DSP INVESTMENT MANAGERS

| People | Processes | Performance |

4QFY21 & FY21 Earnings Analysis

June 2021

FY21 – Year of cost rationalisation and deleveraging

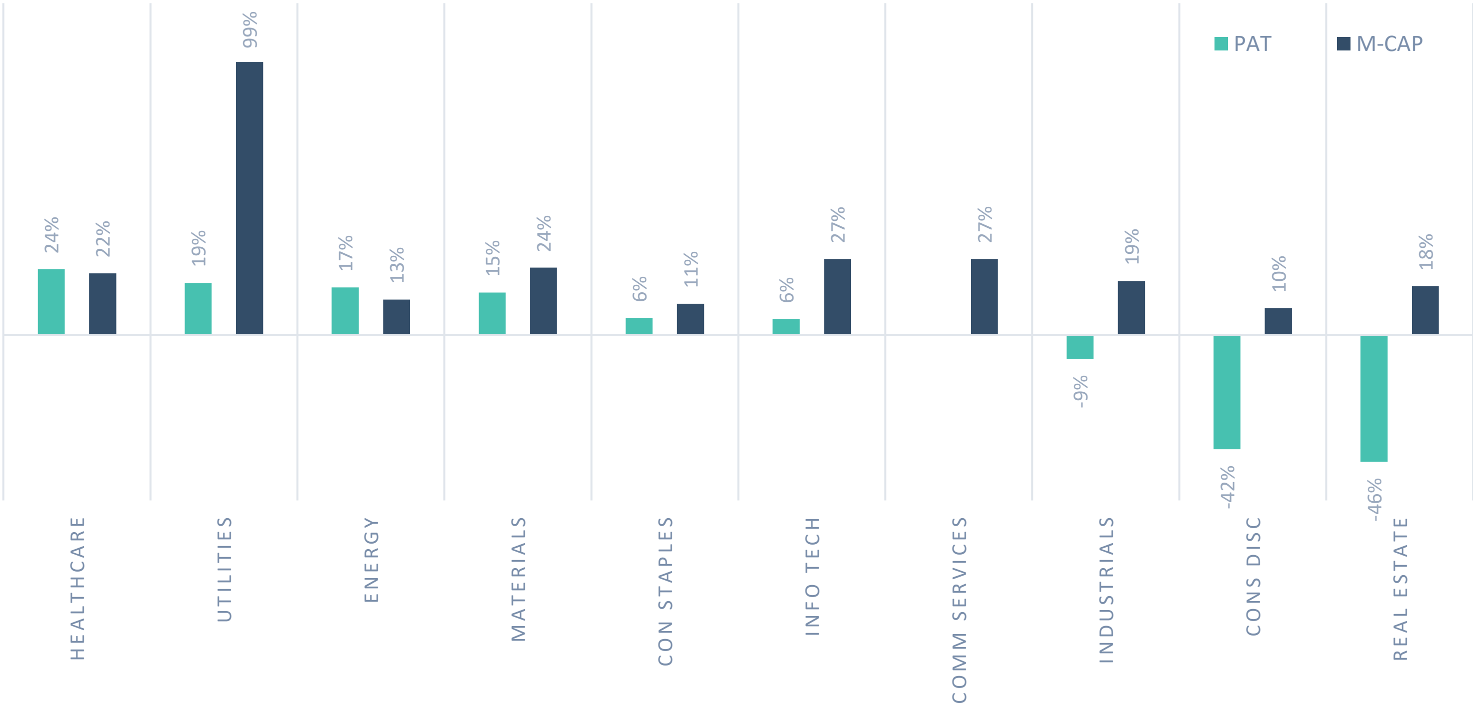
- FY21 has been a year of revenue consolidation and cost rationalisation
- Deleveraging has been a consistent theme across most sectors
- ROE improvement was seen in select sectors which have benefitted from the pandemic

Sector*	M-Cap Disb	Rev CAGR (%)	EBITDA Margins (%)			PAT CAGR (%)	N-Debt	ROE (%)		
	%	FY19-21	FY19	FY21	% Chg	FY19-21	% chg FY19-21	FY19	FY21	Chg
Information Technology	21.2	7.5	21.1	23.1	2.0	5.7	NA	25.2	24.9	-0.3
Energy	11.8	-12.8	8.5	11.6	3.1	17.0	-30.1	12.2	10.7	-1.5
Consumer Staples	14.5	6.2	20.7	20.8	0.1	6.1	NA	26.2	19.8	-6.4
Communication Services	3.1	5.3	23.7	31.7	8.0	NA	-2.3	3.1	-14.2	-17.2
Materials	16.7	0.8	17.5	21.1	3.6	15.2	-34.0	12.2	13.8	1.6
Consumer Discretionary	11.1	-7.8	10.6	8.8	-1.8	-41.5	-32.3	5.3	1.7	-3.7
Industrials	9.6	-2.0	14.2	14.5	0.3	-8.9	-20.3	15.0	10.6	-4.4
Utilities	3.2	6.0	22.7	28.0	5.4	18.8	1.8	11.6	12.7	1.2
Health Care	8.1	8.2	18.6	21.5	2.9	23.7	NA	11.5	14.3	2.8
Real Estate	0.7	-28.9	27.6	22.4	-5.2	-46.0	-31.2	11.3	2.4	-8.9
Overall		**-3.9**	**13.8**	**16.7**	**2.8**	**6.2**	**-34.7**	**13.5**	**12.0**	**-1.5**

**The above analysis is Ex-financials . The exercise is done on NSE 500+ universe based on results declared till 7th Jun 2021. Sourced from Capitaline and Ace Equity*

FY19-21 CAGR : PAT vs M-cap

- Health Care, Utilities and Energy delivered good 2 yr profit growth
- Utilities , Information technology and Communication services had good stock returns.



**Comm services had profit to loss hence PAT change is not relevant*
Source : NSE 500+ companies based on the results declared till 7th June 2021 . Period considered for M-cap CAGR is from 31 Mar 19 to 7 June 2021.
Sourced from Capitaline and Ace Equity

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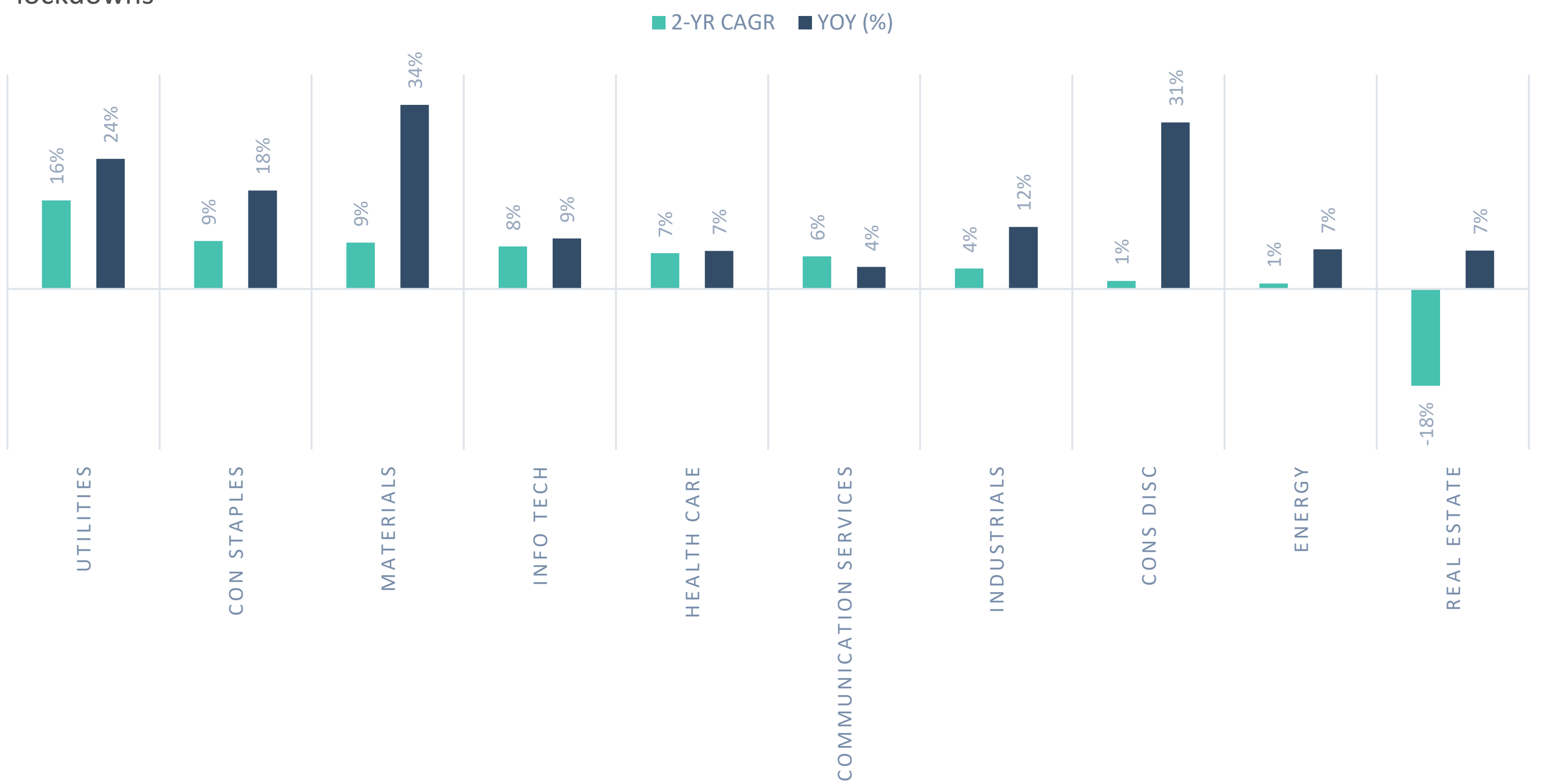
4QFY21 : Revenue performance

- Covid impacted low base resulting in double digit growth in few sectors
- 2 Yr CAGR (4QFY19 to 4QFY21) is better reflection of underlying growth which is normalising for few sectors before 2nd wave lockdowns



Source : NSE 500+ companies based on the results declared till 7th June 2021. Sourced from Capitaline and Ace Equity
2Yr CAGR- period- 4QFY19- 4QFY21 and YOY(%)- period- 4QFY20 to 4QFY21

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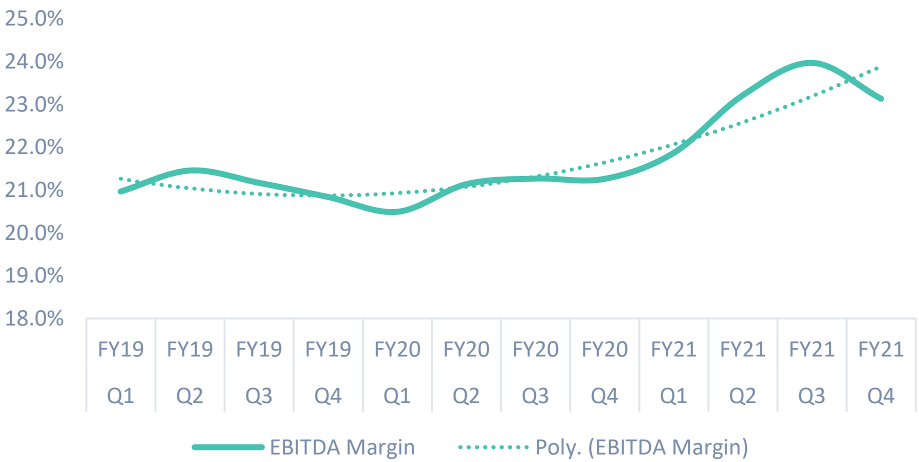
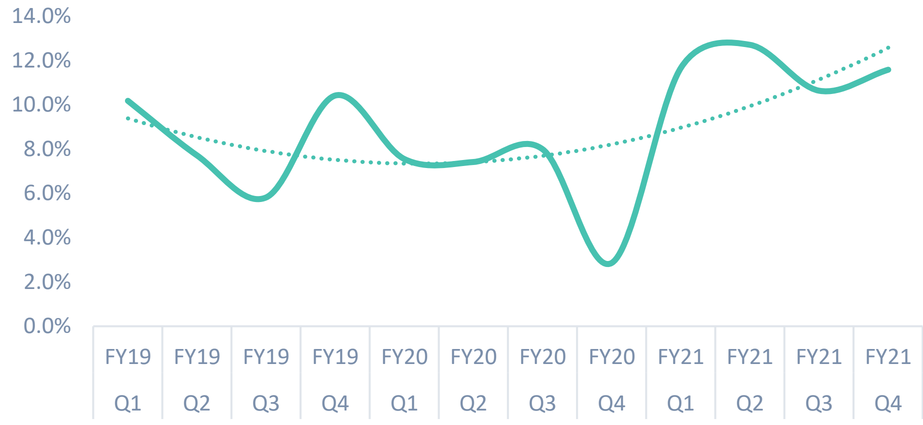
Improving margin trajectory

- Cost rationalisation (and higher pricing in some cases) resulted in margins improvement across multiple sectors

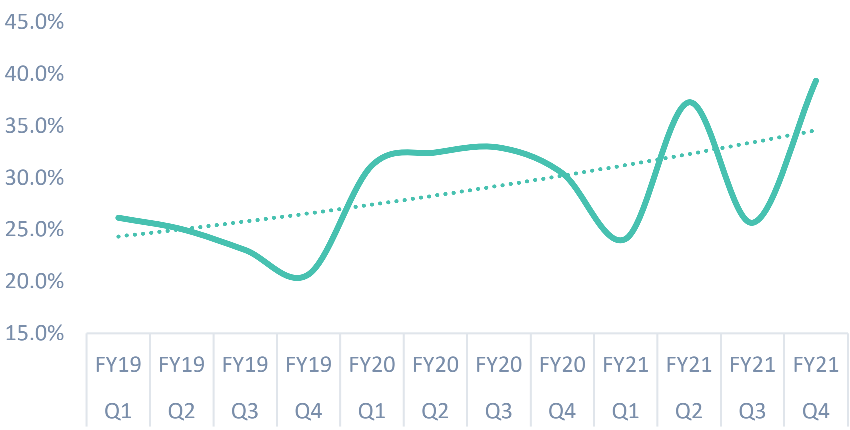
INFORMATION TECHNOLOGY



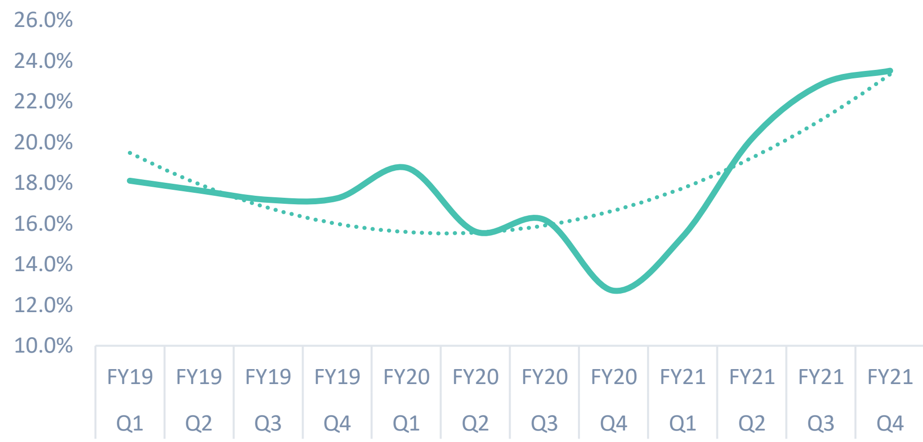
ENERGY



COMMUNICATION SERVICES



MATERIALS



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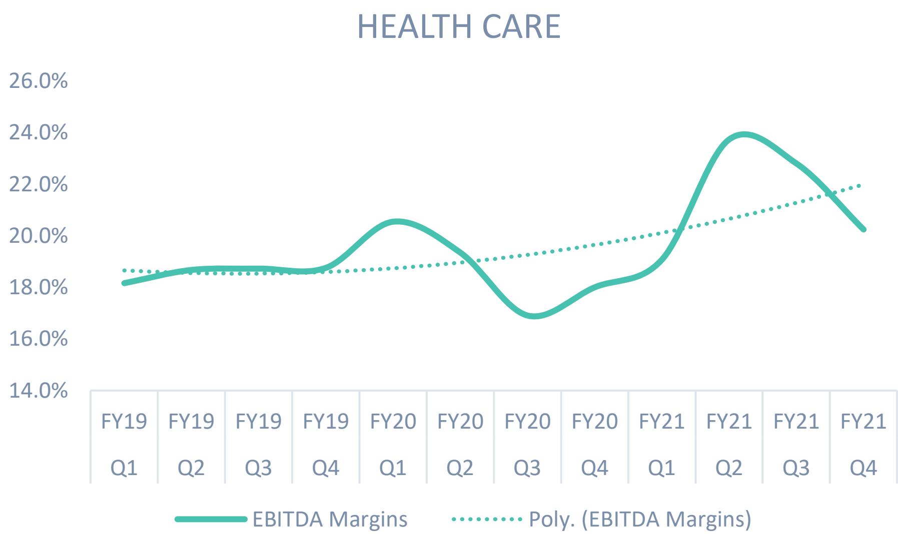
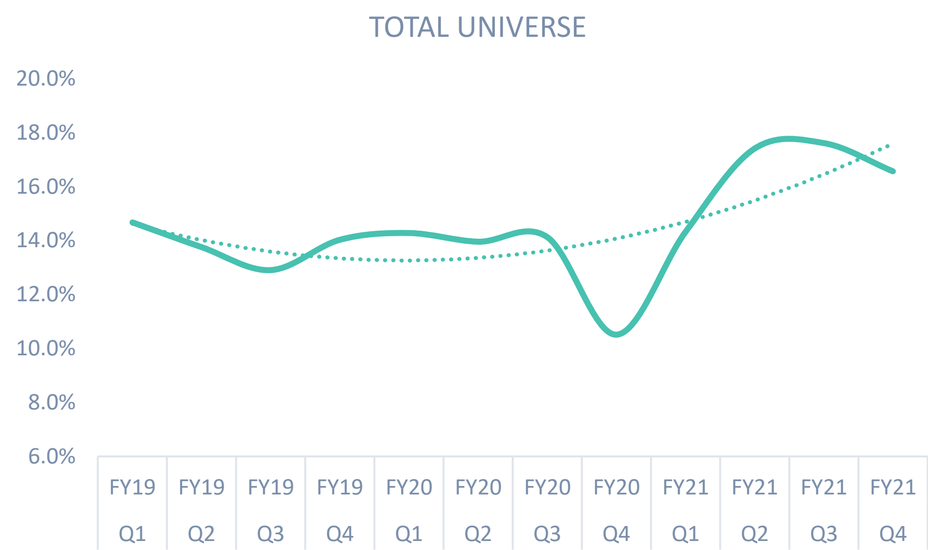
Source : NSE 500+ companies based on the results declared till 7th June 2021. Sourced from Capital line and AceEquity

Improving margin trajectory





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Source : NSE 500+ companies based on the results declared till 7th June 2021

Balance sheet quality improving

- Improving balance sheet quality reflected in improving gearing, debt servicing ability and working capital improvements

ROE (%)

	FY19	1HFY20	FY20	1HFY21	FY21
INFO TECH	25.2	25.7	25.4	23.5	24.9
ENERGY	12.2	10.5	6.2	6.4	10.7
CONS STAPLES	26.2	27.7	24.2	18.9	19.8
COMM SERVICES	3.1	-23.3	-29.6	-26.1	-14.2
MATERIALS	12.2	11.9	9.4	6.6	13.8
CONS DISC	5.3	4.5	6.3	-1.5	1.7
INDUSTRIALS	15.0	15.3	12.4	9.9	10.6
UTILITIES	11.6	11.7	13.1	10.5	12.7
HEALTH CARE	11.5	12.9	11.4	11.3	14.3
REAL ESTATE	11.3	9.9	7.3	2.4	2.4
TOTAL	**13.5**	**12.2**	**10.0**	**8.2**	**12.0**

NET DEBT/EQUITY (%)

	FY19	1HFY20	FY20	1HFY21	FY21
INFO TECH	-38%	-33%	-35%	-41%	-39%
ENERGY	59%	55%	66%	37%	27%
CONS STAPLES	-12%	-12%	-16%	-12%	-16%
COMM SERVICES	114%	98%	87%	118%	123%
MATERIALS	63%	60%	58%	62%	36%
CONS DISC	46%	55%	50%	46%	28%
INDUSTRIALS	52%	52%	45%	44%	35%
UTILITIES	184%	166%	166%	152%	146%
HEALTH CARE	13%	10%	6%	1%	-3%
REAL ESTATE	59%	43%	39%	43%	29%
TOTAL	**43%**	**42%**	**41%**	**33%**	**22%**

NET DEBT/ EBITDA (%)

	FY19	1HFY20	FY20	1HFY21	FY21
INFO TECH	-115%	-95%	-101%	-121%	-106%
ENERGY	232%	241%	370%	264%	155%
CONS STAPLES	-30%	-31%	-45%	-42%	-53%
COMM SERVICES	354%	255%	201%	229%	233%
MATERIALS	200%	199%	223%	247%	108%
CONS DISC	151%	190%	197%	273%	145%
INDUSTRIALS	179%	169%	159%	193%	146%
UTILITIES	506%	384%	397%	392%	371%
HEALTH CARE	64%	48%	27%	5%	-12%
REAL ESTATE	285%	234%	246%	551%	478%
TOTAL	**145%**	**143%**	**157%**	**146%**	**85%**

WORKING CAP (DAYS)

	FY19	1HFY20	FY20	1HFY21	FY21
INFO TECH	59.3	53.9	61.8	50.6	50.0
ENERGY	14.1	16.6	16.6	28.7	26.0
CONS STAPLES	35.8	35.8	32.1	32.8	32.3
COMM SERVICES	-38.6	-28.5	-22.6	-28.8	-31.8
MATERIALS	45.3	45.0	42.5	39.4	35.1
CONS DISC	28.4	32.3	28.7	29.6	23.3
INDUSTRIALS	31.5	32.9	33.1	35.2	34.3
UTILITIES	20.5	20.4	16.8	22.4	18.0
HEALTH CARE	114.5	112.9	114.8	116.3	115.1
REAL ESTATE	523.6	521.2	584.9	1,004.8	1,030.9
TOTAL	**33.4**	**34.8**	**34.9**	**38.5**	**35.5**

ROE and DEBT/EBITDA based on TTM PAT and EBITDA respectively

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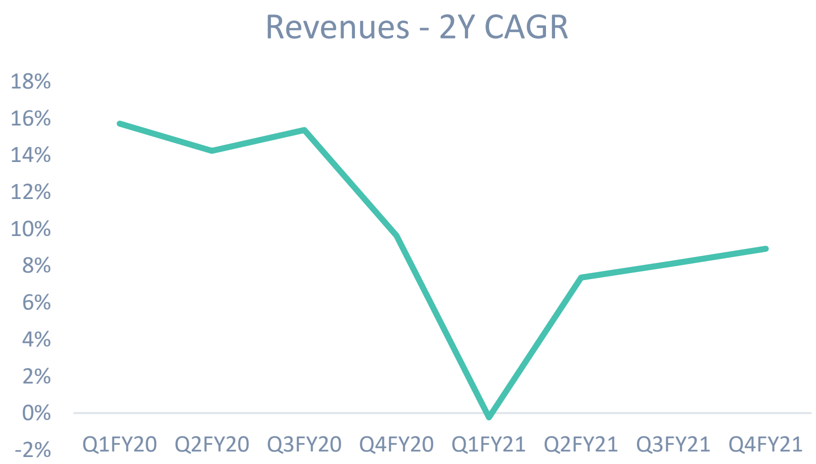
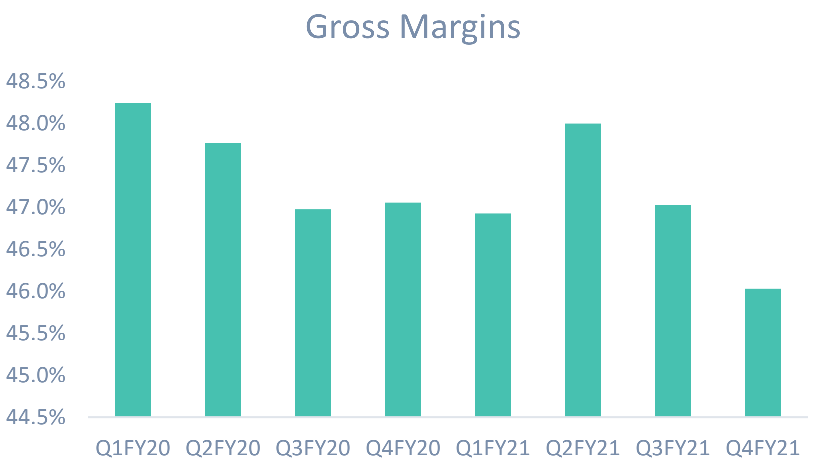
Source : NSE 500+ companies based on the results declared till 7th June 2021 (excluding financials). Sourced from Capitaline and Ace Equity

Consumer Staples

- Results were largely in line with expectations on topline, but pressures on gross margins visible across companies
- Most companies have reported mid-high single digit volume growth on a 2Y annualized basis, but aggregate growth is still weaker than pre-COVID levels

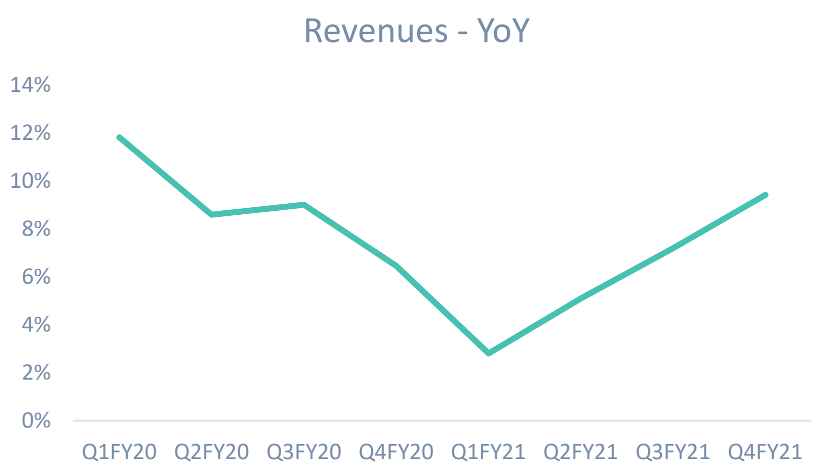


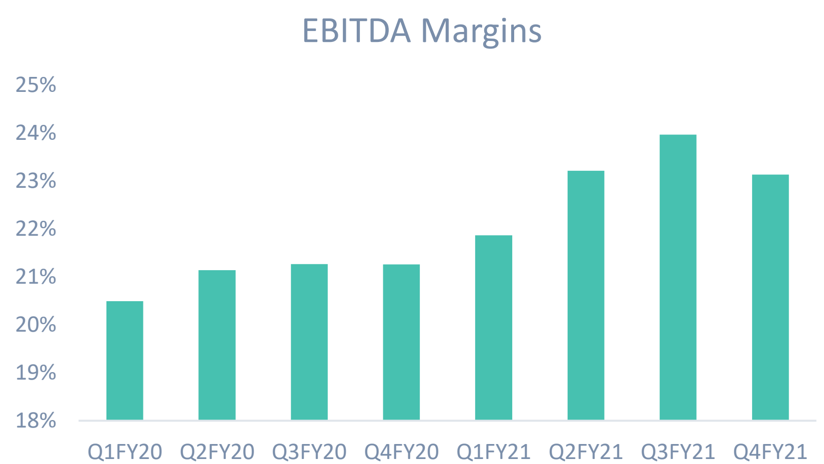


Source : Based on representative sample of 34 Consumer staples company

Information Technology

- Sequential revenue improvement continued, but at a slower pace than in the last 2 quarters. Revenues have recovered on a YoY basis to pre-COVID levels
- Demand trends are strong based on reported deal win numbers and commentary on deal pipeline
- Margins are still higher than pre-COVID levels in the absence of travel costs, lower facility expenses and higher proportion of delivery being done from offshore locations

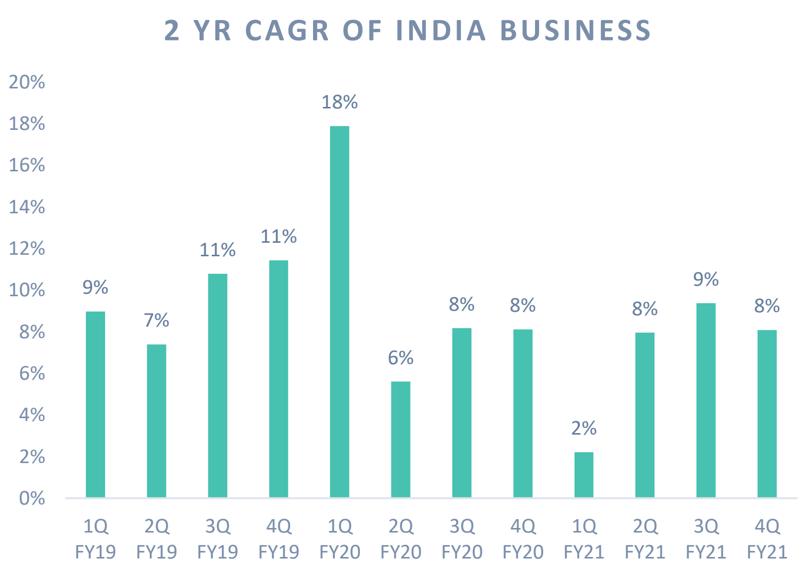




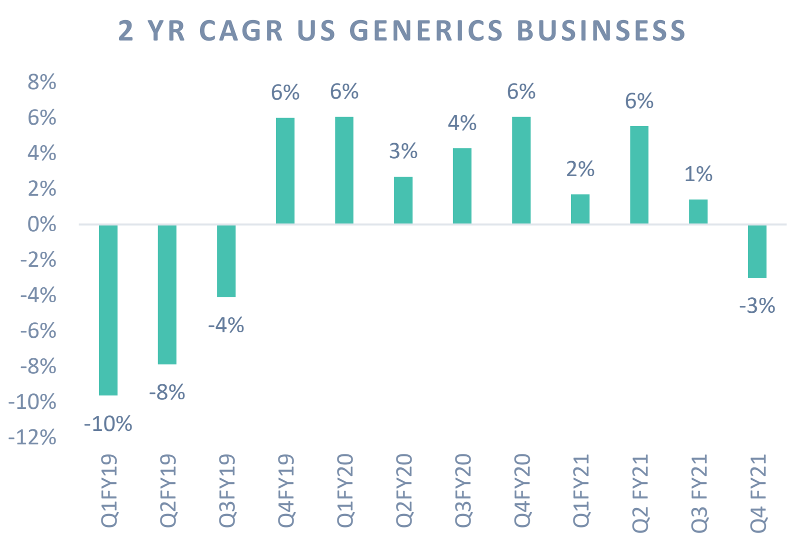
Source : Based on representative sample of 20 Information technology companies

Pharmaceuticals

- India formulations markets growth trend of high single digit growth on a 2 year CAGR basis for Q4 FY21. Most companies have also indicated a strong recovery in the acute care business which suffered last year through the nation wide lockdown
- US formulations market witnessed weak performance with most companies seeing a YoY decline in business. This can be attributed to a weak flu season and a weak season for anti infectives. Price erosion in US remained in line with trend of mid single digits on the base portfolio for most companies. Companies indicate towards normalising patient footfalls in 2HFY22 as the US vaccination drive is ahead of most developed markets
- Generic API players have seen prices normalize from the peaks in March 2020 and a commensurate impact on margins



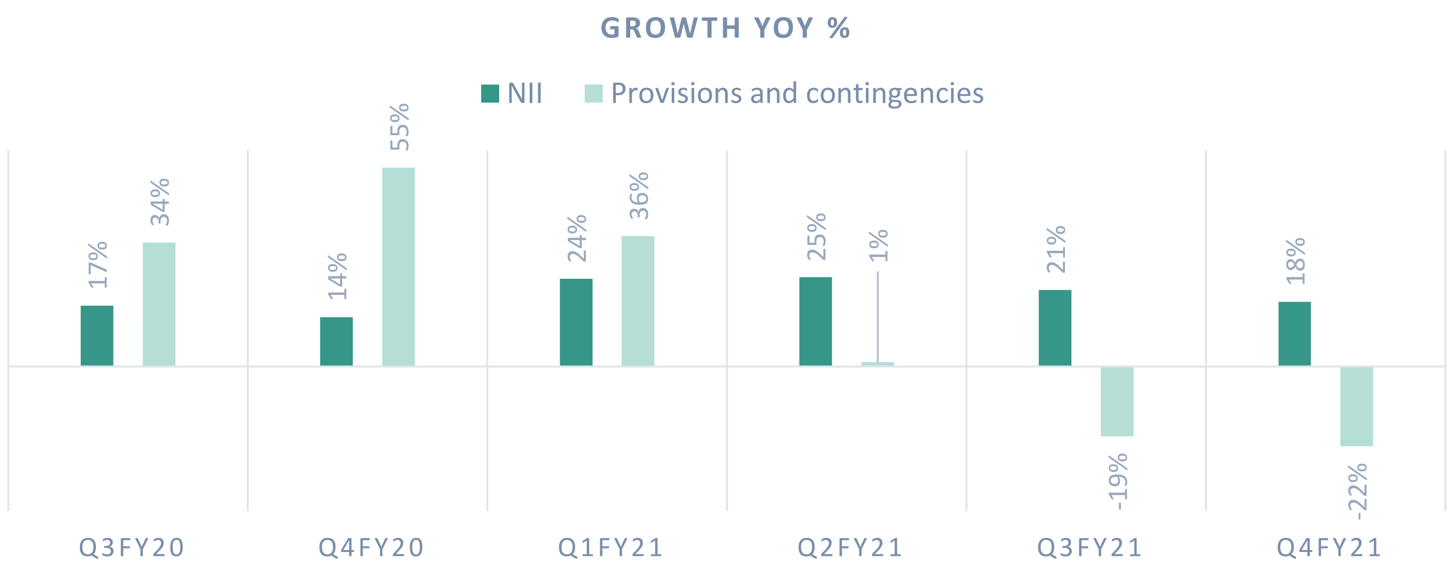
Source : Representative sample of top 18 pharma companies



Source : Sun Pharma, Dr Reddy's, Aurobindo, Cadila, Glenmark, Lupin, Alkem, Alembic, Torrent, Wockhardt

Banks

- Provisions have declined year on year in the last two quarter as actual stress was lower than the estimates during wave one of the pandemic. Large banks continue to carry contingent provisions
- The Net Interest Income (NII) growth has held up well in spite of tepid credit growth in the system overall



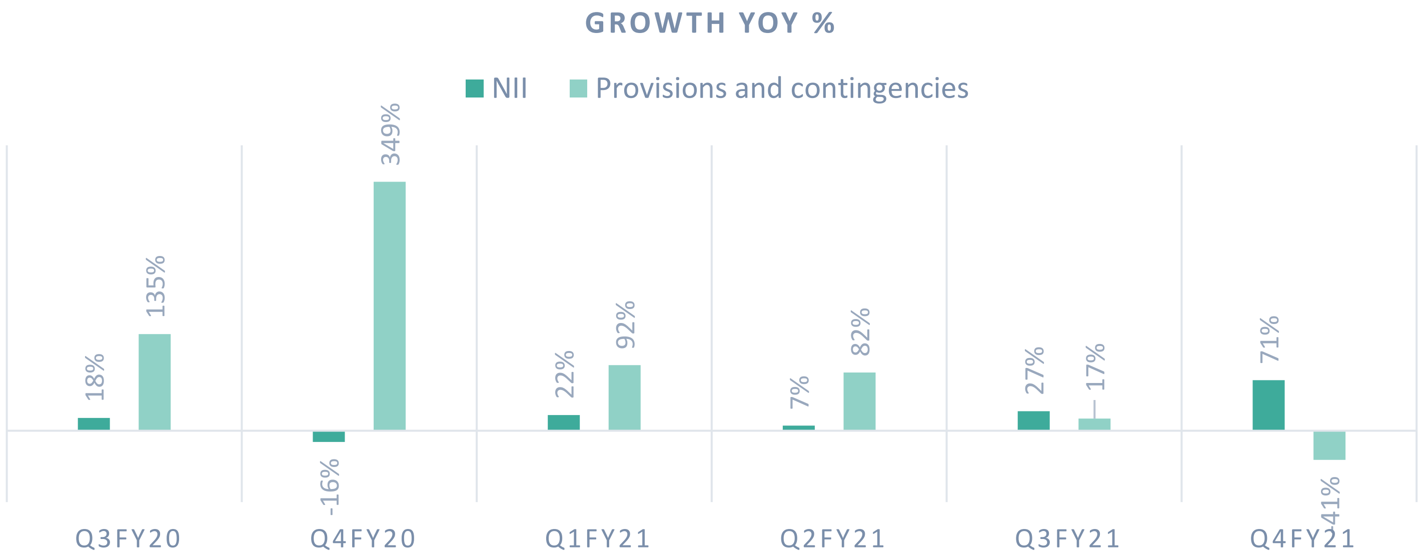
Source : Based on a representative sample of top 26 banks

(Growth YoY)	Q4FY21	FY21
	2 Year CAGR*	YoY**
NII	16%	22%
PPOP	24%	22%
Provisions & Contingencies	10%	-6%

**2 Year CAGR period – Q4FY19 to Q4FY21 *YoY period – FY20 to FY21*

NBFCs

- After a sharp spike in Q4FY20 the provisions have come down for NBFCs
- Net Interest Income (NII) in Q4FY21 was 22.5% higher than Q3FY20 – the last pre-covid quarter



Source : Based on a representative sample of top 20 NBFC

(Growth YoY)	Q4FY21	FY21
	2 Year CAGR*	YoY**
NII	20%	19%
Pre-provisioning operating profit (PPOP)	17%	17%
Provisions & Contingencies	63%	-8%

**2 Year CAGR – Q4FY19 to Q4FY21 **YoY – FY20 to FY21*

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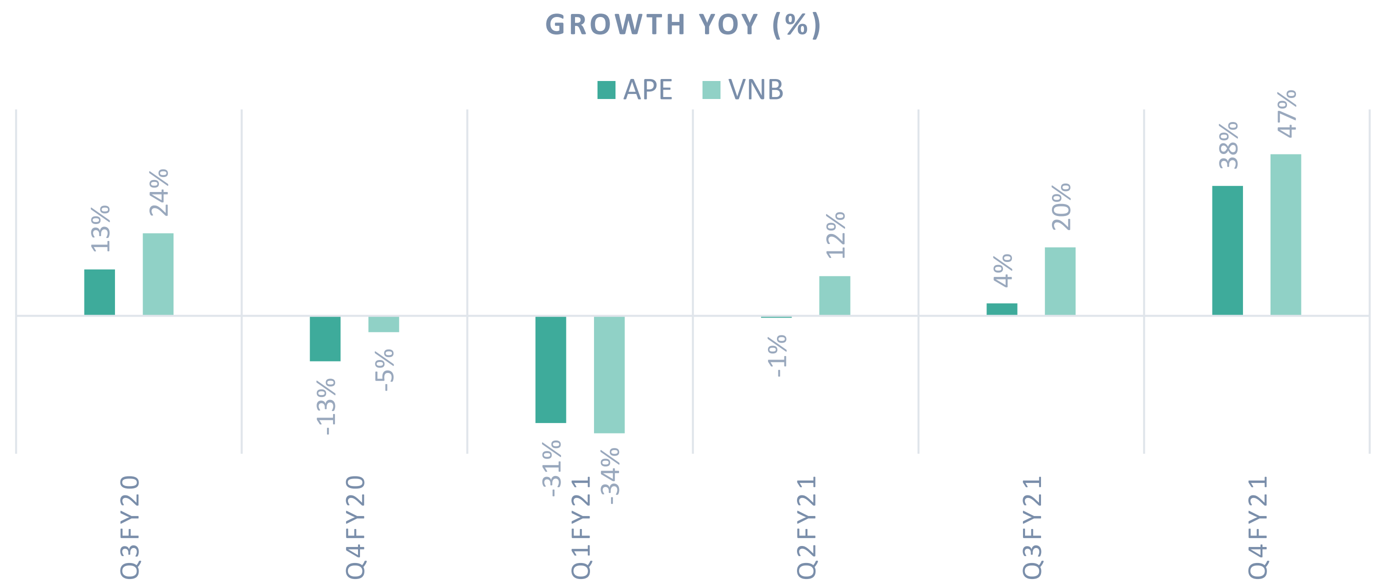
Note: For NII calculation, instead of Interest Income we have used Total Revenue From Operations in case of NBFCs due to lack to historical comparable data. The growth for 4QFY21 is distorted due to impact of HDFC Life investment book valuation because of fluctuations in equity markets.

Insurance

- Value of New Business (VNB) growth even on a 2 Year CAGR was healthy at 18% on back of higher share of protection products
- Last 4 Year Embedded Value (EV) CAGR is 18.1%



Source : HDFC Life, SBI Life, ICICI Pru and Max

(Growth YoY)	Q4FY21	FY21
	2 Year CAGR*	YoY**
Annualised Premium Equivalent (APE)	9%	5%
VNB	18%	15%
EV		26%

**2 Year CAGR – Q4FY19 to Q4FY21 *YoY – FY20 to FY21*

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Automobiles

- **Volumes were still below Q4FY19 levels in CVs and 2Ws.**

Dom. Volume (units)	Q4FY21	Q4FY20	yoy (%)	Q3FY21	qoq (%)	Q4FY19	2-yr CAGR (%)
Tractors	239,071	146,313	63	258,734	(8)	160,836	22
Comm Vehicles	210,356	146,986	43	193,043	9	284,057	(14)
Passenger Vehicles	933,583	657,244	42	898,623	4	844,140	5
2-Wheelers	4,353,599	3,502,645	24	4,782,110	(9)	4,653,132	(3)
3- Wheelers	85,596	129,811	(34)	71,939	19	180,198	(31)

- **Original Equipment Manfacturer (OEMs)** have witnessed a contraction in Gross margin both on Year on Year (YOY) and Quarter on Quarter (QoQ) basis - impact of BS6 transition on a YoY basis and input cost inflation through the year have been the key reason. This has been the key reason impacting EBITDA Margin on a QoQ basis. YoY EBITDA Margin benefitted from operating leverage and cost controls.

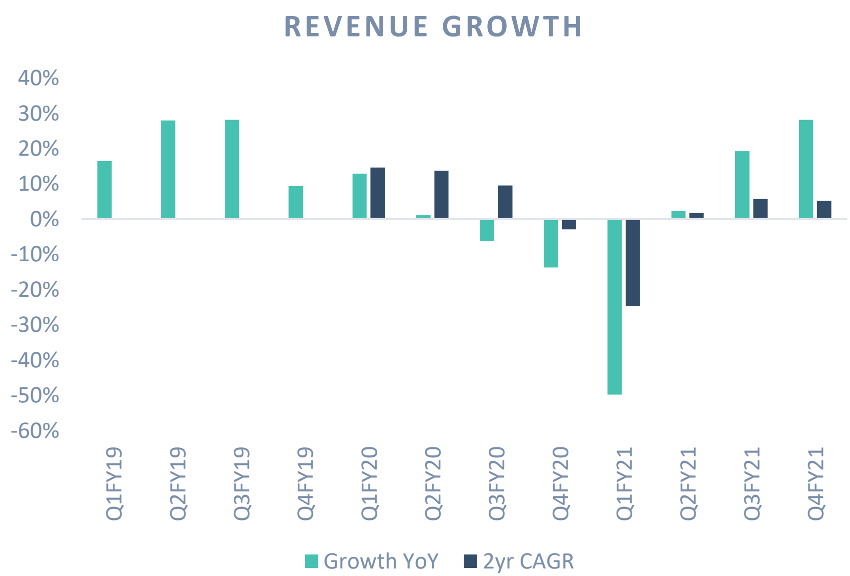
- **Ancillaries:** Forging, Tyre, Battery and other ancillaries have all witnessed a contraction in Gross margin both on YoY and QoQ basis on higher input costs. EBITDA margin has improved yoy on a better scale and cost savings. Even on a QoQ basis, forging companies have witnessed expansion due to better operating leverage.

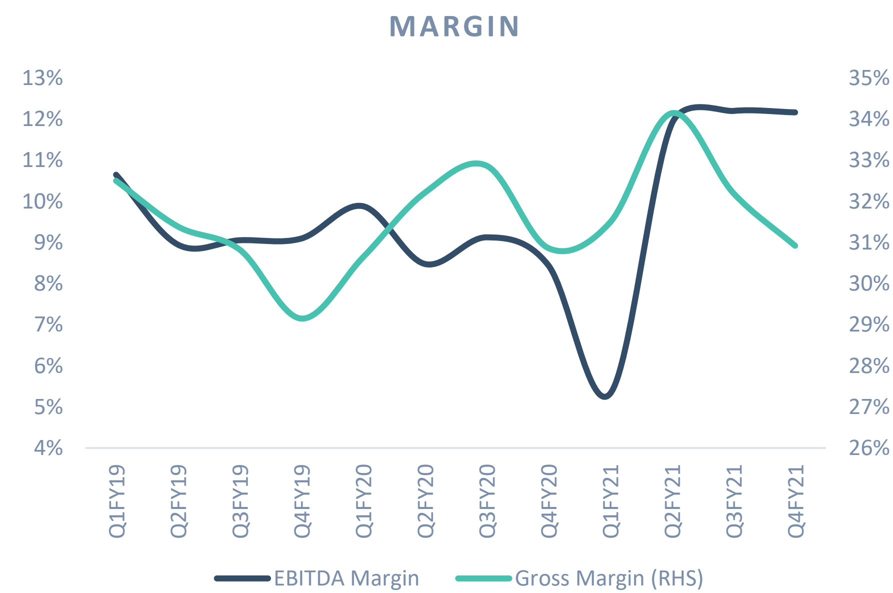
4QFY21	Gross margin change (bps)		EBITDA margin change (bps)	
	YoY	QoQ	YoY	QoQ
OEMs excl Tata (7 Cos)	(280)	(77)	72	(157)
OEMs incl Tata (8 Cos)	(61)	(50)	776	22
Tyre Cos (4 Cos)	(195)	(175)	212	(164)
Battery Cos (2 Cos)	(381)	(149)	34	(44)
Forging Cos (3 Cos)	(249)	(130)	622	221
Other large Ancs (5)	(287)	(82)	173	49

Source: Based on a representative set of 23 auto sector companies

Consumer Durables/Electricals

- Sector revenues grew 28% yoy/ 12% qoq for 4QFY21 (2 yr CAGR at 5%). EBITDA grew by 85% yoy / 12% qoq (2 yr CAGR at 22%).
- EBITDA margin came in at 12% up 370 bps yoy / flat qoq (up 300 bps vs. Q4FY19)

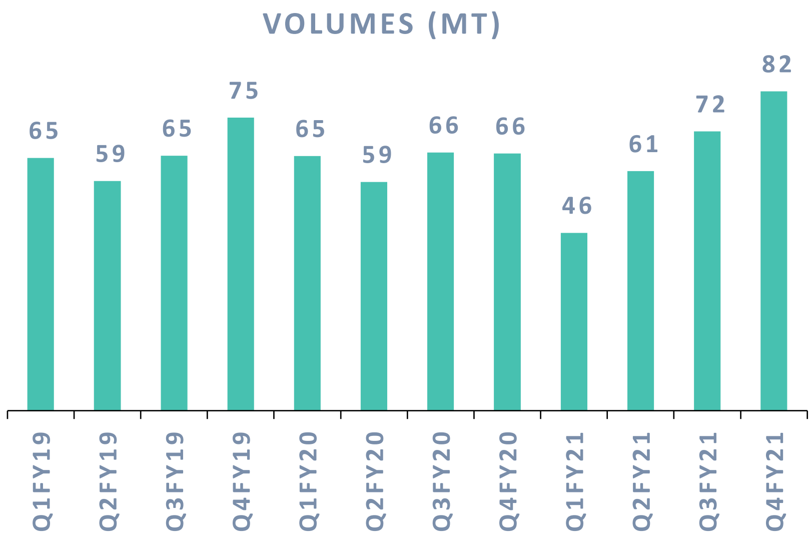


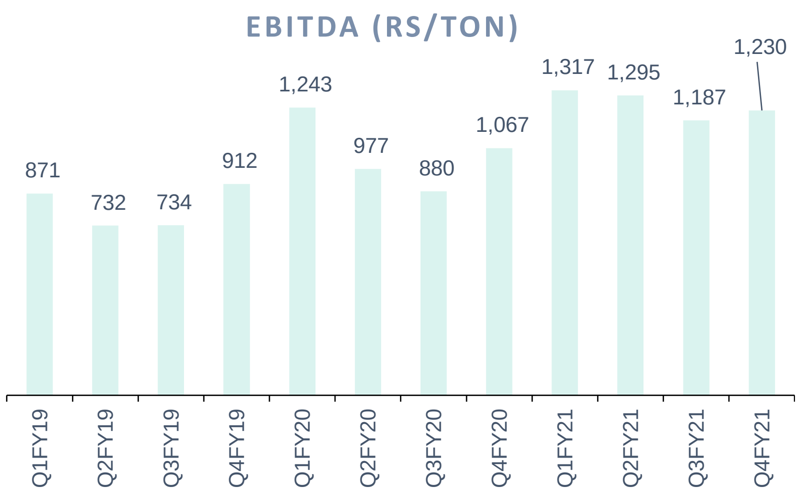


Source: Voltas, Bluestar, Havells, Crompton Consumer, Polycab, KEI, Bajaj Electrical, TTK Prestige, Orient Electric

Cement

- Cement sector Revenue/ EBITDA/ PAT increased by 29%/ 44%/ 67% YoY respectively in Q4FY21. This is the 3rd consecutive quarter of >40% EBITDA growth registered by industry
- Volumes have increased by 24% YoY (+14% QoQ) aided by low base of Mar'20; blended realisation increased by 4.4% YoY (+1% QoQ) mainly led by >10% YoY price increase in South and West; while cost/ton broadly stood flat YoY/ QoQ as increase in input prices were offset by better operating leverage
- Accordingly, blended EBITDA/ton increased 15% YoY/ 4% QoQ to Rs1,230 in Q4FY21





Source: Based on a representative set of 15 cement companies

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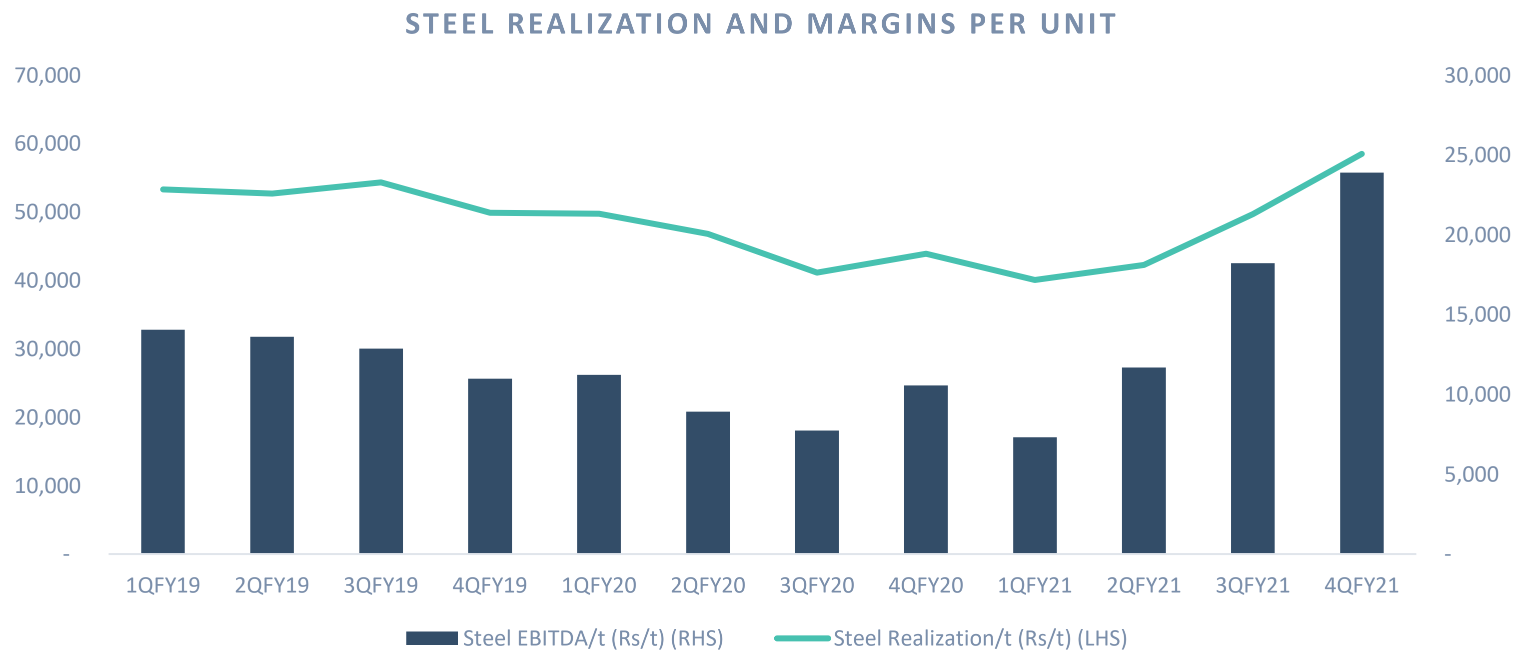
Metals

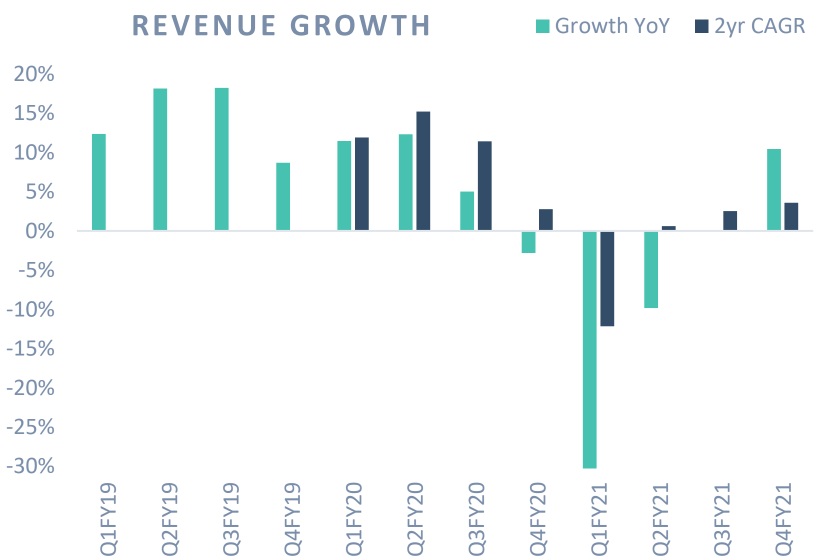
- Most companies have seen a strong recovery in earnings in line with the increase in commodity prices. Costs have not increased in proportion to the rise in topline.
- Some companies have reported earnings beats too, driven by improved product mix, higher exports and cost management.

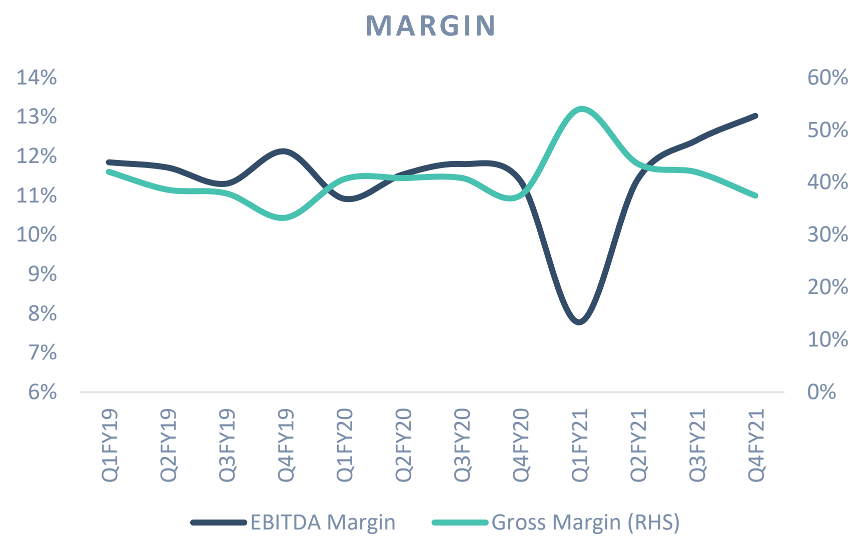


Source: JSPL, JSW Steel and Tata Steel

Capital Goods

- Sector revenues grew 10% yoy/ 29% qoq for 4QFY21 (2 yr CAGR at 3.6%). EBITDA grew by 26% yoy / 36% qoq (2 yr CAGR at 7%).
- EBITDA margin came in at 13% up 160 bps yoy / up 60 bps qoq (up 90 bps vs. Q4FY19)
- Majority of the companies refrained from sharing any guidance given the lock down uncertainty

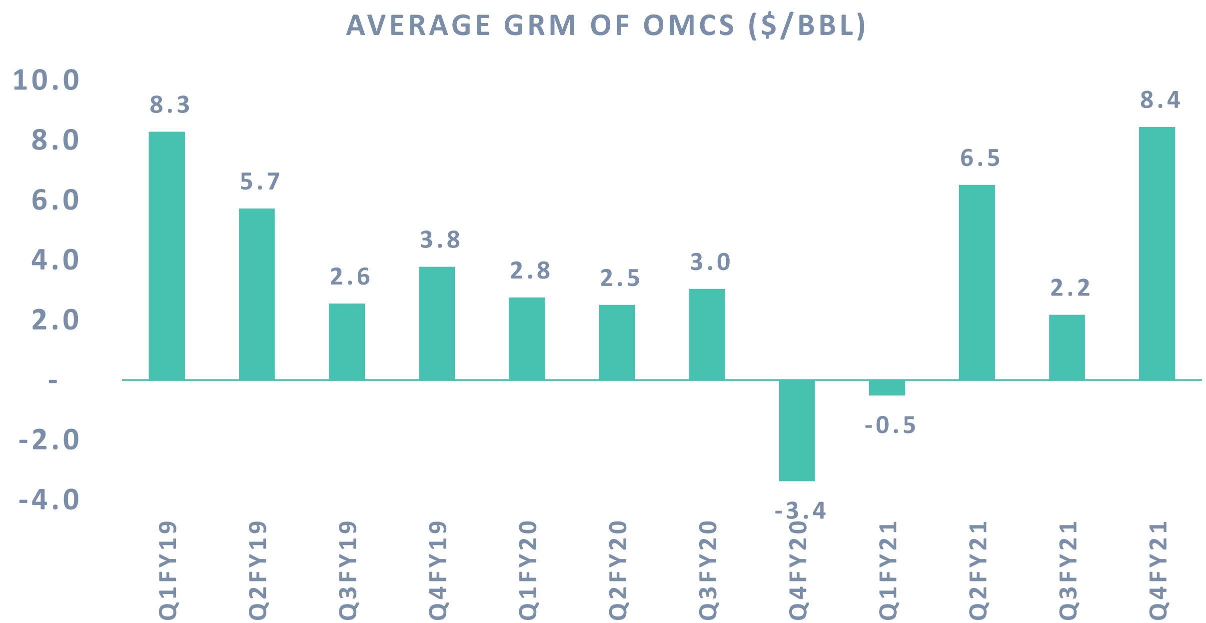




Source: Thermax, ABB, Cummins, Seimens, L&T, Carborandum, Grindwell Norton, KEC, Kalpataru, AIA Engineering, Honeywell Automation

Energy

- Most companies reported strong margins. Earnings and Gross Refining Margins of Oil Manufacturing Companies (OMCs) were supported by high inventory gains due to rising crude prices. Gas companies too have seen a rise in their average margins over the year, reducing in Q4YF21.
- Volume recovery across both oil and gas in Q4 was close to the pre Covid levels, after which it got impacted by the second wave.



Source: HPCL,BPCL and IOC

Summing it up …

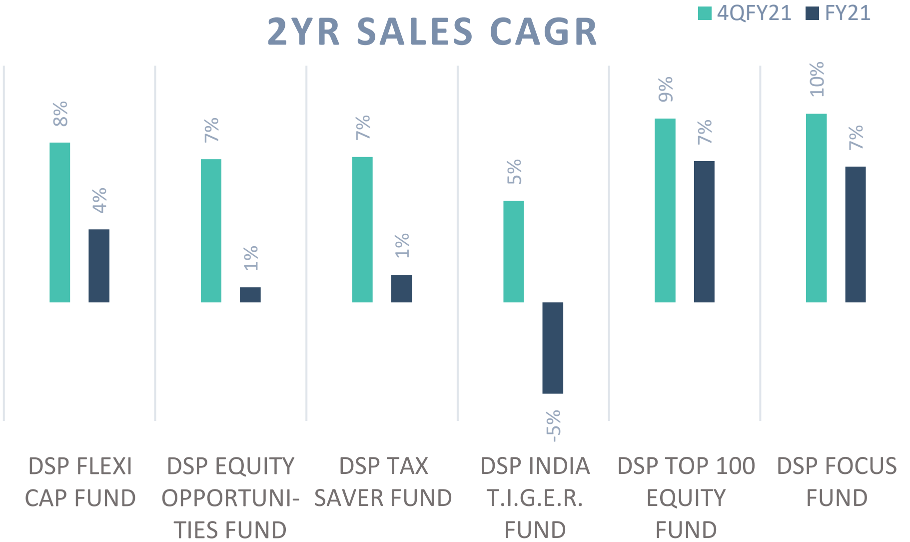
POSITIVES

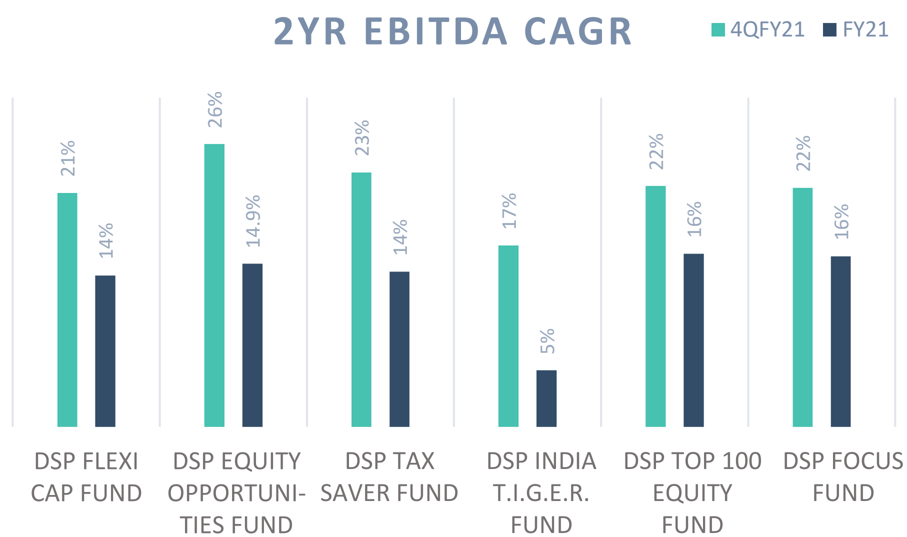
- Deleveraging and working capital reduction has resulted in stronger corporate balance sheets
- Cost rationalisation resulted in margin improvement across sectors
- Visible ROE improvement in select sectors – Materials, Utilities and Healthcare
- Most sectors managed positive top-line despite lockdowns as against expectation of decline

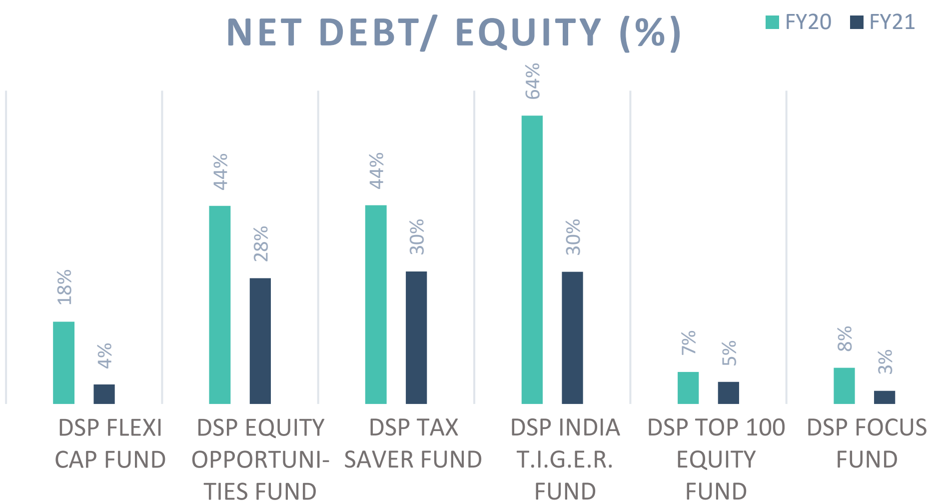
UNKNOWNS

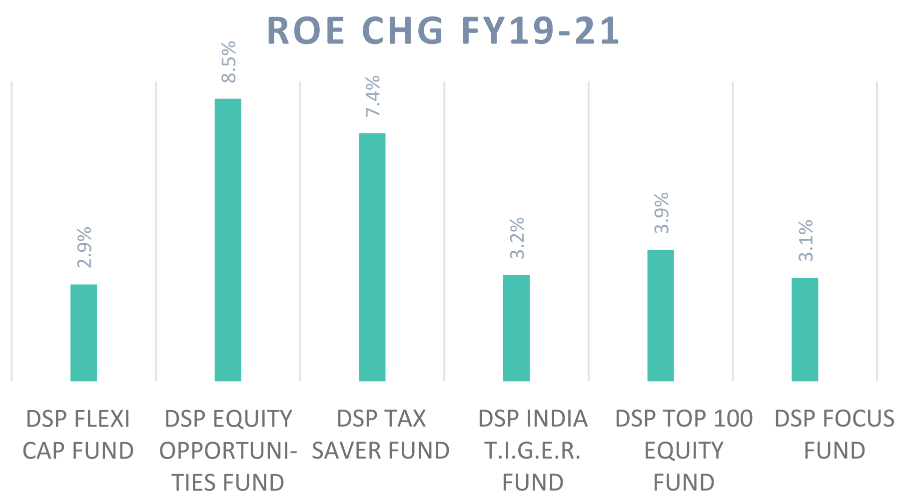
- Normalisation of costs as economy opens can be a risk to margins
- Commodity price inflation could be a key headwind
- Ability to pass on cost increases
- Pre 2nd wave lockdown, 4QFY21 trends were indicative of normalisation but inconclusive

Portfolio performance (ex financials) – May-21 end portfolios









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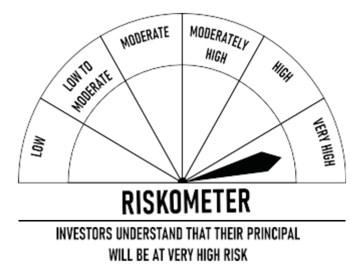
Product Labelling of schemes

DSP Flexi Cap Fund Flexi Cap Fund - An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks	This Open Ended Scheme is suitable for investors who are seeking* • Long-term capital growth • Investment in equity and equity-related securities to form a diversified portfolio	
DSP Equity Opportunities Fund Large & Mid Cap Fund- An open ended equity scheme investing in both large cap and mid cap stocks	This Open Ended Scheme is suitable for investors who are seeking* • Long-term capital growth • Investment in equity and equity-related securities predominantly of large and midcap companies	
DSP Tax Saver Fund An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit	This Open Ended Equity Linked Saving Scheme is suitable for investors who are seeking* • Long-term capital growth with a three-year lock-in • Investment in equity and equity-related securities to form a diversified portfolio	

DSP

Product Labelling of schemes

DSP India T.I.G.E.R. Fund
(The Infrastructure Growth and Economic Reforms Fund)

An open ended equity scheme following economic reforms and/or Infrastructure development theme

This Scheme is suitable for investors who are seeking*

- Long-term capital growth
- Investment in equity and equity-related securities of corporates, which could benefit from structural changes brought about by continuing liberalization in economic policies by the Government and/or from continuing Investments in infrastructure, both by the public and private sector

DSP Top 100 Equity Fund

Large Cap Fund- An open ended equity scheme predominantly investing in large cap stocks

This Open Ended Scheme is suitable for investors who are seeking*

- Long-term capital growth
- Investment in equity and equity-related securities predominantly of large cap companies

DSP Focus Fund

An open ended equity scheme investing in maximum 30 stocks. The Scheme shall focus on multi cap stocks.

This Open Ended Equity Scheme is suitable for investors who are seeking*

- Long-term capital growth with exposure limited to a maximum of 30 stocks from a multi cap investment universe
- Investment in equity and equity-related securities to form a concentrated portfolio

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