DSP
MUTUAL FUND

THE ANNUAL REPORT NECTAR

FY21

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Curated comments, observations, trends and insights we found **startling, potent, insightful or just plainly informative** from our reading of annual reports of India's sector leaders

***BAJAJ* highlights fundamental change in urban India's approach to motorcycle purchases:** Younger customers, even in the entry-level segment, desire bikes with classy looks, appeal and power. The company attributed the success of Pulsar 125 to these trends. In the 'sports' & 'super-sports' segments, there are enough in the under-40 generation who have the wallet size and sufficient access to bank credit to own bikes that possess best-in-class looks, power, speed and maneuverability.

***EICHER's* global aspirations:** Eicher had a maiden foray in Japan and a CKD unit in Buenos Aires (Argentina). Its plan is to establish CKD facilities in Latin American & East Asia. The quality and quantity of retail networks across the European continent is being enhanced through conversions of bigger and better-quality dealers. Eicher attributes its growth in the exports market to a quick recovery in demand, launch of Meteor 350 and expansion of the distribution network. In APAC region, rental business model plays an important role in managing the 'Usership before Ownership' facet, hence the company has tied up with rental partners.

***HERO* aspires to reach 200 mn in a decade**: The company sold its 100 millionth bike in 2021 (vs 1 mn in 1994) and has set an ambitious target of doubling it in less than a decade. It is noteworthy that Hero expects the 200 millionth vehicle may not be a "two-wheeler".

TVS highlights some key product innovations: TVS Jupiter was first scooter to be launched in 110 cc category with idle stop/start technology. A non-alloy wheel variant was also launched for price sensitive customers. Apache 160 was upgraded with 17.63 PS power making it the most powerful 160cc motorcycle. TVS Apache RTR 200 4V was launched with 3 ride modes, with varying acceleration and ABS response, a technology usually associated with 650 CC+ vehicles.

Comments on EV preparedness of OEMs

BAJAJ	EICHER	Hero	TVS
Chetak has a lithium-ion battery that can be charged using the standard 5-amp electrical outlet. It can last 95km in the Eco mode on a single full charge. Bajaj expects to start delivering the model in 2QFY22.	Strategically working on developing future EV products. Seeking to develop a complete range of premium electric vehicles & services for global markets, in its "inimitable style of modern classic motorcycles".	Via partnerships with Ather and Gogoro, the world's largest battery network, the company has an aspiration for market leadership. Expects to launch Hero branded scooter in 2022.	Response to TVS iQube has been extremely encouraging, with 8-week orderbook in Bengaluru & New Delhi. In FY22, it is expected to expand to 20 more Indian cities.

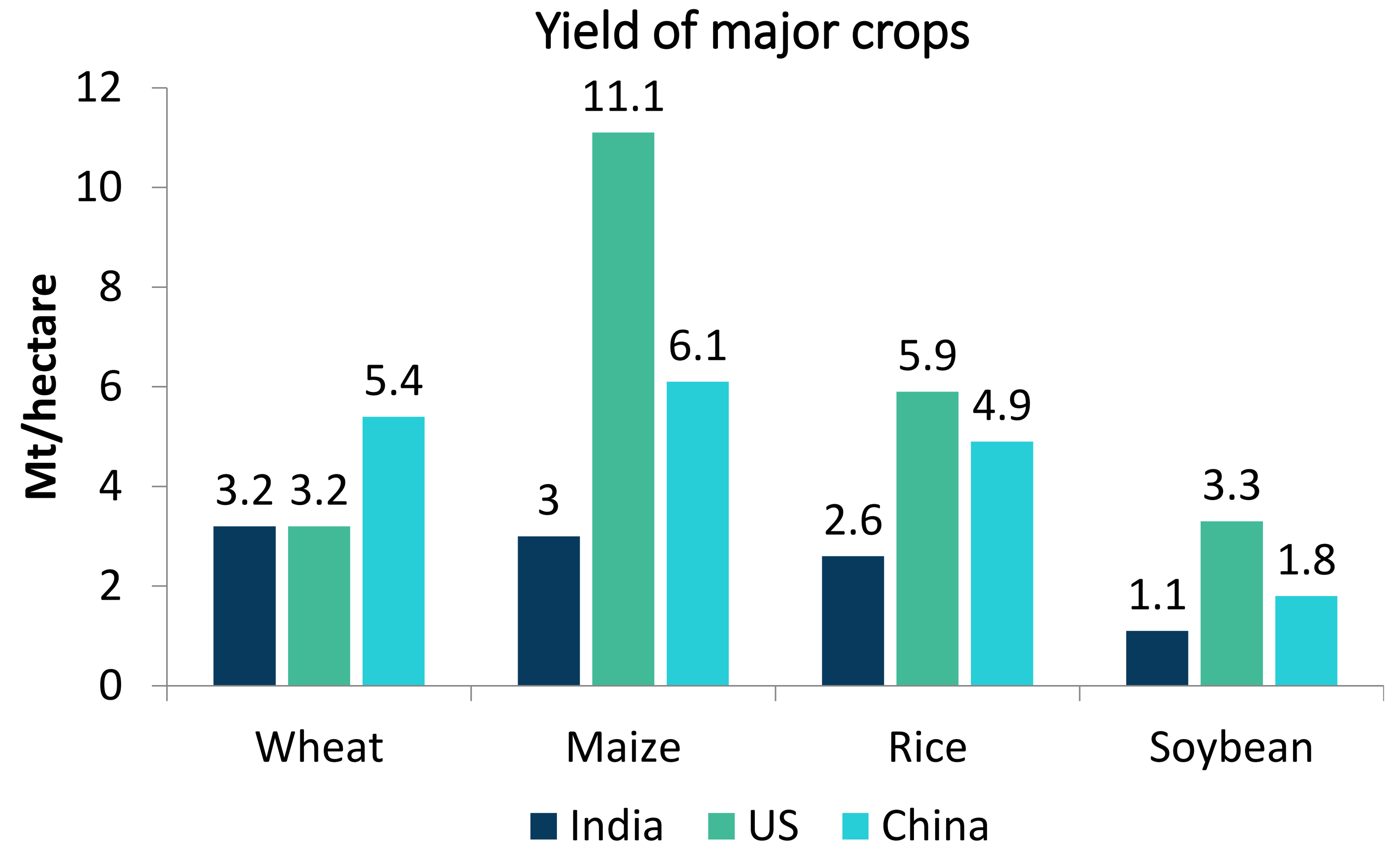
Source : Company Annual Reports

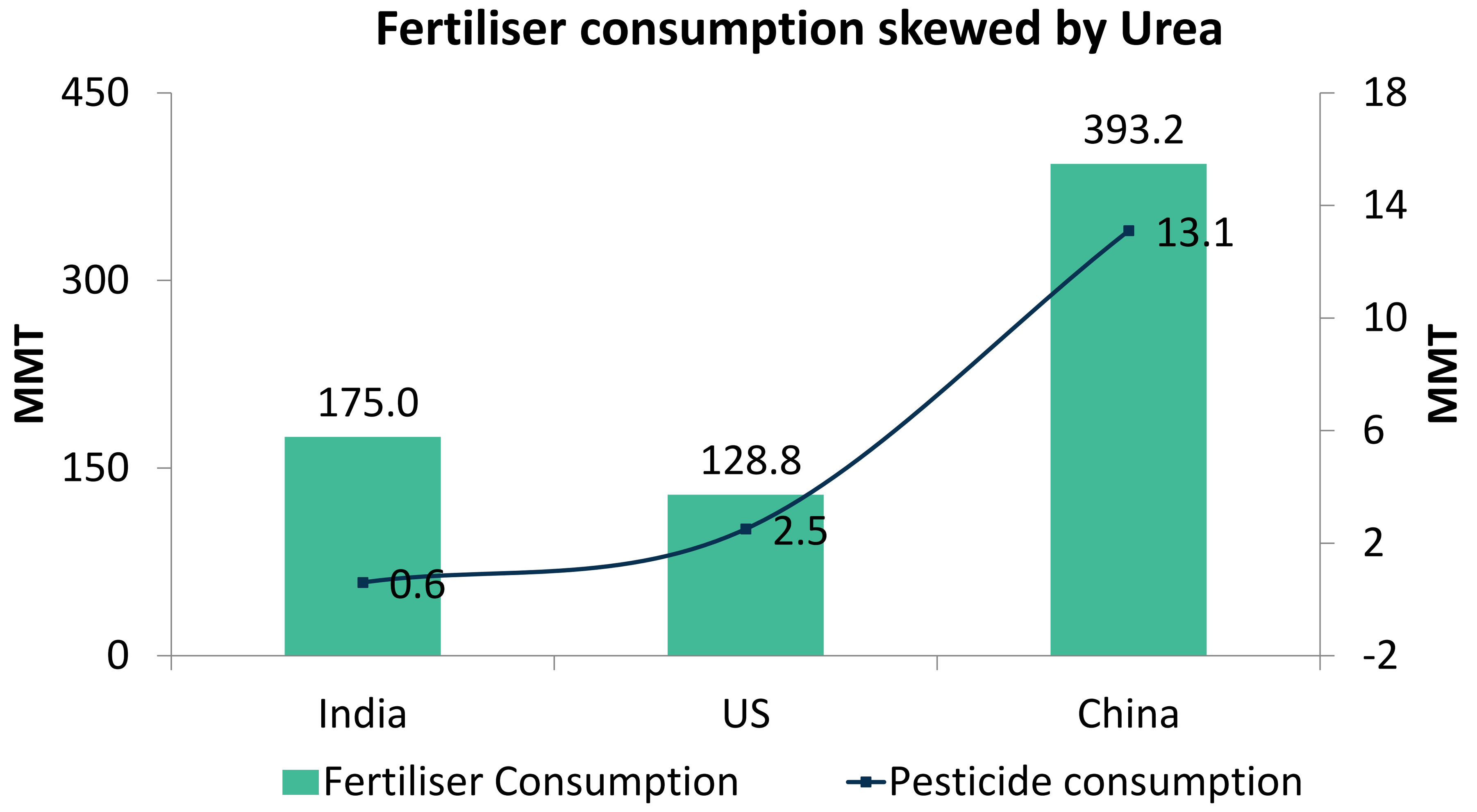
Differentiated and sustainable products to be 50% of UPL's revenues: UPL anticipates that differentiated and sustainable products would account for 50% of its revenues in the next five years (up from 21% currently). A pipeline of 15 molecules should lead to US$ 2.5 bn risk adjusted revenues, helping the company achieve the targeted revenue mix. With its frugal manufacturing and R&D, UPL expects to achieve 30% innovation rate up from 21% currently over a 5-year period. Global collaborations and digital tie ups should enable UPL to provide value added solutions to farmers.

COROMANDEL identifies megatrends in agri sector: 1) Growing population and shift towards healthy diets would require high performance agri-inputs for higher crop yields and shifting crop patterns. 2) Pressure on natural resources and increasing cost of labour would necessitate precision farming techniques and efficient delivery mechanisms. 3) Improved value chain linkages and consolidation of farming activities would lead to new business models that were earlier not feasible to serve a broken and archaic value chain 4) Deep penetration of technology, digital and finance would change the quantity, quality and mode of agri and allied inputs consumption by farmers 4) Newer areas of innovation – such as Biotech and advanced breeding 5) Increasing consolidation and partnerships at fringes leading to newer product offerings, service models and a broader set of collaborative stakeholders.

BAYER enabling digitization of Indian agriculture: The biggest challenge in agriculture in India is not the availability of data or lack of IT solutions, but the acceptance of the same by farmers. Indian farmers have traditionally preferred speaking with someone in person for advice than just follow what an app says. However, in COVID-19 pandemic digitization of agriculture and adoption of digital tools by farmers was accelerated. Bayer introduced various digital tools to enable two-way conversations with farmers and resolve their queries. In 2020, 1.7 mn farmers received digital crop advisory from Bayer.

Penetration opportunity for agri inputs





Source : OECD, FICCI

Source : FAOSTAT, FICCI, World bank

***BHARAT FORGE** on opportunities in newly incubated businesses:* 1) Light weighting: The stricter implementation of CO_2 emission norms and advent of electrification would lead to increased usage of aluminium and other lightweight materials – Bharat forge will focus on development of structural parts for customers globally across automotive and industrial sectors. 2) E-mobility: Indian EV market would be US$ 206 bn market by 2030 and will grow at 44% CAGR 2020-27 and would sell 6.3 mn units primarily in 2W and 3W – Bharat forge intends to have 5-6% market share by 2025 in this market through the expertise of Kalyani Powertrains, a wholly owned subsidiary. 3) Defense: with Government's strong focus on self-reliance the company expects large opportunities in defense sector which it will target through its wholly owned subsidiary Kalyani Strategic Systems limited. The company also aspires to capitalize on the opportunities in 4) aerospace and 5) turbomachinery.

***BALKRISHNA** highlights its moats, its India business is growing faster than company average:* Tyre segment is highly capital intensive and known as "large varieties low volume" segment where any credible player needs to maintain large number of stock keeping units (BKT has +2700 SKUs). The company is exploring opportunity of developing Ultra Large Earthmovers and Mining radial tyres and taking advantage of shift from Bias to Radial tyres. BKT's India sales grew by 43% YoY, increasing India sales contribution to 23% (+4% YoY). India has been the fastest growing region with CAGR of 20% FY12-21. Its overall FY22 guidance of 250k - 267k units is range of 10-17%.

BOSCH expects a delayed recovery in HCVs

Segment	Peak*	Year	2020*	2021*				Return to Peak	
				High	Low	YTD 6-21	% of high	Peak*	Year
	4.1	2018	2.9	3.7	3.6	1.9	50.0	4.1	2023
	0.5	2018	0.2	0.3	0.2	0.1	56.0	0.5	2028
	0.7	2018	0.4	0.5	0.5	0.2	47.1	0.7	2022
	0.9	2018	0.9	1.0	1.0	0.5	55.7	1.0	2021
	25.1	2018	17.3	20.0	18.0	9.1	45.7	25.0	2025
	1.3	2018	0.6	0.8	0.7	0.4	46.3	1.2	2026

** Volumes in million units*

Source : Company presentation July 2021

***MARUTI* downplays EV, makes a case for CNG**: India's low per capita income of US$ 2000, makes affordability of electric cars challenging. India, unlike the developed markets, is largely a small car market (77% of cars sold are less than 4 meters in length and lower in cost) with only 5% of cars being sold at price point of >Rs 1.5 mn. The current technology does not support producing EV at an affordable price point for Indian markets. With Government's concerted efforts to build CNG infrastructure, Maruti will seek to improve the technology for CNG cars. Its Smart CNG technology results in high mileage and has a leak proof design for enhanced safety. Maruti CNG sales grew by 50% YoY contributing 12% to FY21 sales (up 6 ppt since FY19).

***TATA MOTORs* EV Gross Margins > Passenger Car Gross Margins**

India Division	Revenues (Rs. bn)	Growth	GM (%)	Change (Bps)
Passenger Car	58	106%	9.6	(318)
Utility Vehicle	65	57%	19.3	(25)
Electric Vehicle	6	280%	11.7	512
MHCV	138	(1%)	26.2	251
ILCV	41	10%	22.9	(393)
SCV/Pickups	48	26%	18.8	(420)
Buses	11	(73%)	23.2	506

Source : Company Annual Report

M&M's* *core growth strategy: **In Auto Segment:** i) Focus on the core SUV portfolio, ii) strengthening the LCV business, iii) last-mile mobility, and iv) new "Born EV platform" supported by an extensive product launch pipeline. In **Farm Segment**: improving domestic tractor market-share, driving a quantum growth in the farm machinery business, launching the light-weight tractor platform 'K2' (in collaboration with Mitsubishi Mahindra Agricultural Machinery of Japan) and consolidation of global businesses in the segment.

***ASHOK LEYLAND* highlights key opportunities and threats for the CV industry**: Voluntary scrappage policy, it believes will only be a marginal positive for the CV industry in the near term. National Infrastructure pipeline and mining reforms should be positive for the tipper and haulage segments. The proliferation of hub-n-spoke model would result in increasing demand of higher tonnage and multi-axle vehicles while E-commerce growth should be positive for LCVs and ICVs. Increased allocation for FAME scheme should help encourage investments in EVs and its faster adoption. The commissioning of Dedicated freight corridor is expected to shift the transportation of goods to rail from road and hence could have a negative impact for MHCVs.

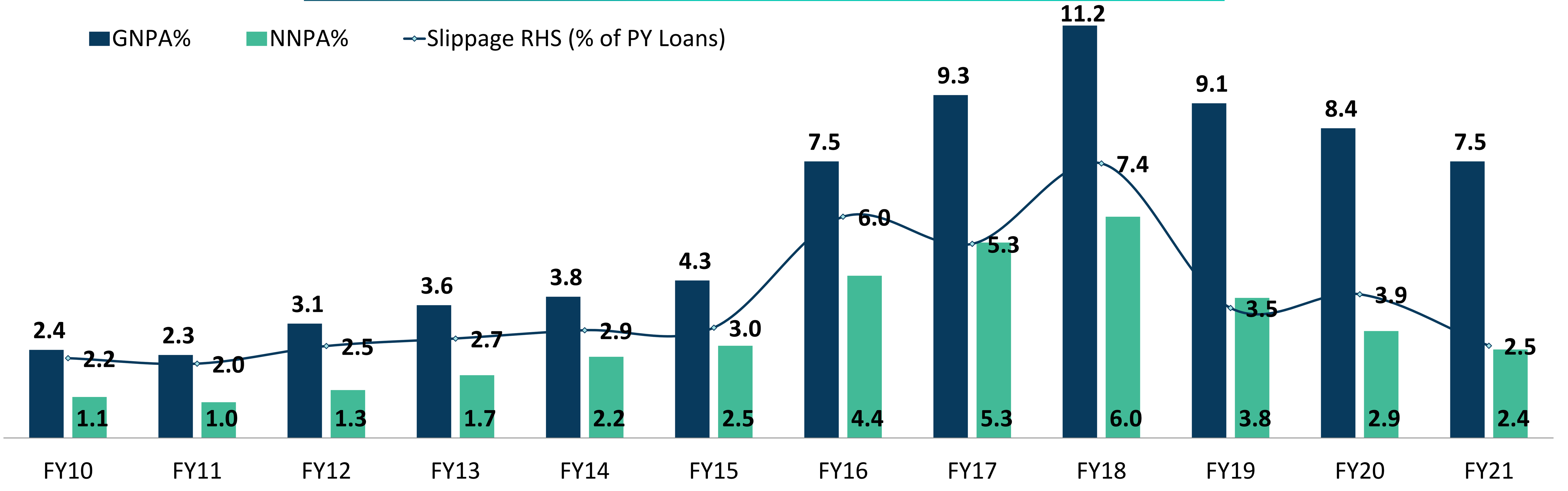
HDFC BANK is (Project) Future Ready: Under the new leadership team, the bank intends to build on its execution strength by creating future growth engines focusing on business verticals and delivery channels, with digital technology being the driving force. The bank aims to double the Commercial and SME loans over the next 2 years and expects a 10x increase in its merchant acceptance points (currently at 2 mn).

SBI's digital push: In FY21, SBIN launched YONO business for corporates, integrating 5 prevailing customer interfaces into a single platform. The bank has (a) 89mn online SBI users (b) 16.6mn/5.9mn salary/pension accounts and (c) 148mn UPI customers. ~94% of incremental SA accounts are sourced through YONO. SBIN is pushing its 'YONO' platform to (a) reduce opex (b) improve service quality to its technologically enabled customers and (c) market its 40+ product profile on a single platform.

ICICI's guiding principles - One bank one ROE and Fair to customer Fair to bank: The banks operations continue to be driven by these two overarching principles. The annual report highlights bank's approach to focus on risk calibrated growth with 1) parameterised and programme-based lending that is granular and collateralised 2) SME and business banking 3) building strong franchise across MNCs and new age services companies, and in the financial sponsors space with special focus on private equity funds.

AXIS BANK's GPS strategy is tracking well: AXIS bank shared progress on its growth, profitability & sustainability (GPS) strategy: Growth- across key focus areas CASA (+20% YoY, +372 bps to 45% in overall deposit), Corporate loan book (+16% with higher growth in focus Mid corporate & MNC segments). Profitability - Net profits up 305%, NIMs improved to 3.53%, cost to income ratio improved to 2.09%, granularity in fee income & domestic subsidiary profitability up 75% YoY. Sustainability - the proportion of BB & below book steadily declined with significant additional provisioning buffers.

Improving asset quality



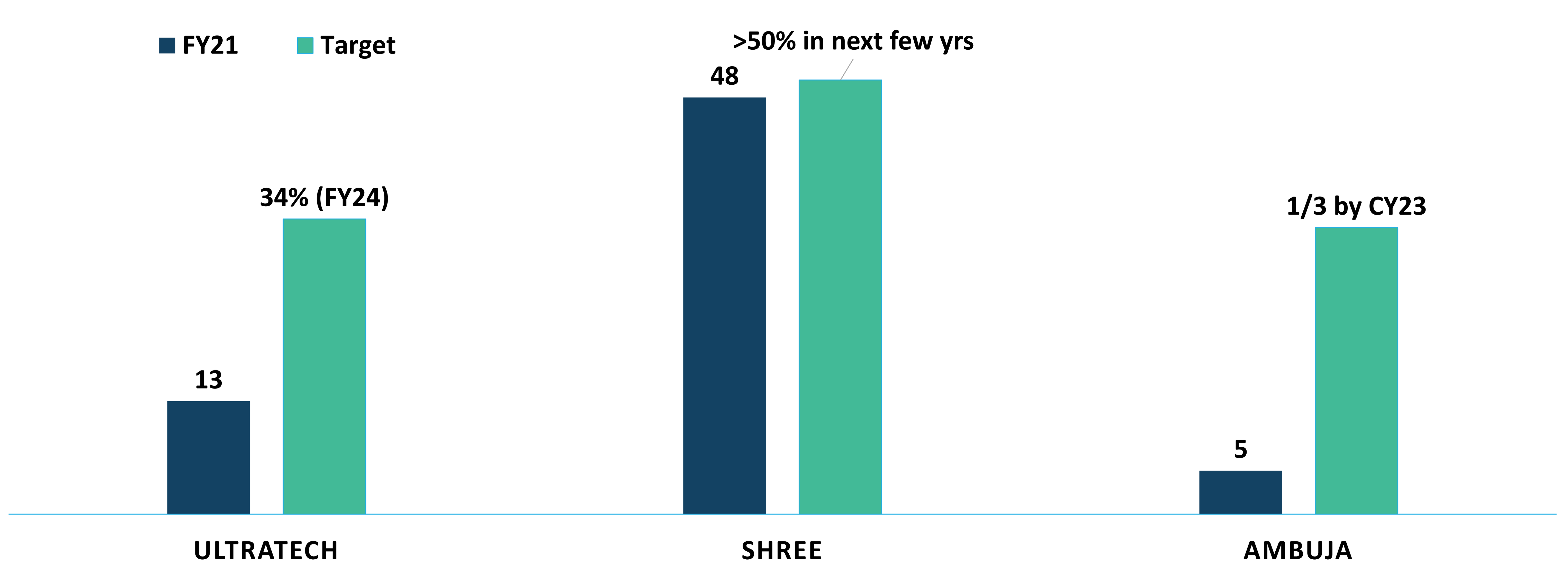
Source: Reserve Bank and Company data

***ULTRATECH's* strategic roadmap**: 1) Enhance balance sheet strength by funding growth through internal accruals, prioritizing plants having locational advantage thereby reducing lead time (proposed expansions would reduce all India leads by 17 kms), ideal clinker location with their grinding units near the end markets (<250 kms), improving RoCE - FY21 RoCE up +300 bps to 15%. 2) Pursuing low-cost brownfield expansions with average capex cost (<US$ 60/ton) and targeted average capex of ~US$ 600mn p.a. including growth capex 3) Cost optimisation – targeting contribution from green power to 34% of power requirements by FY24E (13% in FY21), higher blending percentage and high conversion ratio.

***SHREE* expects to double capacity by 2030**: The company expects to increase cement capacity to 80mt by 2030 (delayed by couple of years) translating into 7% CAGR (vs 12% CAGR in the past decade) through organic and inorganic route. In FY21 AGM, management mentioned about their willingness for inorganic acquisitions in domestic markets and focus on pricing given limited cost improvement levers. Share of green power has increased 11 ppt in past three years to 48% (industry-leading) in FY21 and the target is to increase it to >50% in the near-term.

***AMBUJA and ACC* focused on driving cost efficiencies** with several initiatives such as reducing clinker factor (by around 300bps to 60%), higher direct despatches (50% currently), reducing lead distance (declined 30-40kms YoY in CY20), source mix optimization and increasing share of green energy (from 5% now to 33% share by CY23E mainly by setting up WHRS/ solar plants). Both companies (ACC/ACEM) achieved synergies of Rs2.5bn (>5% of PBT) in CY20 under MSA, which is likely to increase further with incremental volumes. Ambuja is targeting 50mt capacity (from 30mt now) over the next few years.

Large cement companies focus on green energy



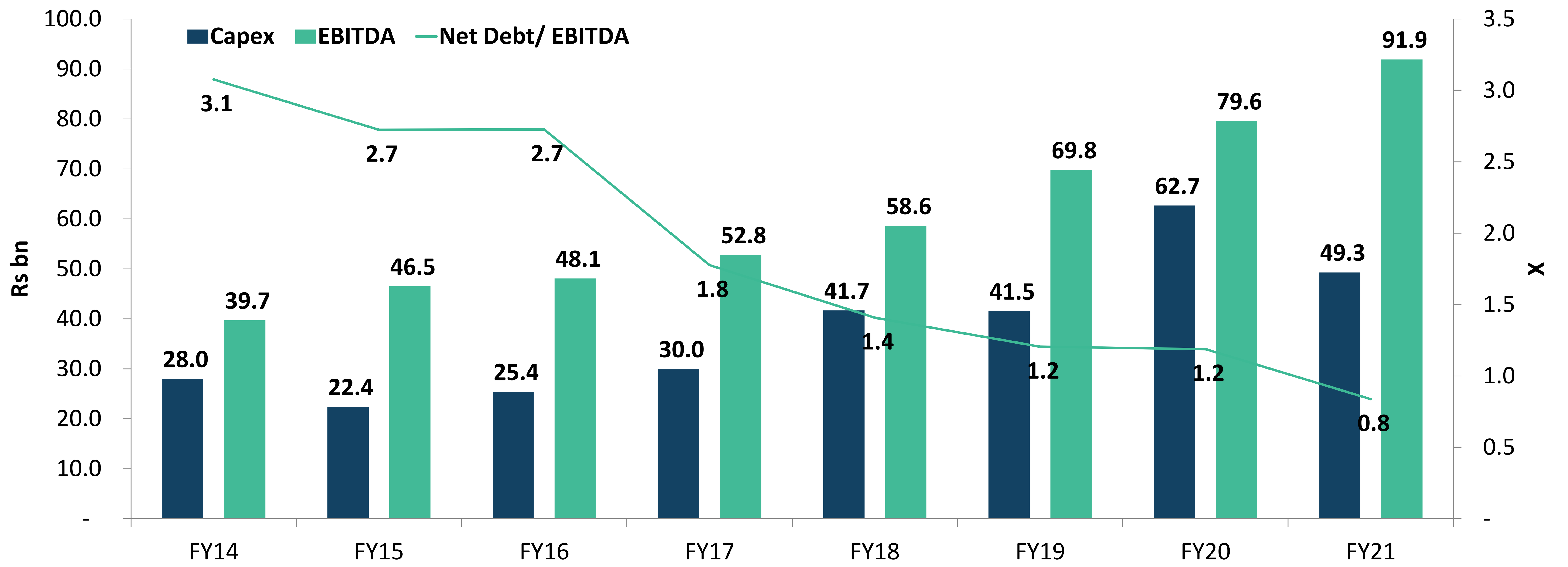
Source : Company Annual Reports

SRF upping the ante in R&D– The chemicals technology group (CTG) of SRF supports the technology curve of chemicals business. CTG is now increasingly engaging in development of complex non-fluorinated intermediates. To meet customer demands in high end chemistries, the company is augmenting R&D and scale-up of facilities in Bhiwadi as they believe CTG will play an instrumental role in sustainable growth of the company. SRF has been investing >Rs 1.0 bn in R&D. 23 patents were granted to SRF in FY21, taking the total count of patents to 39.

AARTI INDUSTRIES – Laying foundation for growth beyond FY23 through: 1) Value chain expansion (within existing products) 2) Creating new value chains 3) Exploring more opportunities in pharmaceuticals 4) Multi product customer collaboration 5) Manufacturing outsourcing by engaging in long term contracts 5) Focusing on high growth sectors like EV, battery chemicals, renewables and synthetic foods.

ATUL re-emphasising working on 5 key mandates – 1) Enhance people productivity, 2) increase manufacturing and other efficiencies, 3) pervade technology in every function, 4) conserve cash while growing and evolving the future (that is, measure performance by free cash flow) and 5) work with customers on ideas of high potential. Atul has set a mid-term goal of achieving sales of Rs 55 bn up from Rs 37 bn in FY21. Atul has largely been a B2B company, however, is looking at tapping retail opportunities and has begun distributing retail products in neighbouring countries. The company is looking at growing its retail portfolio to take full advantage of its value chain.

Chemical companies aggressively reinvesting in the business



Source : Representative sample set of 10 chemical companies

ONGC's focus on the natural gas value chain: ONGC expects its domestic production to rise from 45 MMTOE in FY21 to 60 MMTOE in FY24. It highlights that most of the incremental production would accrue from cleaner sources (natural gas) like the deep-water field in KG as well as shallow water fields in the east coast. ONGC acquired 5% in Indian Gas exchange and incorporated a new wholly owned gas subsidiary for its gas & LNG marketing business to focus on sourcing, marketing and trading of Natural Gas, LNG, Hydrogen enriched CNG(HCNG), Gas to Power business, bio-energy/ biogas/ biomethane/ other biofuels business. ONGC argues for higher gas prices stating that dismally low domestic gas prices continue to dent the profitability of gas business. It believes that these early choices will improve optionality and future pay off as the energy transition takes off.

IOC makes a case for higher oil prices and upstream integration: IOC highlights that oil has not lost its relevance, especially for India. The upstream integration continues to make strategic sense for the company, which has a downstream heavy portfolio. It is estimated that to replace global oil consumption and offset natural field declines, the global oil and gas industry needs to invest over $500 billion annually. On the other hand, the investment cuts of 2020 reflect the phase of chronic underinvestment that the upstream sector may be entering. The rising oil prices and indications of the upcoming commodity super-cycle, wherein prices are expected to rise steadily, make upstream investment, a value creating opportunity for the company. The company would look for acquisition of producing or near producing assets globally.

Rising energy dependence

	UOM	FY16	FY17	FY18	FY19	FY20	FY21	CAGR (FY16-21)
Oil Consumption	MMT	184.7	194.6	206.2	213.2	194.6	214.1	3.0
Domestic Production	MMT	36.9	36	35.7	34.2	30.5	32.2	(2.7)
Import Dependence	**%**	**80.0**	**81.5**	**82.7**	**84.0**	**84.3**	**85.0**	**494 bps**
Gas Consumption	BCM	52.5	55.5	58.1	60.8	64.1	60.5	2.9
LNG Imports	BCM	21.4	24.7	26.3	28.7	33.9	32.9	9.0
Import Dependence	**%**	**40.7**	**44.5**	**45.3**	**47.3**	**52.8**	**54.4**	**1363 bps**

Source : PPAC

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HUL on GSK integration: In FY21, HUL integrated the nutrition portfolio acquired from GSK. The category has low penetration (HUL's direct distribution is 3x that of GSK Consumer). HUL has a clear strategy of improving accessibility & reach, landing impactful innovations, increasing profitability through synergies & investing in brands to drive growth. The company introduced new pouch packs & Rs 2 sachets for Horlicks and Boost to make the brands more accessible to the consumers.

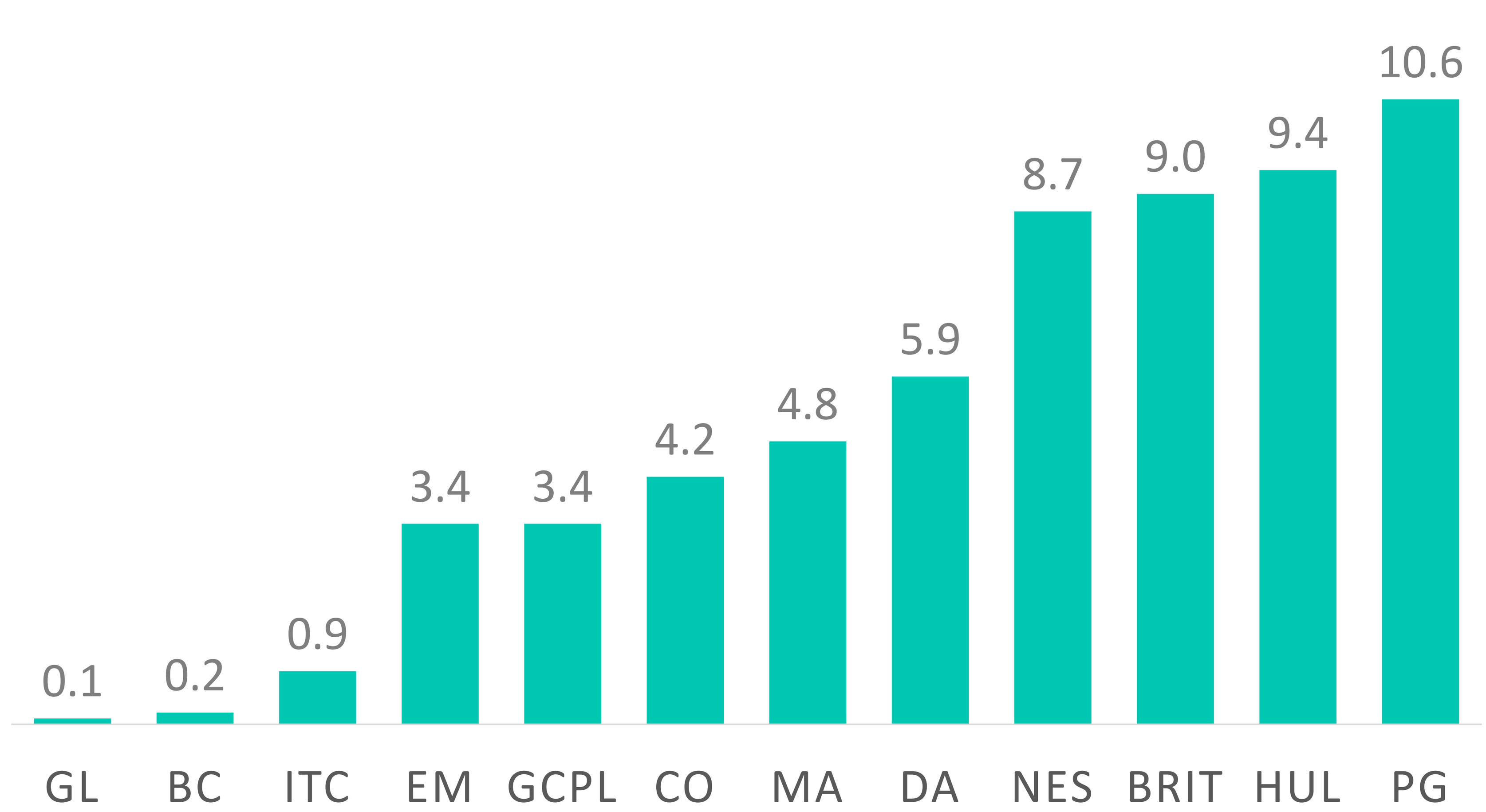
***ITC* argues that punitive tax structure on cigarettes has led to unintended consequences**: Tax incidence on cigarettes in India is 3x world average. Recurring tax hikes F12-18 & again in FY21 resulted in cigarettes volumes remaining below 2014 levels. The tax arbitrage has resulted in a thriving illicit cigarettes market with legal cigarettes accounting for only 9% of the market vs global average of 90%. Illicit market resulted in Rs150 bn loss to exchequer and 68% of tobacco remaining outside the tax net.

NESTLE to significantly enhance its manufacturing capacity: Nestle to invest Rs 26 bn over the next three to four years to augment its existing manufacturing capacities, as well as towards its new under construction 'state of the art' factory in Sanand, Gujarat. Last time, the company had similar magnitude of capex in CY11-12. The overall volume growth for Nestle CY11-20 was <2% CAGR.

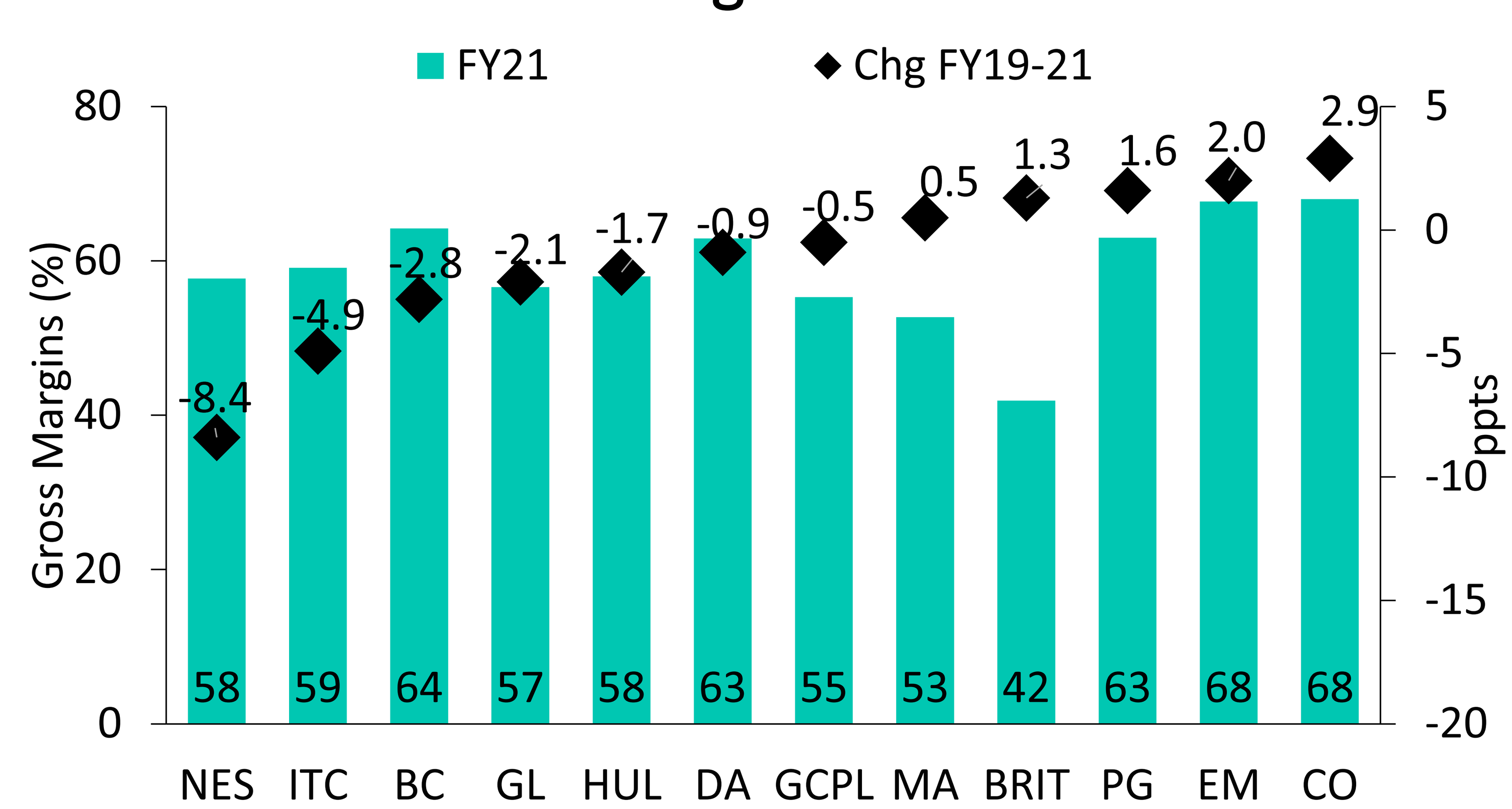
GODREJ CONSUMER is committed to building a successful African business: Under the new regional CEO, the company reported 3 consecutive quarters of double-digit growth. With a revised strategy, the company has shifted focus to centralised category management from geography led one. This changed approach, it believes, would focus on core categories, promote category learning and fuel long term growth.

2-Yr Revenue and Margin trends

Revenue Growth (2 yr CAGR)



Gross Margins trends



GL: Gillette, BC: Bajaj Consumer, EM: Emami, GCPL: Godrej Consumer, CO: Colgate, MA: Marico, DA: Dabur, NES: Nestle, BRIT: Britiannia, PG: P&G Hygiene

***ADANI GAS* highlights judicial activism by National Green Tribunal (NGT) for clean environment**: A 100-location study by the Central Pollution and State Control Board identified 38 cities as 'critically polluted' (CPA), 31 as 'severely polluted' (SPA) and the rest as 'other polluted' areas. In Dec-18, NGT directed state PCBs to outline plans to moderate pollution levels in these CPAs and SPAs and submit action taken reports by Jun-19. It ordered curbs on polluting activities till the pollution is within prescribed limits. In Nov-19, NGT provided CPCB and PCBs a 3-month deadline to implement action plans with defined punitive action. The NGT made it mandatory for industries in NCR to shift to piped gas by Jan-21.

***GAIL* shares progress on Strategy 2030:** 1) Increasing its gas pipeline grid through execution of several sections of National Gas Grid 2) increasing gas penetration in industries, transportation including promoting newer areas such as LNG transportation 3) As India's largest LNG portfolio holder (14 MMTPA), GAIL is scouting for opportunities to place volumes in newer geographies 4) Strengthening its petrochemical portfolio - it is setting up India's first 500 KTA propane dehydrogenation and polypropylene plant in Usar, Maharashtra 5) Investing selectively in renewable energy space through organic and inorganic route 6) to promote newer technologies like EV and digitisation, the company is investing in start-ups – it is currently supporting 29 such start-ups.

***PETRONET* expects LNG to remain a buyer's market**: Though LNG spot market saw record breaking prices not seen since 2011, Petronet expects LNG market to remain in surplus for years to come & remain a buyer's market. The company is confident that LNG prices will remain subdued barring yearly seasonal swings & buyers like India will be in an advantageous position to negotiate & procure new LNG supply at economic rates to feed the gas infrastructure build up taking place in the sector right now.

Penetration opportunity for Natural Gas

GAS

National penetration

6.2 %, share of gas in India's energy mix, 2020

15 %, share of gas in India's energy mix, 2030 (estimated)

PIPED GAS

Household access

7.82 Million households that currently use piped gas, 2021

>50 Million households projected to use piped gas

Average annual growth ~20%

3.16 Million, 31st March, 2016 → **7.82** Million, 31st March, 2021

POPULATION COVERAGE

Broadbasing

< 20 % of population covered till 2016

>70 % of population covered till the 10th Round

CNG OUTLETS

Transportation fuel

3,101 Number of CNG stations in India, 31st March, 2021

>10,000 Projected number of CNG stations in India

Average annual growth ~23%

1,081 Number across India, 31st March, 2016 → **3,101** Number across India, 31st March, 2021

Source: Adani Gas Annual report

***HDFC* highlights some regulatory glitches:** 1) Recommends excluding surplus liquidity from assets to arrive at a prescribed minimum threshold limit of assets in housing finance (as excess liquidity is being held by HFCs as matter of abundant caution) 2) considering insurance loan to home loan customer as a housing loan, as insurance protects both the HFC & the borrower 3) addressing balance transfer issue for retention of customers as it does not increase home loans or home ownerships at the system level.

***BAJAJ FINANCE's* omni channel strategy:** to deliver significant business velocity, reduction in operating cost and improving customer experience. The strategy would involve 1) Developing 5 proprietary marketplaces - the EMI store, the insurance marketplace, the investment marketplace, BFL health and Broking app 2) BAF has developed wallet called "Bajaj Pay" to offer integrated payment solution of UPI, PPI, EMI and credit card 3) BFL is also developing payment app for its >98000 merchants 4) The company plans to partner with 25+ adjunct ecosystems which have related products and services offering for its customers which it expects would increase customer stickiness 5) BAF is developing and improving four productivity apps i) sales one app ii) the merchant app iii) the collection app and iv) the partner app to improve efficiency and productivity of employee channel partners and merchant ecosystem.

***CHOLA* dwells its evolution over next couple of decades**: Chola has embarked on a journey to evaluate what it will look like in 15-20 years. This would call for building on the current business model and scaling up and add skills in analytics, technology, and digital areas. This would also call for an ecosystem model beyond vehicle ecosystem and to understand how Chola can present itself in such a model. The company has embarked on a process of identifying other ecosystems and evaluating how to compete effectively in each of these ecosystems.

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***SBI Cards* highlights industry tail winds for growth in cards**: India is highly under penetrated in terms of credit card ownership (Credit card ownership per 100 people: India - 4, Brazil - 105, Russia - 26, China - 53, Australia - 73 and US – 331). Industry tailwinds include growth in Infrastructure - POS and BQR terminals have seen a growth of 2.5x over last 3 years, Consumer Behaviour: Retail digital payment was up 86% in FY21 vs 45% in FY15, retail credit grew at 14% 3-year CAGR, E-com market is expected to grow to US200 bn by FY26 from US$ 64 bn in FY21.

***TCS** COO hints at value migration from Hardware > Software > IT Services*: In the evolution of technology spends over the last five decades, hardware held complete primacy in the first four decades, with software and services serving subordinate roles. Over time, proprietary hardware gave way to standardized architectures, setting the stage for virtualization and commoditization. SaaS models are driving standardization and commoditization of software. As enterprises invest in upgrading their technologies, they will invest even more in IT services.

***INFOSYS** expects Cloud to be the foundational pillar for driving digital journeys of large enterprises* which will 1) empower the enterprise to innovate infrastructure 2) bring agility to operations 3) drive connected products 4) enable employees to work from anywhere through hybrid workplaces 5) drive non-linear value for business from new-age AI & data platforms.

***WIPRO** provides an update on business restructuring*: Wipro reduced layers and split the business by region to make the organization more agile and nimble to accelerate growth. Wipro has increased its focus on key account managers, which are the go-to entities for clients. All other teams, including technology specialist and delivery leaders, will enable the key account managers. Increased focus on M&A as a key area to fast-track solutions and capability building in emerging areas and to accelerate access and presence in identified markets.

***TECH MAHINDRA** made progress on multiple dimensions* including restructuring of acquisitions, better margin profile, disciplined capital allocation and higher FCF generation. It believes, the repair phase of business is over, and the company expects to rise beyond in FY22E, where it will realize full benefits from measures taken to improve growth and margins in the previous phases and the performance will be more predictable. The future with NXT.NOW - Employees are being reskilled in next-generation technologies to make them future-ready. New collaborations and acquisitions were made to fill the white spaces.

Accelerating hiring trends for IT Industry

	FY16	FY17	FY18	FY19	FY20	FY21	LTM*
TCS	11%	9%	2%	7%	6%	9%	15%
Infosys	10%	3%	2%	12%	6%	7%	12%
Wipro	9%	-4%	-3%	7%	7%	8%	15%
HCL Tech	1%	11%	4%	15%	9%	12%	17%
Tech Mahindra	2%	12%	-4%	7%	3%	-3%	2%
LTI	3%	5%	15%	17%	12%	14%	22%
Mindtree	17%	-1%	8%	14%	9%	8%	24%

*Net additions as % of base year, *LTM : last twelve months*

Source : Company disclosures

***LARSEN** expects repeat of 2003-08 capex cycle*: The company is optimistic on the National Infrastructure pipeline of Rs 111 trn to be executed by FY25, majority of which is to be funded by Central and State governments and public sector undertakings. Tax buoyancy, as the phased recovery sets in and the Government's postponement of fiscal consolidation exercise to FY25, should provide room for future capex spends. Funding by Bi-lateral and multilateral agencies can plug the funding gaps if any. Healthy corporate balance sheets, PLI incentives, lower tax rates and liquidity should spur private sector capex as well.

***HONEYWELL** expects to benefit from rising adoption of Building Automation and Industrial IOT*: Indian market is gaining traction towards offering services and technology that aim to digitally support and transform existing and upcoming infrastructure and industrial projects. Building automation and industrial IoT (Internet of Things) markets are projected to grow at more than 15% CAGR over the next 4-5 years. With high returns expected from automation technologies such as Artificial Intelligence (AI), IoT (connected devices), Cloud services and Industrial software solutions, businesses and Government must invest in adopting these technologies to experience their vast benefits.

***CUMMIN's** to develop fit for market products*: 1.Developing local 'fit-for-market' solutions to meet upcoming emission regulations and market needs in commercial off-highway and power generation segments 2. Technological innovation to add value to products in the areas of alternate fuels, fuel cells, power electronics, hybrid engines & recycle / re-use 3. Continued expansion of the product range to serve the needs of both local & global market 4. Continued focus on indigenization & partnering with suppliers for waste elimination initiatives 5. Focused engine development for the power generation segment for the upcoming emission norms.

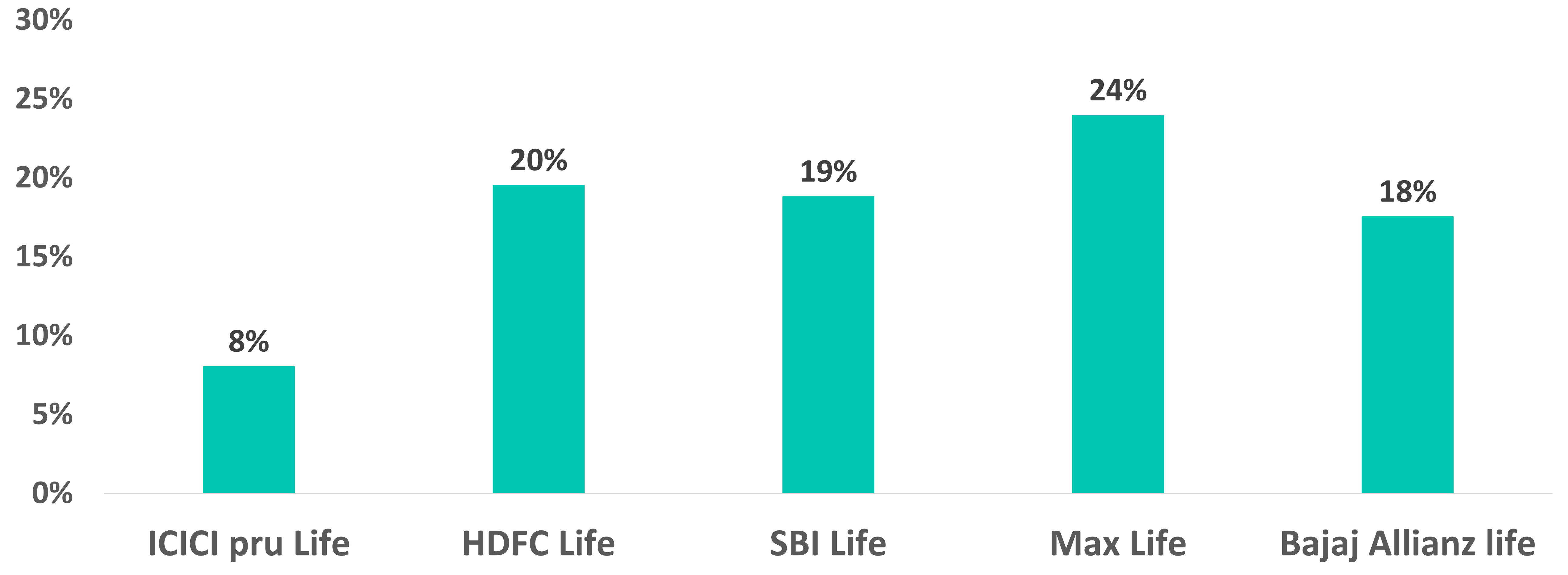
***AIA** highlights large opportunity for high chrome*: Annual replacement requirement of grinding media is 2.5 mn tons, of which only 20% is high chrome representing, a large potential opportunity. The company has 3 pronged strategy for capitalizing on this opportunity 1) approaching various mines across the globe on the basis of the Ware advantage and cost savings 2) promoting usage of high chrome grinding media in the beneficiation process, which has the potential of reduction of consumption of certain expensive and environmentally harmful consumables/reagents, and also improve the recovery of the final ore 3) offering a unique high chrome mill lining solution which improves grinding efficiency, throughputs and also reduces the power cost.

***SBI LIFE* shares update on key value creating strategies:** 1) Expanding geographical presence – in FY21 top 3 states contributed less than 30% of total NBP and the company added 39500+ agents, 2064 SPs, and 5 brokers 2) Cost discipline –The company reduced total cost ratio to 8.3% (down 160 bps) and reduced commission ratio to 3.5% (down 50 bps) 3) Building customer value proposition - Maintained surrender ratio at 3.9% and improved persistency ratios for all time frames 4) Expanding digital footprint – 90% of renewal premium is digitally collected, 43% increase in protection policies sold digitally 5) Developing a skilled workforce - Trained 225,381 insurance professionals.

***IPRU LIFE* *has aspiration* to double the FY19 value of new business in 4 yrs through** 1) premium growth 2) protection business growth 3) persistency improvement and 4) productivity enhancement. The company also highlights exponential reduction in policy issuance time by using AI and Robotic process automation, now down to 3 days, which under the previous process would have taken ~65 days.

***ICICI LOMBARD* highlights instances of productivity gains through usage of digital infrastructure:** 1) 60.1% cashless authorisation through AI (31.0% in March 2020) thus the settlement happens much quicker 2) 61.6% Straight Pass Through of Motor break-in from Self Inspection App (40.6% in March 2020) thereby there is no need to physically assess the vehicle 61.6% of the time before giving the policy again post lapse 3) Launched Nysa platform, a new multi-lingual digital portal for motor agency channel partners, to reduce end-to-end policy issuance time by 50% and with the capability of pre-filling 70% of data fields through public data sources.

Double digit VNB growth for most Life insurers (3 Yr CAGR)



Source : Company disclosures

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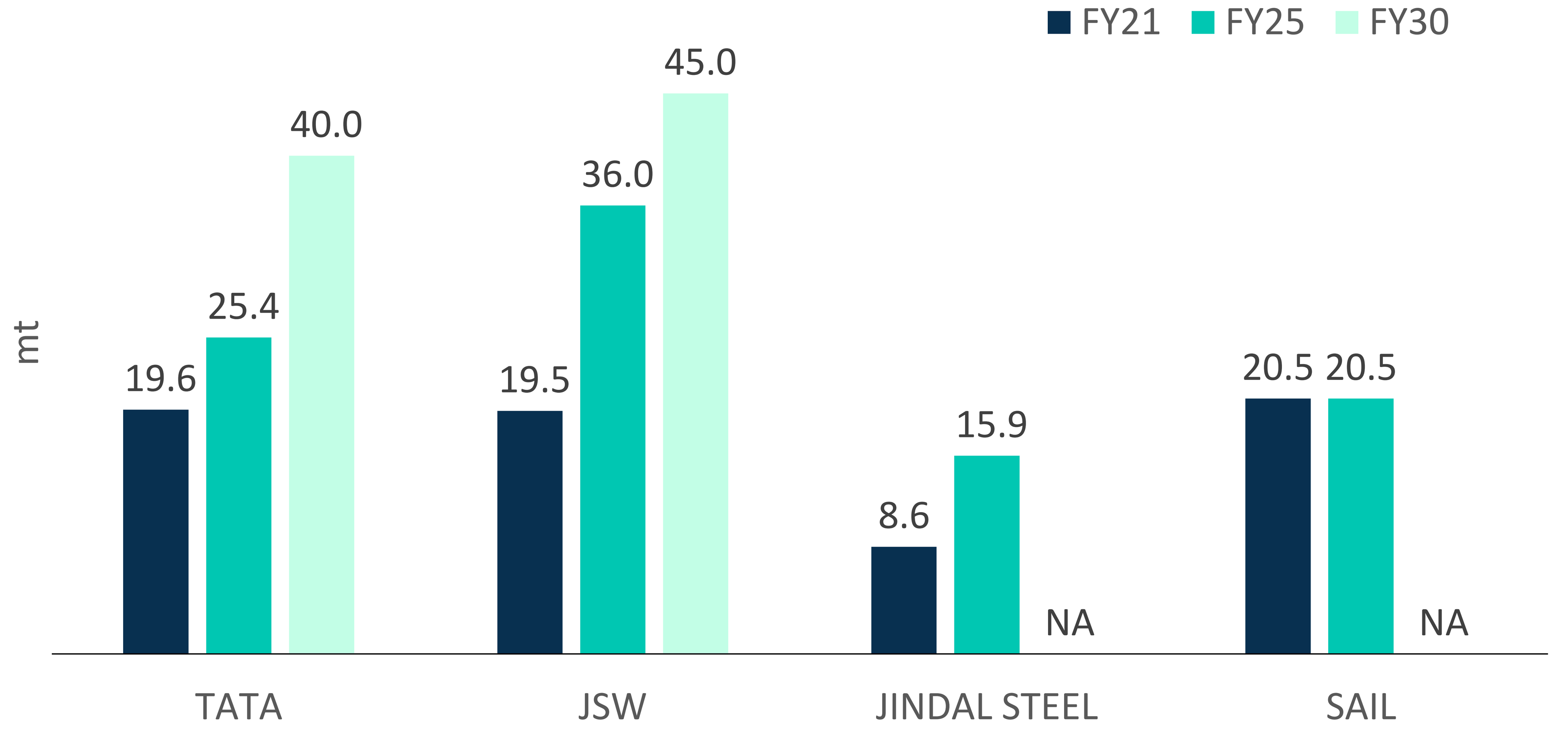
***JSW STEEL* to double its capacity to 45 MMT by 2030**: JSW highlights that by incurring a capex of Rs 480 bn, the company has increased its capacity by 50% over the past 3 years. With earmarked expansions, entailing capex of Rs 250 bn, the company expects to reach a capacity of 37.5 mmt by 2025. JSW steel has laid out its ambitions to reach 45 mmt capacity by 2030 through organic and inorganic routes. It intends to maintain 2.75x net debt to EBITDA through the cycle.

***TATA STEEL* lays out strategic initiatives:** 1) India capacity to increase to 35-40 mmt (21 mmt currently) 2) Growing in adjacent businesses – materials, services and solutions and commercial mining 3) Cost leadership – Shikhar25 programme has resulted in Rs 33 bn of cost saving 4) Sustainability Target of <1.8tco2/tcs by 2030 for carbon emissions and aim for water neutrality by 2030.

***HINDUSTAN ZINC* aims to become the largest zinc-lead and silver company globally:** HZL continues to focus on increasing capacities from 1 mn tpa to 1.2 mn tpa. In next phase, it is planning zinc-lead capacity of 1.35mn tpa and silver capacity of 1000 tonnes (800 now) while continuing to do R&R to keep mine life above 25 years. HZL is also investing heavily in automation of mines and has already started using EV`s to increase productivity.

***HINDALCO* has re-focused on organic expansion** (increasing Novelis capacity by 300KT by FY23) and expanding its value addition, considering inorganic expansion opportunities are absent. Hindalco introduced its first capital allocation framework indicating that post meeting organic/value adding capex it will use the cash to pay dividends and pay down debt. Hindalco's ESG commitments include achieving net carbon reduction of 25% by 2025 and neutrality by 2050.

Planned capacity additions



Source : Company

***ASIAN PAINTS** explores avenues for sustainable revenue growth:* In the core paints and coating business, low per capita consumption, consumer preference for high value, superior quality and durable products augurs well for future growth. Asian paints, with its aspiration to evolve into a home décor company, added furniture, fittings and lightings to the existing Bath and Kitchen offerings. The company entered in Bath and Kitchen segment in FY14 and FY15 respectively through the acquisition of Sleek and ESS ESS. The segment still accounts for <3% of revenues and is yet to achieve breakeven. The company also launched the Beautiful Homes Service, a custom-design-to-execution service across eight top cities, with the aim of expanding to more such centers.

***BERGER** hints at higher competitive intensity and highlights key structural drivers*: Industry is attracting healthy competition, where players are applying different strategies to tap growing demand in the market space. Urbanization and nuclearization of families, value migration, shortening of re-painting cycle over the last decade, growing demand from smaller towns and rural areas, housing for all/ affordable housing projects, spending on large scale infrastructure projects, innovation, up-gradation and growth in premium segment and availability and new initiatives by paint companies have been the key drivers for the paints industry.

***KANSAI NEROLAC** gears up for intense competition in the decorative market*: With the renewed interest by new and emerging players, Kansai expects intense competition in the decorative market. The company has chalked out a long-term road map for the segment with restructured verticals such as Retail for the Nerolac range, Retail for the Soldier (economy) range, Institutional and new business segments. Various initiatives around unique to category products, markets and distribution would now be undertaken as part of the roadmap. Amongst the initiatives to be undertaken are a new thrust on rural areas as well as experimentation with new distribution models. The company would also look at entering painting services.

Mixed performance from paint companies

FY21	UOM	Asian Paints	Berger	Kansai	Akzo
2yr CAGR Revenue	%	5.9	6.1	(3.3)	(8.9)
Gross Margin	%	52.4	50.2	45.6	45.4
GM chg over 5-yr avg	bps	48	126	(22)	(118)

Source : Company

SUN's top priorities for FY22: 1. Business growth 2. Safety and well-being of employees including facilitation of COVID vaccination for employees and their immediate family 3. Supply chain continuity and inventory optimisation 4. Continued focus on cost and operational efficiency 5. Increased investments in IT to facilitate business and digital transformation 6. Focus on improving return ratios.

DIVI's is setting stage for sustenance: The company is focusing on backward integration, investing in newer technologies and capacity creation. Geographically: EU (+27% YoY) continues to dominate with revenue share of 47%, followed by US at 23% (+30% YoY), vs overall sale growth of 28% YoY. Imports share in RM has fallen from 50% to 44% indicating more backward integration led by expansions which possibly explains 600 bps GM expansion to 67%.

DRL achieved ~80% digitalization of all core business processes in FY21 which encompassed: (1) Branded business: increasing field productivity with improved accuracy of doctor information with geocodes critical for route and call planning (2) Manufacturing—paperless shop floor and labs, eliminate errors and improve productivity (3) R&D—drive reduction in cycle time of drug development (4) B2B markets—digitalization of bid and tender management processes, improved pricing vis-à-vis profitability and maintaining product market share (5) cross-functional initiatives like 'Selection to Launch' platform digitalizing all core processes across R&D, manufacturing and supply chain.

CIPLA highlights some of key focus areas including: 1) digital transformation 2) Become a global lung leader 3) Grow Cipla's India and South Africa OTC to become holistic wellness player 4) Focus on challenging and competitive spaces such as complex generics and respiratory-related products in the US 4) Measured investments in the specialty business and divestment of non-core assets 5) Continue to build scale and depth in branded home markets of India and South Africa.

Global pharma market expected to grow 3-6% 2021-25

	Original brands (%)		Non-original brands (%)		Unbranded generics (%)		OTC, vaccines & others (%)		Total (US$ Billion)	
	2020	2025	2020	2025	2020	2025	2020	2025	2020	2025
Developed Markets	74	70-71	11	15-17	5	4-5	10	8-9	959	1130-1160
Pharmerging Markets	29	30-35	37	34-38	22	18-21	12	10-16	291	415-445
Other Markets	35	28-41	42	33-45	17	11-18	6	6-9	15	18-22
Global Market	63	59-60	17	21-22	9	8-9	11	9-11	1,265	1580-1610

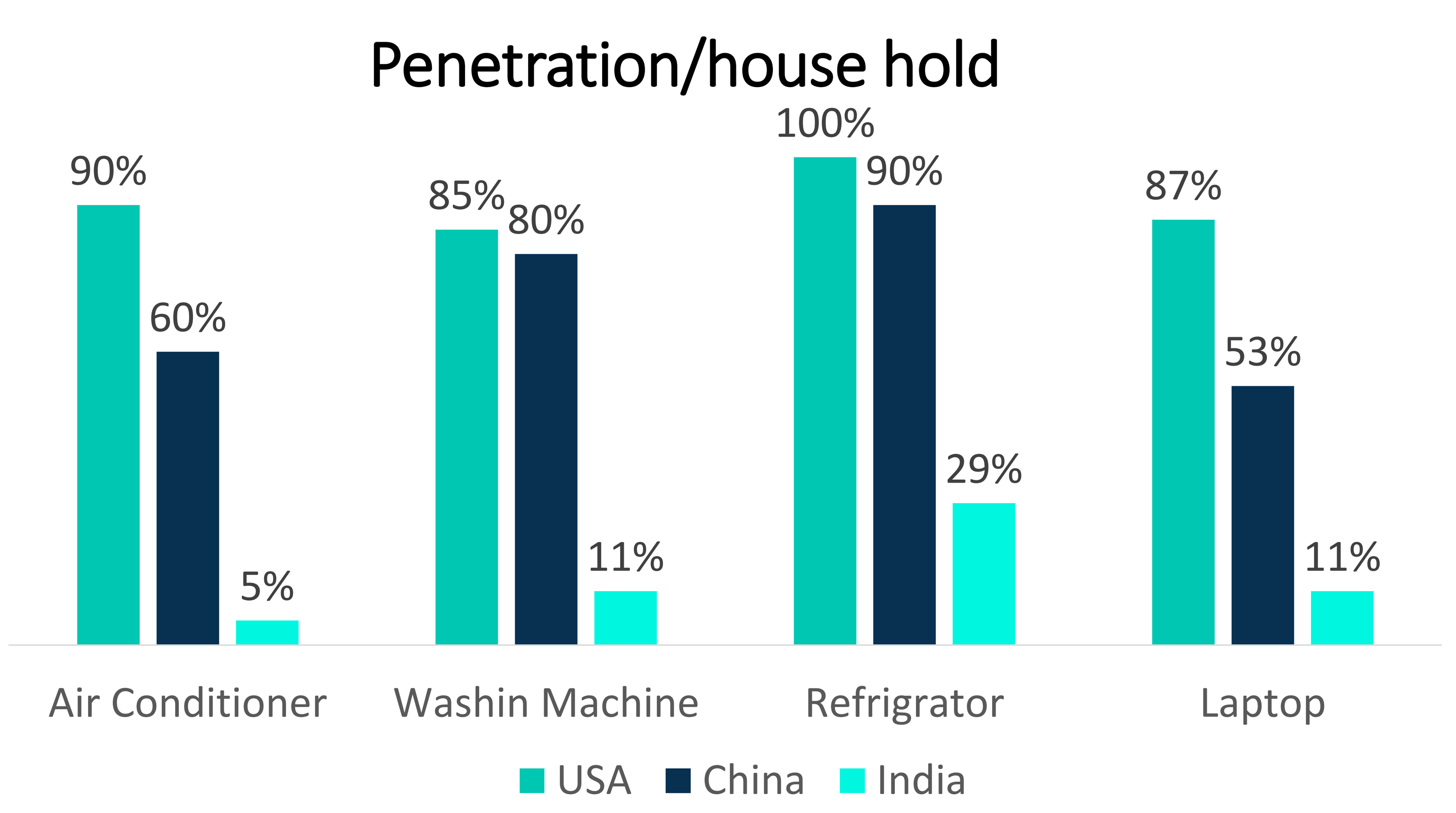
Source : Sun Pharma Annual Report

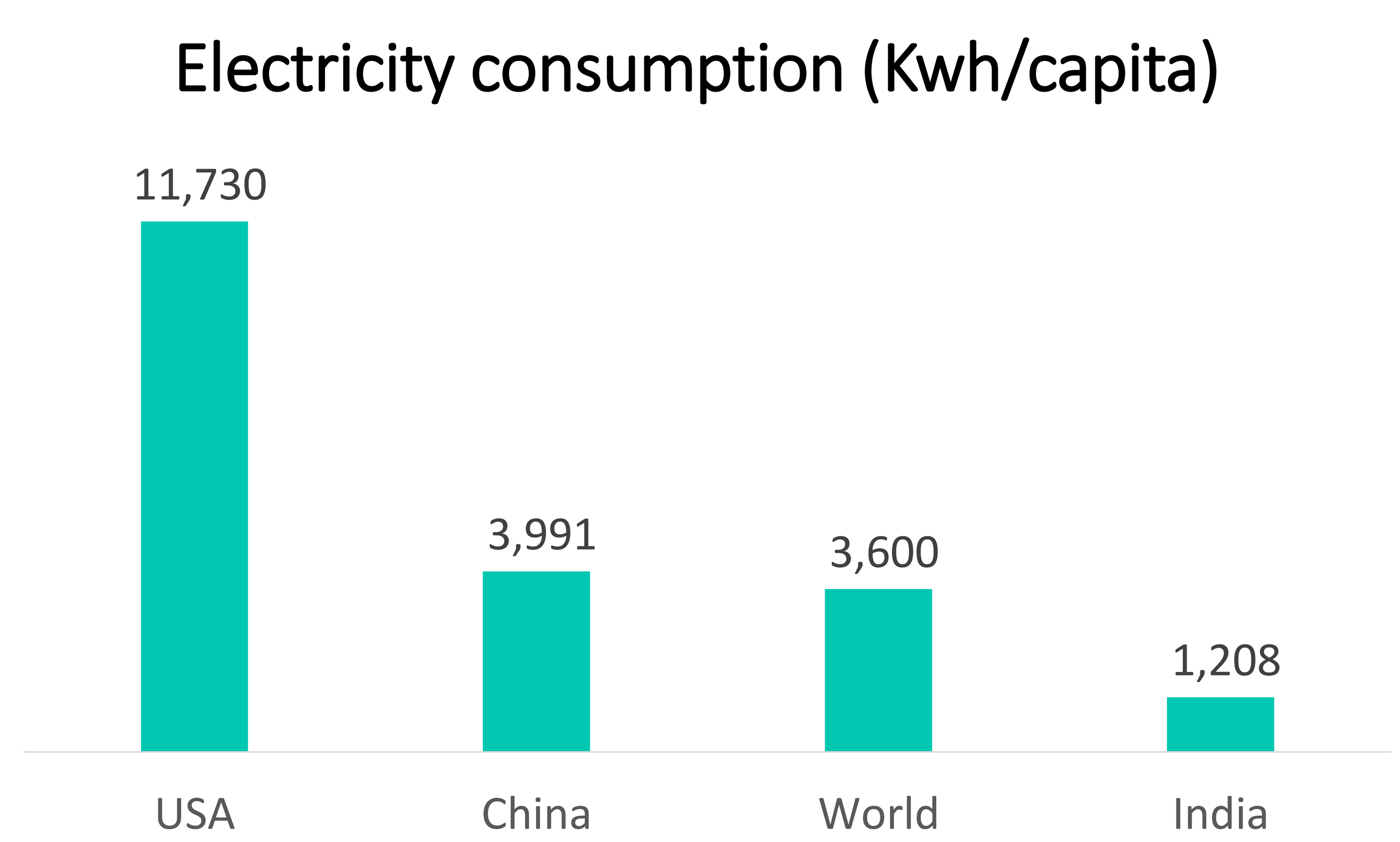
POWERGRID on transmission and non-transmission opportunities: The company aims to focus on gaining market share in tariff based competitive bidding, inter-state and intra-state transmission systems. The Revamped Distribution Sector Scheme with an outlay of Rs3trn over FY22-26 provides an opportunity for PGCIL to participate in the strengthening of the intra-state transmission, distribution infrastructure, smart metering etc. Opportunities to increase non-transmission revenues include consulting, telecom services and telecom-based services. Other new and emerging business areas include EV charging infrastructure, BESS, Solar generation and energy management services.

ADANI TRANSMISSION on opportunity in transmission segment: In every 5-year block (from 1992), the growth in India's power generation capacity exceeded its transmission line capacity (ckt) growth. The result is that India suffers a low MVA/MW ratio (2.3x compared with 7.0x globally). As per internal analysis, this skew now appears to be correcting itself, creating a Rs 8.2 trn sectorial opportunity until FY 2028-29. An internal study indicates that India's transmission line capacity of 4,41,821 ckt km is likely to grow to 828,000 ckt km by 2034, implying that what the country has achieved across more than seven decades is expected to be replicated in only 1.5 decades.

TATA POWER (TWPR) has laid out its vision to transform into carbon neutral customer centric organisation: TWPR has identified 8 strategic objectives to transition from coal dominated portfolio to a clean and green energy portfolio and B2B business model to B2C model with a portfolio of distribution, services and new age businesses. It is targeting 15 GW RE capacity by 2025 and +25 GW by 2030. The new age businesses identified by the company include - EV charging infrastructure, solar pumps, solar rooftops, home automation business, ESCO business and microgrids among others.

Electricity consumption trends





Source: *Adani Transmission annual report*

***DMART* store addition was moderate in FY21**: 22 gross new stores (20 net store addition) were added in FY21 and two of older stores (in Mumbai) were converted into fulfilment centers for Avenue E-Commerce. Construction activity was severely impacted in H1FY21 impacting store additions. Total retail area increased to 8.8mn sq ft in FY21, up 13% YoY while the area/store increase to 37,700 sqft from 36,500 sqft (up 3.4% YoY). Company currently has 39 distribution (added 3 in FY21) centers and 7 packing centers. DMART continued its cluster-based store addition during the year. States of Maharashtra and Gujarat account for 50% of the total stores however in last 3 years they have added 30% of the incremental stores.

Multiple levers for growth in TITAN's jewellery division: Apart from low market share and brand preference, multi-pronged efforts within the wedding market (including a new Engagement Rings focus), "Many Indias" programme to increase state-level relevance, the Gold Exchange and Golden Harvest opportunities, "Middle India" network expansion (expansion in Tier 3-4 markets) are the avenues to drive growth for the jewellery business.

TRENT explains ZUDIO's flywheel: delivering on-trend fashion without compromising quality or in - store experience • no advertising spends; rather relying on word of mouth and impulse • buying deep in terms of quantities • keeping overheads to a minimum by leveraging the Westside ecosystem • adopting a rapid and customer pull based replenishment model • passing on cost savings afforded by the model in upfront pricing.

JUBILANT FOODWORK's on 5 pillar growth strategy: 1) Strengthen channel play: The company introduced contact less delivery and Drive and pick functionalities during the year. The company intends to aggressively focus on takeaway channel going forward 2) Build digital strengths: Online ordering now accounts for 98.4% of delivery sales. Jubilant made several digital investments including a Hindi app, a machine based personalized ranking to improve preorder experience. The app continues to be highest rated app on Google Play and Apple Play store 3) Focus on innovation and value: The company introduced plant-based protein in the food menu and a pasta pizza range 4) Grow International: The company believes it has the right economic store model which can be scaled up internationally and 5) Expand new brand portfolio: The company introduced Hong's Kitchen (Chinese cuisine) in 2019 and Ekdum (Indian cuisine) and ChefBoss – Ready to cook range of products in 2020.

***HAVELLS* highlights 3 Megatrends for the sector:** 1) Electrification 2) Premiumisation 3) Phygital – where physical (offline channels) co-exists with digital (online) channels. Alternate channels such as online, MFR canteen etc are expected to gain relevance over the years.

***VOLTAS* highlights ambitious targets for Voltbek JV:** Voltbeks, a 49% JV with Arcelik, sold 1 mn units in FY21. The JV factory operated at 100% capacity utilisation; the capacity is being increased by 70% to 1 mn refrigerators by mid-2021. It also intends to add a washing machine line with 0.5 mn capacity. JV will localize frost free refrigerators which are being currently imported. It intends to double its sales volume in FY22 and achieve a 10% market share by FY25.

***CROMPTON's* strategy to grow faster than the market:** 1) Brand excellence: higher visibility on the e-commerce channel, better product placement, leveraging digital and social media, advertising and better instore experience 2) Product Excellence: investments in R&D and technology 3) Go to market excellence: leveraging data analytics through Dealer Portal, SAP for primary order management and the distributor management system to gather & track secondary sales data 4) Operational excellence: Cost reduction (Project Unnati resulted in cost savings of Rs 1.5 bn) and through the adoption of technology 5) Organizational excellence: Deeper engagement with employees.

***WHIRLPOOL* highlights its innovation prowess:** The company's new launches include glass door refrigerators, next-gen inverter ACs, top load washing machine and a revamped microwave range. During the year, company spent ~Rs1 bn as capital expenditure for adding capacities and new products. Capacity for semi-automatic washing machine manufacturing was added in Faridabad plant. Whirlpool became the first brand to launch an insta-heater semiautomatic washing machine. Whirlpool won 'iF Design' award for three of its products.

Commodity inflation has a bearing on the margins

Operating margins (%)	FY17	FY18	FY19	FY20	FY21
Whirlpool	12.4%	11.6%	11.9%	11.2%	11.7%
Voltas - UCP EBIT Margin	14.6%	14.9%	10.5%	12.8%	14.0%
Havells - ECD Margin	25.3%	26.8%	26.4%	25.9%	17.0%
Crompton (Broad products range)	12.1%	12.9%	13.1%	13.2%	14.8%
Bajaj Electricals - CD EBIT Margin (%)	5.2%	5.9%	7.2%	8.7%	11.9%
Orient electric	6.7%	8.5%	7.6%	8.6%	10.8%

Source : Company Annual Reports

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RELIANCE RETAIL to focus on New commerce and JIO to develop affordable smart phones with Google: Reliance Retail to focus on scaling up geographical reach and delivery capabilities. Currently New Commerce (Kirana) partnerships are with over 1mn merchants in 33 cities, which would now be expanded. On JioMart, RIL highlighted that Tier II and Tier III contributed to over half of its orders. RIL highlighted that while Jio Phone has upgraded 100mn users to digital network, the absence of affordable 4G devices is an issue for existing 2G users. As per RIL, Jio and Google have "agreed to jointly develop an entry level affordable smartphone". The restructuring of O2C is aimed at facilitating faster decision-making while pursuing focused opportunities across the O2C value chain. It will also help attract dedicated pools of capital and create value through strategic partnerships.

ADANI PORT aims to be world's largest port by FY30: The company increased its volume target for FY25 to 500 mmt (+ 100 mmt) entailing a CAGR of 15% vs 10% FY16-21. Adani port expects to increase its market share to 40% in FY25 (from 25% in FY21). The company is positioning itself as a transportation solutions utility. It expects to improve the reported RoCE of 12% in FY21 to 20%+ by 2025. The company intends to be the first global carbon-neutral company with 100% of port cargo operations powered by renewable energy by 2025.

BHARTI's focus to increase the wallet share in high value homes: Out of total universe of 50mn high value homes, 30mn customers use at least one service of Airtel. In order to get additional wallet share from such high-value customers, it has reimagined customer journey with an omni-channel delivery bringing all services under a single build – One Airtel– with one bill, one relationship manager for enhanced customer experience and combining 2,000 stores with broadband sales channels. The company expanded digital reach for India Mobile with Airtel Thanks, Wynk Music and Airtel Xstream. Digital platforms will help build new revenue streams on strengths of Data, Payments, Distribution and Network. Every one of these services, be it Airtel Ads, Airtel IQ or Airtel Secure is being delivered to customers at minimal capex.

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