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# THE TRANSCRIPT

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Jan-Mar 2021

*This is a compilation of management comments from AGMs/Concalls for the quarter ending Mar-2021.*

*Forward looking statements are either prophetic or widely off the mark (sadly, we don't know which). While reading transcripts we are primarily searching for better questions that we should be contemplating about businesses. The compilation should not be used for investment decisions (read our disclaimer below and at the end).*

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## QUOTE OF THE QUARTER

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I don't think the 2 wheeler industry which is us and if I may say so my colleagues in other companies are going to face a Kodak moment. I think all of us have been educated quite well by the events of the disruptive changes, of the consequences of disruptive changes and of having a myopic view of markets. We have to also thank Mr. Elon Musk and what he has achieved with Tesla opposite the four wheeler industry and those case studies are all staring us in our face.

I don't think it will be out of myopia that the existing industry will be caught with its pants down.

”

**Bajaj Auto**

Charlie Munger joined Warren Buffett on stage during the 2021 Berkshire AGM after missing out last year. According to Charlie, you are in good company if you are a little confused by what's going on in the world.

If you're not a little confused by what's going on, you don't understand it. We're in uncharted territory.

With everything boomed up so high and interest rates so low what's going to happen is the millennial generation is going to have a hell of a time getting rich compared to our generation. And so the difference between the rich and the poor and the generation that's rising is going to be a lot less. So Bernie has won. He did it by accident, but he won.

## Berkshire Hathaway

Technology stocks in US have thrived in the pandemic. Apple's wearable business is now the size of Fortune 120 company. 77% of respondents in a survey said they used YouTube to learn something new in 2020. As on 31-May-2021 an equi-weighted portfolio of Alphabet, Apple, Facebook Microsoft and Netflix would have the following parameters:

<b>Portfolio ROE</b>	47.3%
<b>Portfolio PE 22</b>	25.1
<b>TTM Revenue Growth</b>	21.3%
<b>TTM EBITDA Growth</b>	40.5%
<b>TTM Earnings Growth</b>	42.8%

Source: Bloomberg, Internal

iPhone grew by 17% year over year, driven by strong demand for the iPhone 12 family, and our active installed base of iPhones is now over 1 billion. Our Wearables business is now the size of a Fortune 120 company. Importantly, Apple Watch continues to extend its reach with nearly 75% of the customers purchasing Apple Watch during the quarter being new to the product. iPad and Mac grew by 41% and 21%, respectively, reflecting the continuing role these devices have played in our users' lives during the COVID-19 pandemic.

If you take India as an example, we doubled our business last quarter compared to the year-ago quarter, but our absolute level of business there is still quite low relative to the size of the opportunity.

Apple

I believe that augmented and virtual reality are going to enable a deeper sense of presence in social connection than any existing platform. They're going to be an important part of how we will interact with computers in the future.

Facebook

According to a recent study conducted by Ipsos, 77% of respondents say they used YouTube during 2020 to learn a new skill.

Alphabet

We've done some pricing experiments in India (... ) I would say we're still mostly focused on getting a content fit and getting, you know, broader content. So that's why I say that one is a more speculative investment than say Korea or Japan, which again five years ago was very speculative when we did those, OK? But we've gone on for over the hump and now we've got, you know, we've got a great match. And we're still working on India and we're super excited and, you know, again, right now, this month, things are terrible in the COVID spike.

Netflix

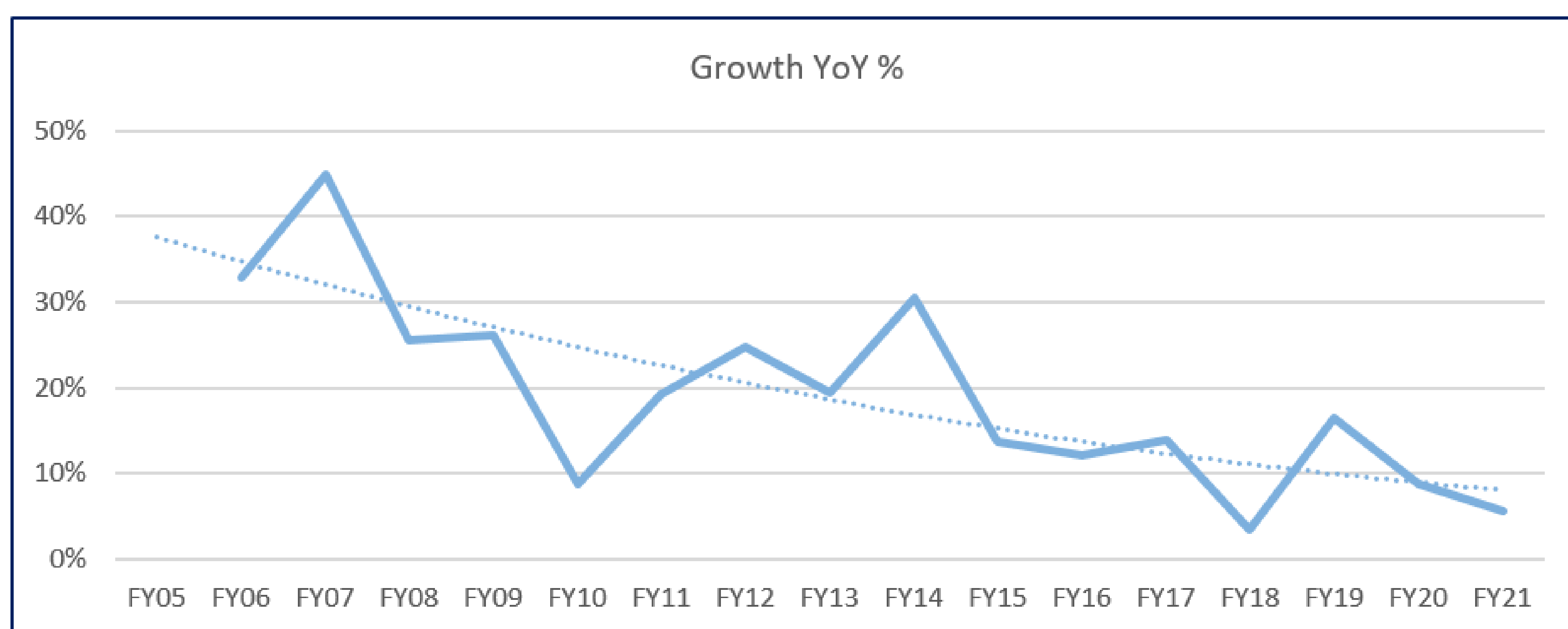
Waymo, a Google affiliated company launched robo-taxis in Phoenix, US in Oct 2020. Elon Musk claims Self-Driving is one the hardest technical problem that exists. The company with most real world data will have an edge here as well.

(Self-Driving is) I think one of the hardest technical problems that exists, that's maybe ever existed. And really, in order to solve it, we basically need to solve a pretty significant part of artificial intelligence, specifically real-world artificial intelligence. And that sort of AI, the neural net needs to be compressed into a fairly small computer, a very efficient computer that was designed, but nonetheless, a small computer that's using on the order of 70 or 80 watts. So this is a much harder problem than if you were you, say, 10,000 computers in a server room or something like that.

## Tesla

Indian IT companies have been able to evolve and respond to customer's needs. Legacy consulting model might be losing its relevance according to TCS. Trend growth for IT has been coming down over the years from unsustainable 20% to 30% level to a 10% trend growth. Most companies felt confident of a double digit growth in FY22.

(Total Net Sales Growth for TCS, Infosys, WIPRO, Tech Mahindra & HCL Tech. Includes acquisitions).



Source: Company, Internal

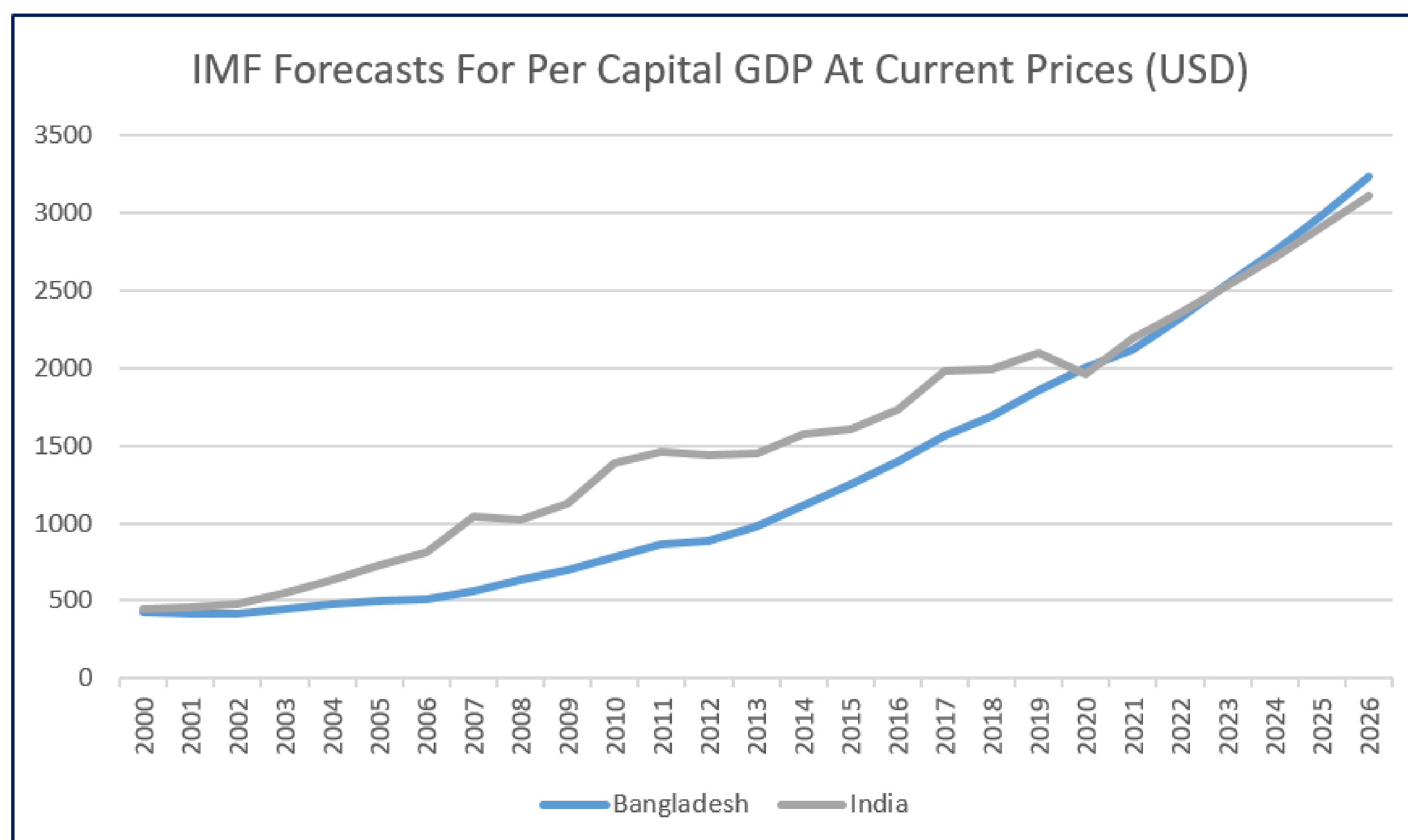
One of the weakness of the legacy consulting model is that it places an undue premium on an outsider's expertise and invariably ends up replacing extinct ways of working with shiny new and most likely cookie-cutter solutions. And that, by its very nature, dilutes differentiation rather than drive innovation. In sharp contrast, we recognize that there is tremendous value in the asset knowledge that resides inside the customer organization and which often goes untapped. This is foundational to contextualizing technology within the enterprise.

**TCS**

“You need not necessarily be first to the market. You can be second and better”.

New products contributed 4% to 5% of Nestle and Dabur sales. Godrej Consumer Products indicated a high teens innovation rate for FY21. The share of E-Commerce has increased significantly for mostly consumer companies and now stands at mid to high single digit. Some of the cost efficiencies driven by necessity during lockdowns could turn out to be enduring.

We heard reference to “Bangladesh Model” of growth this quarter. Bangladesh’s per capital income has been catching up to India’s & has surpassed it recently according to some sources.



Source: Bloomberg

When you look at innovation, we look at it from a lens of what is the distinctive proposition and whether we have superiority from a product perspective. Then we launch it. So I don't mind people having many (new launches). Just like if you look at sanitizer, when it was a fad, every company was into sanitizers, right? But you need to assess 2 years down the road, how many have survived. That's what makes a difference. So I don't mind others having much -- you need not -- and the other important bit.

You need not necessarily be first to the market. You can be second and better

**Hindustan Unilever**

We continue to sustain the COVID efficiency. So if you look at factory productivity, pre-COVID to post COVID, which is current productivity, we are 8% better. Wastages, we are 20% better than what our pre-COVID levels were. Our dispatches from factory directly to distributors are up 50%, which saves us a transshipment and hence, brings the efficiencies to the system. Our depot space, we reduced by 10%, and we are managing very, very well and that's because we've got direct dispatches, so we can afford to save some depot space.

**Britannia**

With the home and personal care category in Vietnam recovering on a year-on-year basis and the foods business continued its positive momentum, Southeast Asia business grew in double digits after 8 quarters. We have again focused on correcting the fundamentals in Vietnam, and we are confident that we'll be able to partially replicate the **Bangladesh model of growth** here.

**Marico**

(25.7% cc growth in FY21 in Bangladesh for Dabur as well)



Electrical vehicle penetration is expected to increase in 2 & 3 Wheelers first and Private Vehicles later. Large 2 Wheeler companies are exploring multiple avenues to develop this market which includes inorganic route, tie ups with global technology companies and in-house product development. Maruti highlighted lack of localization of components as a key constraint.

Global OEMs continue to invest heavily in this space. Audi for example plans to spend EUR 35 BN from 2021 to 2025, 40% of which would be dedicated to EVs/Hybrids. For context this EV spend over 5 years is approximately same as FY21 revenues of Infosys.

As far as electrification is concerned, still, despite many efforts by many stakeholders, the penetration is very low. It is not even 1%. So the fundamentals have to be addressed first. And the fundamentals are localization of key components that go into the electric car or the hybrid electric car.

**Maruti**

Any new category which is evolving, initially, there will be many players who will come in. And that's in some way good for category as well because it allows the category to expand and explore. And in a sense, everyone brings to table some capability or the other. But eventually, then it leads to consolidation, because this is not a play which is about an aggregation play or a software play or maybe an app play. This is a hard core serving the customer on the vehicle, on servicing, on aftersales operationally. And it's not easy. And you would have heard even Tesla or Elon Musk saying recently that it's very easy to build prototypes and do a bit of stuff. But operationally, it's not that easy.

We are trying to accelerate as much as we can. But right now, I would say that next calendar year, you can hope to see a lot of action on EV front from our side as far as hitting the market is concerned.

**Hero MotoCorp**

A common theme in the earnings calls was the higher impact of the pandemic on the lower income groups. The group that could not work-from-home and had its livelihood impacted. Premium products saw higher growths than entry level categories. Oberoi launched apartment with “Zoom Meeting” rooms.

There is a certain dichotomy which is developing in the industry, not just for our category, for many categories, that we are seeing that the top half of the demand of the consumer, they actually have come out largely unscathed from the pandemic. The job losses have not occurred. There has been certain savings because the opportunity to spend was not there. And we're a little bit of feeling of well-being based on stock market and savings going up, has caused, actually, people to feel much better. And that's also resulting in these -- partly, the long waiting period for cars, et cetera. And we are seeing that impact in some of our bikes, which are more than 2 lakhs, particularly the KTM varieties, where we are fighting to supply the demand.

Even on the bottom end of the pyramid, where it has been a little bit of a struggle because the bottom has really fallen out, fallen off. The cheapest products, whether it is us or competition, are having a severe beating, are getting a severe beating in the last 6 months or so and particularly now.

**Bajaj Auto**

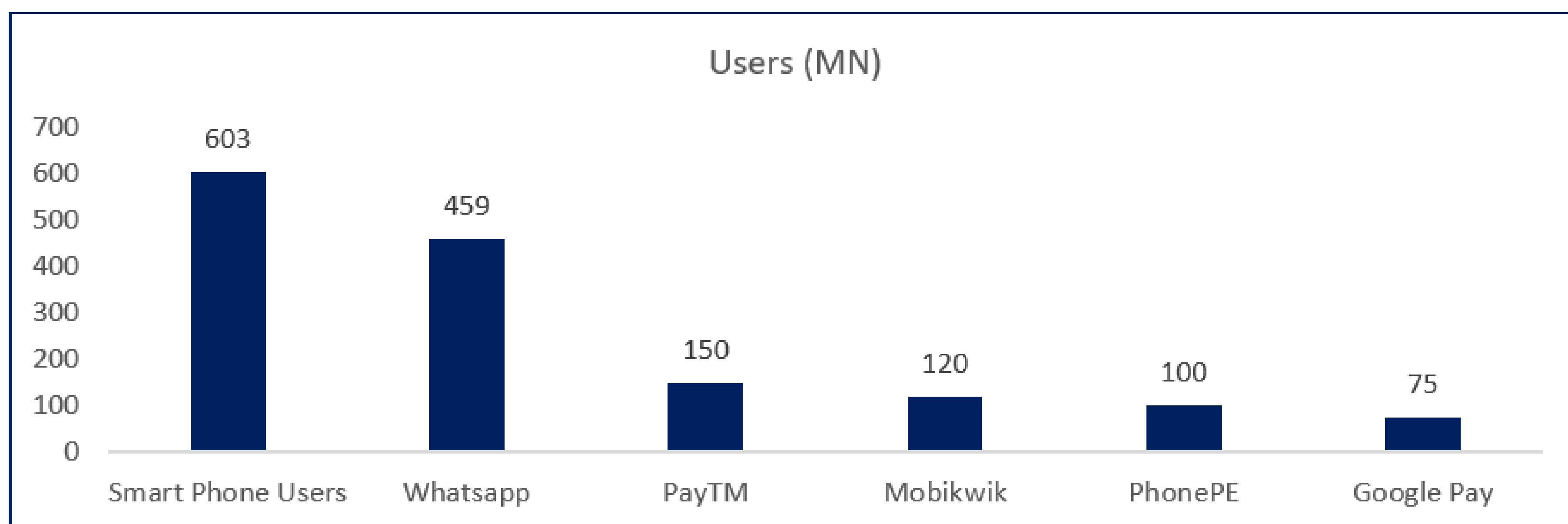
Super premium fans volume has doubled as compared to the same period last year.

**Crompton Consumer**

If you see Borivali, also the larger configurations are doing much better in all that. In fact, in Elysian, we're really surprised that we are a minimum 20% higher on area configuration from Esquire and done exceptionally well. I don't have a single 4-bedroom to sell up to a particular floor in that building.

**Oberoi Realty**

Companies in the financial space are taking cognizance of the opportunity in Fintech. Most of the activity in this space has been in the payments space. Payment and Wallet companies have built a formidable user base.



Source: Credit Suisse

I think Indian banks have a unique opportunity that while we continue to be regulated, how do we transform and transcend to be a customer-oriented product tech player and while we still have the cover of being a regulated bank. And that is the journey we need to do. We need to be ready to spend present for that, but I don't think the spend which we require for something in that area is anywhere near 10,000 physical branches.

**Kotak Bank**

NUE will be servicing more on the B2B side. What it does allow us though is to get a greater involvement in where the fundamental kind of pipes are going to be in the future on the payment side. All of it is headed in that direction. That allows us to build more services based on the understanding of those fundamental pipes. If you think about what you could do because those pipes will be dealing with different people over time it allows us to build more services around that.

Globally payments have become a fairly core area that everybody begins to look at and if you look at financial services companies - 4 of the 10 largest financial companies in the world are involved in payments in some form or shape. We see that as a very core fundamental platform on top of which other things are built. So therefor we see it's important that we at least have the opportunity to participate in that platform

**Cholamandalam Investments**

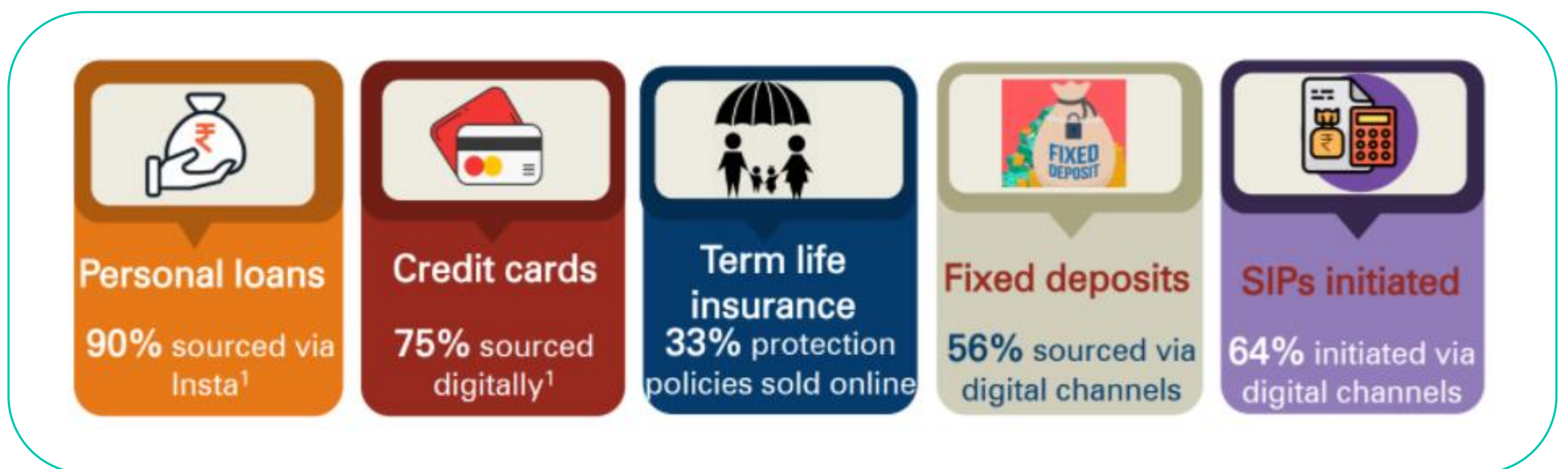
The pandemic accelerated the adoption of digital platforms and technologies. Artificial Intelligence and Machine Learning is increasingly becoming necessity for remaining competitive.

Our automated AI solution, auto approved close to 61.6% motor break-in self-inspections in March 2021 up from 40.6% in March 2020. On the health insurance front, under group health policies 60.1% fresh Cashless requests were authorized by an AI/ML enabled engine in March 2021 as compared to 31.0% in March 2020

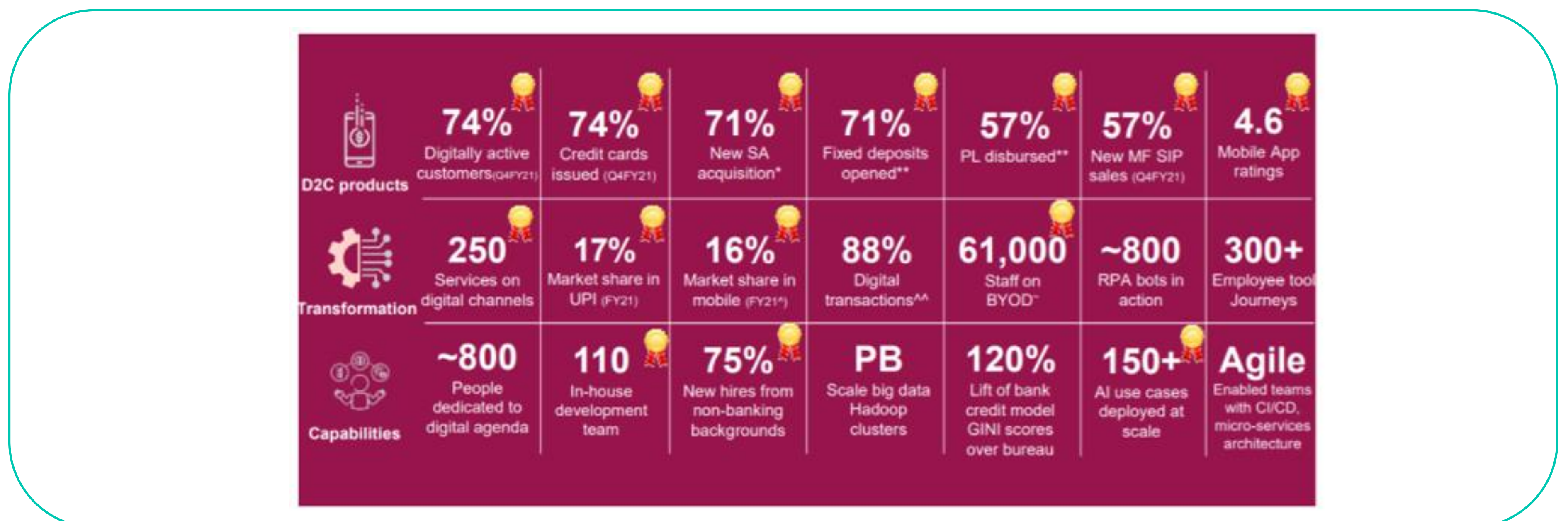
**ICICI Lombard**

41% of the claims are processed through automated underwriting.

**SBI Life**

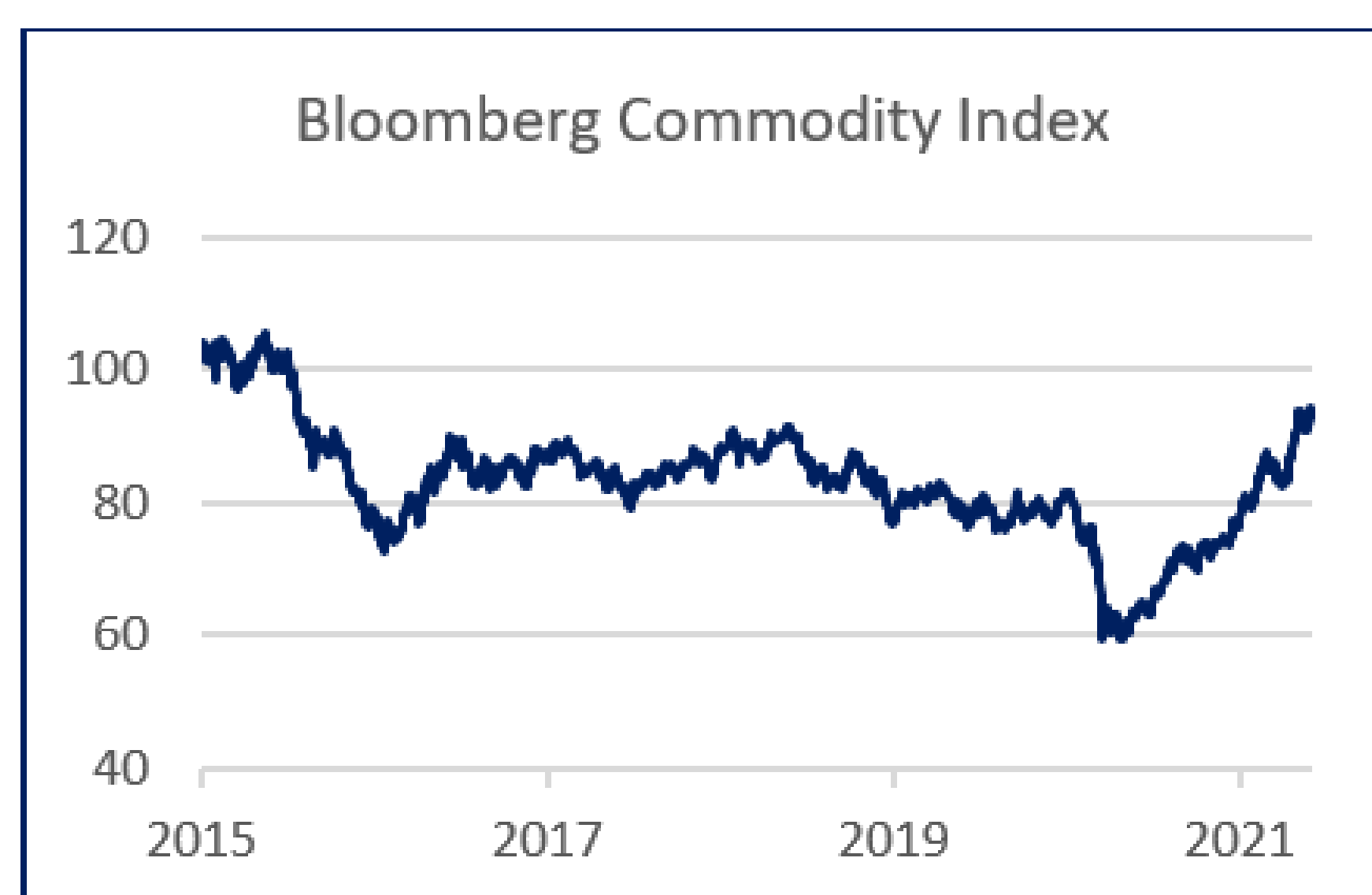


**ICICI Bank**

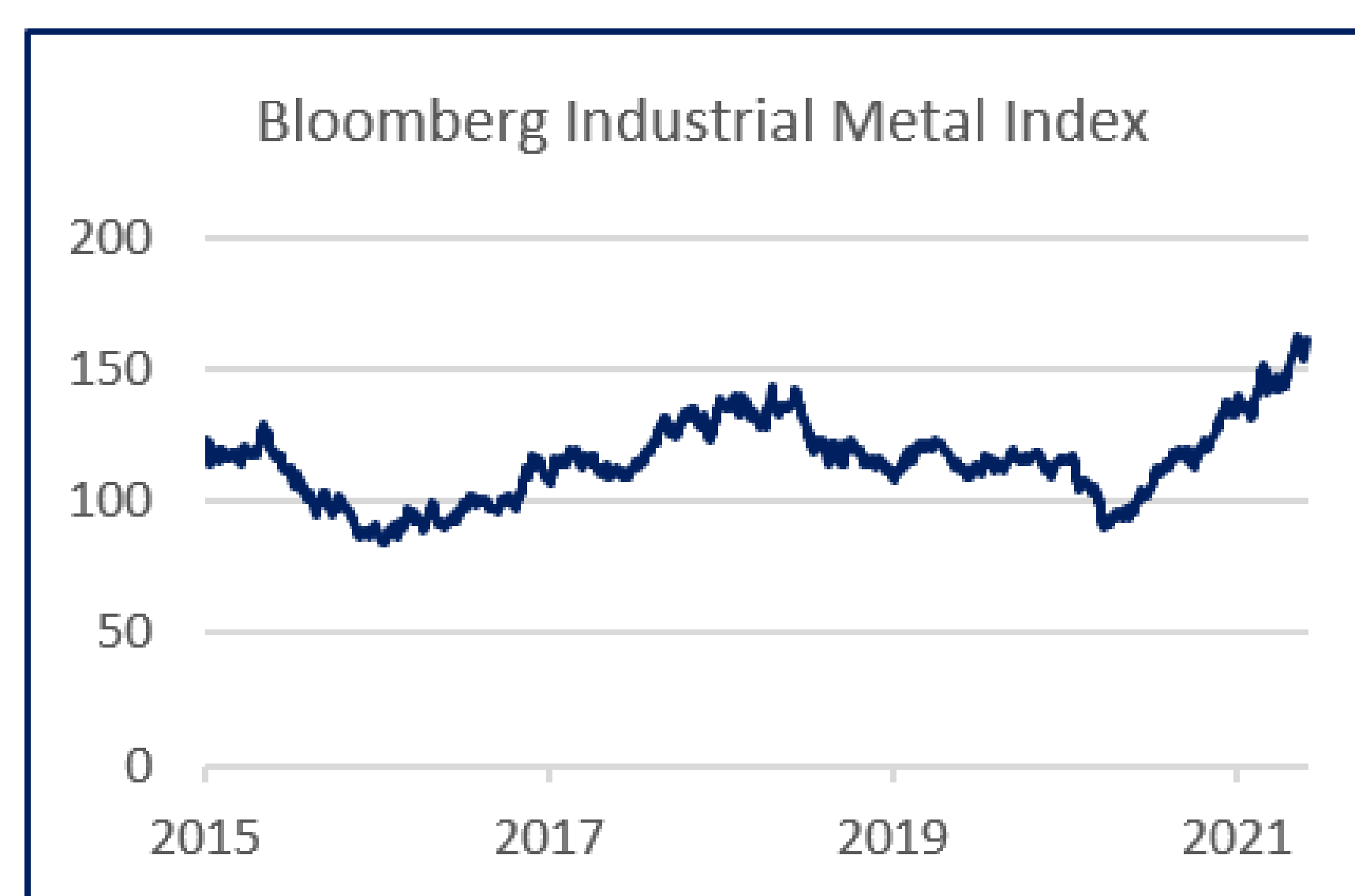


**Axis Bank**

In March-2020, very few people would have taken the bet that commodity prices are going to see a sharp rally within a year. That is exactly what panned out and managing raw material inflation was the key priority for most companies during the year. Unorganized sector has struggled with this. Their sourcing was also impacted more and organized sector as a result has increased share in most categories.



Source: Bloomberg



Source: Bloomberg

We're seeing very substantial inflation. It's very interesting. We're raising prices. People are raising prices to us, and it's being accepted. Take home building. We've got nine home builders in addition to our manufactured housing operation, which is the largest in the country. So we really do a lot of housing. The costs are just up, up, up. Steel costs, just every day they're going up.

I don't know exactly how one shows up in different price indices, but there's more inflation going on, quite a bit more inflation going on that people would have anticipated just six months ago or thereabouts.

**Berkshire Hathaway**

The kind of increase in cost that we have witnessed in the last 3, 4 months, is unprecedented in the history of our company. And as you must have sort of seen with all these other companies and must be reading in the news, all commodities, whether it's plastic or metal or paper have gone up phenomenally. And so is our base costs and logistics costs, imports, everything has just sort of gone through the roof.

**Symphony**

In the last 40 years, international price of PVC has never reached to the level seen in April 2021, especially in India (...) The PVC prices according to us did peak and we anticipate this slowly, but surely, that PVC prices now should start going down.

## Supreme Industries

Companies are focusing more on ESG. A lot of companies have shared their sustainability targets for 2030. UltraTech will pay a penalty (higher interest) on its dollar bond in case it misses these targets.

We are targeting a reduction in carbon emissions by about 27% at the end of 2032 over the base of 2017. That is the high level of confidence that we have committed to pay additional interest on our U.S. dollar bonds that we raised in the last quarter. And there is - if we don't meet the emission targets.

And there is no better recognition for UltraTech's commitment, this being our maiden debt issuance in the offshore markets, the first company from India and only the second out of Asia to issue a sustainability-linked bond and achieving sovereign pricing.

## UltraTech

Colgate India, are truly pleased to announce India's first toothpaste oral care recyclable tube. We will be rolling this out on our Colgate Salt bundle in the next few weeks and surely -- slowly, but surely, we'll be rolling it out across the rest of our portfolio.

## Colgate Palmolive India

We aim to meet more than half of our FY '22 power input through renewable energy sources. In fact, over the last few years, we reduced our carbon emission per terabyte by 78% against a self-imposed target of 80%.

## Bharti Airtel

## Nobody Knows

“

There is no reason anyone would want a computer in their home.

”

Ken Olson, Co-Founder, Digital Equipment Corp., 1977

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