment operating profits, only the internet ticketing segment has seen a rise of 59% QoQ & 14% YoY while all other segments are operating at losses.
15. The Q4FY21 operating losses are highest in the Tourism segment at Rs 42 Cr which is even above the revenues earned from the segment which were Rs 31.58 Cr indicating that this is the overall worst-performing segment for IRCTC at present.
16. Lastly, the company has also announced a final dividend of Rs 5 per share for FY21.

Investor Conference Call Highlights

1. IRCTC is looking for candidates to pursue a strategic partnership with an external partner to provide additional capital to fuel the company's expansion plans for the privatization of certain train routes around specific urban clusters.
2. The bus ticketing business has also started picking up and the company is now planning marketing activities with its partners.
3. IRCTC is currently contracted for catering for 450 trains and 100 such contracts are in the pipeline.
4. The booking % for the sleeper class was at 40% while the 2nd class booking % was at 36% for FY21. The rise in ticketing revenue was mainly due to the rise in internet booking for these classes.
5. The Rail Neer plants in Bhusawal, Himachal Pradesh, and Vijayawada will be completed in FY22 while the Kota & Bhubaneswar plants will come up in FY23.
6. Around 1500 trains are running currently which have reservation facilities.

Analyst's View:

IRCTC is a unique PSU with massive cash flows and a well-managed balance sheet. The company has seen a tough FY21 as travel has remained largely subdued with the catering segment suffering the most in the year. But it has shown good QoQ recovery especially in ticketing revenues which should indicate that business is slowly is coming back to normalcy. The company also has a lot of plans for expansion in the private trains space and is actively looking for a partner to finance this expansion. It is also looking to gain an additional revenue source in internet ticketing by inserting itself in the booking of the non-reserved classes and increasing the % of total booking for Indian Railways while slowly replacing offline ticketing as much as possible. It remains to be seen how the company's plans in the privatization of trains go and how long will it take for normal consumer behaviour to resume. Nonetheless, given that IRCTC has a near-monopoly in its space and from the resilient demand for its services and products in railway stations, IRCTC remains a good stock to watch out for investors betting on the railways theme.

MHRIL

Financial Results & Highlights

Brief Company Introduction

Club Mahindra Holidays is an Indian travel company founded in 1996. It is a part of the Mahindra Group and provides holidays on a timeshare basis. Mahindra Holiday & Resorts India Limited (MHRIL) is a part of the Leisure and Hospitality sector of the Mahindra Group. Vacation ownership is its key offering and "Club Mahindra" is its flagship brand. MHRIL offers family holidays primarily through vacation ownership memberships for over a period of 25/10 years. Today The boast a fast growing customer base of over 235,000 members and 50+ resorts at some of the most exotic locations in both India and abroad.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	255	256	-0.39%	246	3.66%	909	1037	-12.34%
PBT	32	29	10.34%	55	-41.82%	169	124	36.29%
PAT	25	-169*	-114.79%	41	-39.02%	126	-108*	-216.67%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	496	631	-21.39%	515	-3.69%	1847	2431	-24.02%
PBT	-11	41	-127%	7	-257.14%	2	101	-98.02%
PAT	-10	-162*	94%	-1	-900.00%	-14	-134*	89.55%

*contains a one time impact of Rs 200 Cr on tax expense due to change in tax rate

Detailed Results

1. The quarter was down for the company with a fall in consolidated revenues of 21% YoY while PBT fell to a loss of Rs 11 Cr and PAT was at a loss of Rs 10 Cr.
2. FY21 performance was down with 24% YoY revenue decline and PAT loss of nearly Rs 14 Cr mainly due to the fall in Q1.
3. The deferred revenue pool was at Rs 5081 Cr.
4. Strong cash position at Rs 940 Cr and receivables were at Rs 1205 Cr.
5. Occupancy (of operational rooms) was at 85% for Q4. MHRIL added 9 resorts in FY21.
6. The member additions in FY21 were at 12031 with 4789 in Q4.
7. Room inventory increased by 465 rooms to a total of 4197.
8. Digital referral and member engagement rose to an all-time high of 55% in FY21. 34% of new member sales was to the age group of 25-40. 38% of new members were from tier 2 & 3 cities.
9. 80% of bookings done online with 64% done through app.
10. The company reduced overall costs by 22% YoY in FY21 with a major reduction of 23% and 30% in Sales & Marketing and Other Expenses respectively while rent & employee expenses were down 32% and 11% respectively.
11. Standalone EBITDA margin improved 200 bps YoY to 24.9% in Q4. Fy21 EBITDA margin rose 820 bps to 31.5%.

12. Standalone revenues were flat YoY while PBT rose 10% YoY.
13. The company has identified and cancelled 13,962 overdue memberships. The revenue impact of these cancelled memberships was Rs 8.6 Cr and the deferred cost impairment was at Rs 11.7 Cr.
14. Fixed assets for the company stand at Rs 2143 Cr as of 31st March 2021.
15. Revenues for HCRO were down 39% YoY. Spa hotel revenues were down 56% YoY due to limited operations and resort closure.
16. The unit delivered an operating loss in Q4 of 1.57 million euros and PAT loss of 4.62 million euros.
17. Consolidated EBITDA margin improved 130 bps YoY to 18.9% in FY21 but fell 370 bps YoY in Q4 to 15.1%.

Investors conference call Highlights

1. The cumulative member base was at 254,431 at the end of FY '21.
2. MHRIL launched Club Mahindra Assonora Resort in Goa with 152 rooms. It is also the only resort in the country with a mini water theme park with a lazy river.
3. The management reiterated that the company is aiming to go to 5500 rooms in the next 4 years.
4. MHRIL aims to add 57 more rooms to the new 157 room resort in Goa.
5. It is now in very advanced stages of getting approval for 150 rooms project in Ganpatipule.
6. It is also looking to start an expansion project at Kandaghat Shimla with additional 160 units.
7. The deferred cost on the deferred revenue pool I expected to be Rs 550 Cr for 25 years which yields a profit of Rs 4500 cr in the period according to the management.
8. Total savings on lease rentals was at Rs 52 Cr in FY21.
9. HCRO is expected to open up soon as vaccinations are going at a very fast rate in Finland and the country has already vaccinated 30% of its population.
10. The one-time impact from the cancellation of the overdue memberships is reflected in other expenses.
11. With the planned new inventory goal of 5500, the company is also aiming to add as many members to maintain a ratio of members to rooms of 60 times i.e. a member count of 5500*60=3,30,000.
12. The management remains optimistic about the future of the tourism industry as it is a big source of employment and the emergence of drivable destinations because of the pandemic.
13. Although the EMI scheme generates a significant interest income as the schemes are financed by MHRIL itself, the focus remains to get higher down payment paying customers to ensure commitment to the product. This shift is also why the cash position is growing consistently.
14. The management has stated that MHRIL doesn't need to depend on rental savings in the future as resort income and food and bev margins will rise as occupancy comes back to normal levels.
15. The company has also received incentives of 1.5 million euros from the Finland govt for HCRO.
16. HCRO has a debt of 26 million euros and a cash position of 12 million euros.
17. Given the customer experience over the years, the company is now also looking to target more members with a stable source of income or salaried customers.
18. The company is waiting for a resolution from the Ministry of Corporate Affairs on how to distribute its earnings as dividends.
19. The company's EMI program is of 4 years and it has 45,000 members on it currently. A large portion of the company's debtors is formed from the pending EMIs from these members.

20. The owned to leased ratio is 60-40 currently. Even in a lease resort, it takes at least 1.5 years for refurbishment and transformation before the company can open it up for its customers.
21. The focus for resort acquisition for MHRIL is firmly in India with major states and Maharashtra, Gujarat & Rajasthan always on the radar while on the lookout for new states to enter like Odisha.

Analyst's View

MHRIL is the leading vacation ownership company in India. It has a unique business model where the company funds its Capex from customer's advance money. Because of this model, they are in a much better position against other hotels in terms of Balance Sheet strength. The company saw a good standalone performance in India with resort occupancy rising to 85% in Q4 and 465 new room additions. It has a big cash chest of above Rs 940 Cr which it plans to utilize to expand room inventory to 5500 rooms and in resort acquisitions in both major states and new states. Although it has done a one-time cancellation of overdue 13962 overdue members, the overall impact was mitigated to a large extent due to adequate provisions. On the other hand, HCRO has seen performance fall due to limited operations and resort closure. But the management remains confident of HCRO's prospects shortly as the vaccination speeds up in Finland. Even though travel and tourism is a sector that seems to take a long time to recover and come back to normalcy, MHRIL is utilizing its firepower (read Balance Sheet strength) to continue its expansion plans in Goa and other sites. It remains to be seen how long will it take for sentiments to normalize in the travel sector especially given the rise of the 2nd wave of COVID-19 in India, and whether the company will be able to capitalize on its resilient balance sheet and cash reserves to make any aggressive moves on Capex. Nonetheless, given the company's resilient model and the current valuation is not too far from its replacement cost, MHRIL can turn out to be a pivotal travel sector stock in the times ahead.

Thomas Cook India

Financial Results & Highlights

Brief Company Introduction

Thomas Cook India is one of India's oldest companies which was established in 1881. It is an integrated travel and travel related financial services company. They provide a wide range of services from packaged tours and forex services to visa support and travel insurance. Thomas Cook has been credited with a number of innovations in the travel industry, which include the world's first packaged tour, first prepaid hotel, first holiday brochure and even the conceptualization of the first traveller's cheques.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	95	251	-62.15%	70	35.71%	319	2191	-85.44%
PBT	-30	-84	64.29%	-20	-50.00%	-56	-22	-154.5%
PAT	-13	-66	80.30%	-7	-85.71%	-14	-25	44.00%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	402	1109	-63.75%	271	48.34%	946	6948	-86.38%
PBT	-68	-120	43%	-89	23.60%	-416	-69	-503%
PAT	-21	-16	-31%	-66	68.18%	-295	-18	-1538.89%

Detailed Results:

1. Consolidated revenues fell 64% YoY while other income has risen to Rs 44 Cr from Rs 19 Cr last year.
2. QoQ performance showed an improvement of 48% in sales and 68% in loss reduction for the company.
3. Secured funding of Rs 435.7 Cr from parent Fairbridge Capital.
4. Total cash and bank deposits were maintained at Rs 856 Cr on 31st Mar 2021.
5. The company made savings of 39% & 50% YoY in Q4 & FY21 respectively in total consolidated costs.
6. The company achieved cost savings of Rs 680 Cr in FY21 and already surpassed its FY21 target of Rs 560 Cr of savings by 22%.
7. Forex services Launched FXMate, a digital tool and a first in the foreign exchange sector:
    1. Equipped B2B partners with forex services from their location.
    2. Served to increase reach and customer base
    3. Over 700 new partners have been on-boarded, generating over 2000 transactions.
8. Forex services also introduced a Customer Digital interface and Digital Payment Gateway to facilitate contactless end-to-end transactions with the delivery of aprox. 6000 transactions for FY21.
9. SOTC operated a significant MICE group of over 750 customers to Dubai in January 2021.

10. New Booking Tool EVA, was successfully deployed for 120 TCIL corporates
11. TCIL & SOTC opened 10 new owned and franchise outlets for their holiday businesses in FY21: including Mumbai, Noida, Gandhinagar, Prayagraj, Chandigarh, Nagpur, Varanasi, Kolhapur and Chennai.
12. DEI saw revenues of Rs 55.6 Cr vs Rs 102.8 Cr last quarter. EBIT losses reduced to Rs 13.3 Cr in Q4 from Rs 18.2 Cr last year.
13. DEI has acquired 4 new customers which include:
    a) Imaging rights at The View at The Palm, Dubai
    b) Dubai Parks and Resorts partnered for its photography operations
    c) Grand Park Kodhipparu (exclusive imaging operations), via MMPL, DEI's presence in the Maldives
    d) Snow City Salem for its photography operations; set to open for the public in Q1 FY22.
14. The segment performance in Q4FY21 is as follows:
    i) Financial Services: Down 57% YoY
    ii) Travel & Related Services: Down 79% YoY
    iii) VO & Resorts: Up 48% YoY
    iv) Digiphoto: Down 46% YoY
15. The segment performance in FY21 is as follows:
    a) Financial Services: Down 63% YoY
    b) Travel & Related Services: Down 94% YoY
    c) VO & Resorts: Down 36% YoY
    d) Digiphoto: Down 69% YoY
16. Sterling saw 742 net member additions in Q4 and 1639 additions in FY21. ARR was at Rs 4306 in FY21 vs Rs 4392 FY20. Resort occupancy improved to 54% in Q4 vs 40% in Q3.
17. Net revenues from Sterling were at Rs 85.3 Cr in Q4 and Rs 171.7 Cr in FY21.

Analyst's View:

Thomas Cook is the biggest travel company in India in terms of reach. They have been innovators in the sector for more than a century now. The company is going through the toughest of times with the travel industry being hit hard due to COVID-19. The management is doing well to use this period of slow operations to focus internally and improve the cost structure which has resulted in them already achieving 122% of its cost-savings target for FY21. The company has taken encouraging actions for DEI like winning various commitments for large tourist attractions in the Middle East and expanding in MICE and Corporate Travel. It is also continuing to bring back its other businesses to normal levels and has been constantly innovating and adding new services like automated travel booking for corporate clients & launching the first digital tool in FX services in India. It remains to be seen how long it will take for things to normalize for the travel industry and how consumer behaviour will evolve from COVID-19. Nonetheless, given the company's resilient balance sheet and the management's focus on improving the internals of the company and focusing on new avenues for the industry, Thomas Cook seems to be a resilient travel industry stock in an industry plagued with shutdowns and bankruptcies these days.

Wonderla Holidays

Financial Results & Highlights

Brief Company Introduction

Wonderla Holidays Limited operates amusement parks and resorts in India. It operates through Amusement Parks and Resort, and Others segments. The company's amusement parks offer land, water, high thrill, and kid rides. It operates three amusement parks in Kochi, Bengaluru, and Hyderabad; and the Wonderla resort in Bengaluru under the brand name Wonderla. The company operates Wonder Kitchen, a food takeaway outlet. It also sells merchandise, cooked food, packed foods, etc. The company was incorporated in 2002 and is based in Bengaluru, India.

Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	35	45	-22.22%	6	483.33%	45	283	-84.10%
PBT	-6	0.4	-1600%	-19	68%	-66	93*	-171%
PAT	-5	2	-350%	-15	66.67%	-50	65	-176.92%

*Contains exceptional item of Rs 18.9 Cr

Detailed Results

1. The company revenues stayed down at 22% in Q4 but saw a very good QoQ recovery from Q3 sales of Rs 6 Cr.
2. Hyderabad park opened on 9th Jan.
3. Total footfall in Q4 was at 3.11 Lacs vs 4.05 Lacs a year ago. Bangalore Park achieved 1.18 lakhs, Kochi Park achieved 0.82 lakhs and Hyderabad Park achieved 1.11 lakhs of footfall.
4. During the Quarter, In January, parks were functional only from Thursday to Sunday and in February, from Wednesday to Sunday and all the Parks were opened on all the days in the month of March.
5. Wonderla Resort Bangalore saw occupancy of 28% in Q4.
6. Wonderla maintained a debt free balance sheet with liquidity for Rs 93 Cr.

Investors conference call Highlights

1. The management expects normal activity to resume once the milestone of 50% vaccination is done. How much time it will take to get there is still unknown.
2. The management is not keen on indoor park entertainment as the entry barriers are low and margins are not good enough to warrant the capex involved.
3. The focus for the company remains to reopen its parks and the Wonder Nursery and Wonder Kitchen initiatives are just there to function in times of park shutdown.

4. Wonderla is not looking at any inorganic acquisitions right now.
5. The management has stated that it is mostly using the downtime for strategizing and trying to improve the businesses when they reopen. This includes digital marketing and customer experience system and revamping of F&B outlets & others.
6. The Chennai project is to be kept on hold till the end of 2021 due to a dispute over tax exemption and labor unavailability issues.
7. All three parks are now closed under state lockdowns.
8. Going forward, Wonderla is looking to complete the opportunities in Chennai and Bhubaneshwar. It is also looking at new opportunities in Gujarat and Sri Lanka.
9. Given that the Gujarat govt is very pro-business, the management is confident of getting the tax exemptions and breaks required to set up there.
10. The Bhubaneshwar park is smaller and should have significantly lower investment compared to the existing parks.
11. The management believes that each of the existing parks is still far away from saturation since they have not even cracked 1 million footfalls yet which again is a small percentage of the total addressable population in those cities. The peak average capacity is around 5000-6000 visitors per day for all three parks.
12. The company is still negotiating with the Govt of Gujarat for the park in the state. The company is looking to target breakeven in 3 years as it has done with the Hyderabad park.
13. 75% of sales were from ticketing income and 25% was from non-ticketing income. It has also seen a higher amount of retail footfalls vs group footfalls (which were mainly from schools and colleges pre-COVID).
14. The company's focus is to improve non-ticket spending and bring it up to 35% of sales.

Analyst's View

Wonderla Holidays is India's leading amusement park operator. This business has strong entry barriers because of high Capex and long gestation cycle. Wonderla has been able to manage its operations well over the years and create a niche space for itself. The Quarter saw a decent recovery for Wonderla mainly due to all three parks opening in Jan. But operations in FY22 have again stalled due to park shutdown in the 2nd wave of COVID. In the meantime, the company continues to focus its downtime on strategizing on how to enhance customer experience and to increase non-ticket revenue. It has also put the Chennai expansion plans on hold and is focusing solely on improving existing park operations to their previous levels. Although its parks are shut down currently, the company is looking at other opportunities like in Odisha, Gujarat & Sri Lanka to stay ready to expand once the opportunity arrives. It remains to be seen how much time it will take for normalcy to come back in their business especially since it has gotten shut down again due to the 2nd wave of COVID-19. However, Wonderla has the resilience of the balance sheet to survive through these tough times and the potential to positively surprise once all the parks are opened and the footfall comes to pre-COVID level.