Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	54,395	-0.2	-6.6
Nifty-50	16,216	0.0	-6.6
Nifty-M 100	27,908	0.9	-8.3
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	3,854	-1.2	-19.1
Nasdaq	11,373	-2.3	-27.3
FTSE 100	7,197	0.0	-2.5
DAX	12,832	-1.4	-19.2
Hang Seng	7,321	-3.1	-11.1
Nikkei 225	26,812	1.1	-6.9
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	112	-0.5	45.1
Gold ($/OZ)	1,734	-0.5	-5.2
Cu (US$/MT)	7,572	-2.9	-22.3
Almn (US$/MT)	2,367	-2.4	-15.7
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	79.4	0.2	6.9
USD/EUR	1.0	-1.4	-11.7
USD/JPY	137.4	1.0	19.4
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	7.4	0.01	1.0
10 Yrs AAA Corp	7.8	0.01	0.8
Flows (USD b)	**11-Jul**	**MTD**	**CY21**
FIIs	-0.02	-0.49	-29.03
DIIs	-0.04	0.62	27.41
Volumes (INRb)	**11-Jul**	**MTD***	**YTD***
Cash	485	467	632
F&O	64,980	94,593	1,00,487

Note: *Average

Today's top research idea

Lemon Tree: A new dawn led by a strong revival in travel and tourism

LEMONTRE is well placed to capitalize on the impending opportunity in the domestic Hospitality industry and the expected upcycle as:

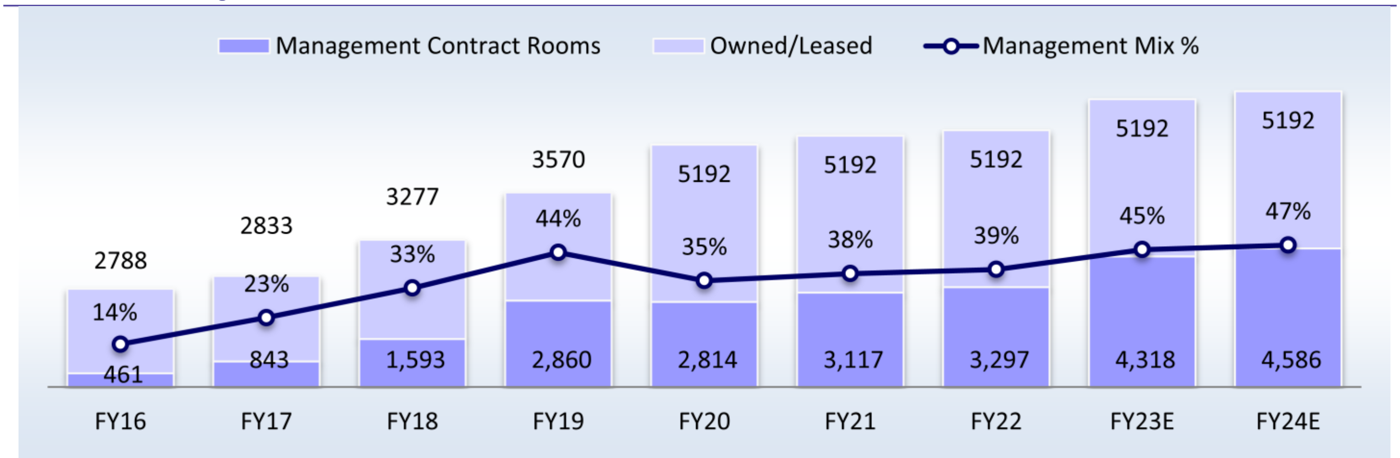
- ~86% of LEMONTRE rooms are located in the business destination which is witnessing strong recovery in occupancy led by revival in business travel, pickup in MICE activity, and an improvement in international travel.
- Stabilization of hotels launched prior to the outbreak of the pandemic in greater demand and higher ARR markets will drive growth. In FY21, LEMONTRE operated 13 Toddler Hotels with 1,914 rooms, which accounted for 37% of its total owned/leased room inventory.
- Leveraging its brand by adding rooms under the 'management contract' model. Based on its current pipeline of 1,632 managed rooms, the management expects to operate 4,586 managed rooms by the end of FY24, with mix expected to move up to 47% of total rooms by FY24 from 39% in FY22.

Research covered

Cos/Sector	Key Highlights
Lemon Tree	A new dawn led by a strong revival in travel and tourism
EcoScope	Is RBI really 'behind' the curve?
	RBI allows international trade settlement in INR
	Weekly Update: Monsoon season changes trajectory; rainfall in surplus now
One97 Communications	Healthy traction in GMV and disbursements continue
Metals Weekly	Light at the end of the tunnel? Removal of export duty on cards

Chart of the Day: Lemon Tree (A new dawn led by a strong revival in travel and tourism)

Rooms under management will increase manifold



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

Luxury vehicle sales in India grew in strong double-digits in first half of 2022

Sales of luxury vehicles in the local market grew in strong double-digits in the first half of the year, as well-heeled consumers continued to make purchases, despite inflationary pressures and long waiting periods. Industry estimates around 17,000 luxury vehicles were sold in the country...

2

Eureka Forbes names Pratik Pota as CEO & MD

Private equity firm Advent International-backed Eureka Forbes on Monday named Pratik Pota as its chief executive and managing director. Pota was previously chief executive of listed quick service chain Jubilant FoodWorks. A statement issued by Eureka Forbes said Pota will lead the management team to continue scaling the business, solidifying Eureka Forbes' market leadership position, and delivering innovative products for a growing customer base. He will join Eureka Forbes on August 16, 2022.

3

Coal India's capital expenditure increases 65 pc in April-June quarter

State-owned coal major Coal India NSE 1.87 % reported a 65 per cent growth in capital expenditure year-on-year during the April-June quarter of FY23 in a regulatory filing to the stock exchanges on Monday. The company's capital expenditure rose to Rs 3,034 crores during the April-June quarter, as compared to Rs1,841...

4

Murugappa Group to enter EV business, launch three-wheelers by Sept

The Murugappa Group will launch an electric three-wheeler brand called Montra by September and invest Rs 200 crore in the segment, said a senior executive on Monday. The electric vehicles (EV) business comes under TI Clean Mobility (TCM), a fully-owned subsidiary of Tube Investments of India (TII), the makers of bicycle brands like BSA ...

5

Paytm's lending business achieves ARR of over Rs 24,000 cr in June

Payments and financial services firm Paytm said that its lending and disbursements through its platform has touched an annualised run rate of over ₹24,000 crore in June. The number of loans disbursed through our platform grew 492 per cent y-o-y to 8.5 million loans in the quarter ending June 2022, while the value of loans disbursed grew 779 per cent y-o-y to Rs 5,554 crore ($703 million).

6

Byju's struggles to close $800-mn funding as investors balk amid tech rout

Indian online education provider Byju's is struggling to close a funding round of $800 million as a global technology rout weighs on valuations. Investors including Sumeru Ventures and little-known firm Oxshott haven't transferred about $250 million of the targeted amount because ...

7

June fuel consumption rises 17.9% YoY as demand hits pre-pandemic levels

India's fuel consumption in June rose by 17.9% from a year earlier, government data showed on Friday, as demand in the world's No.3 oil consumer headed back towards pre-pandemic levels. Global oil prices have surged in response to concerns about tight supplies ...

11 July 2022

Company Update | Sector: Hospitality

Lemon Tree

BSE SENSEX	S&P CNX
53,751	15,990

lemon tree HOTELS

Stock Info

Bloomberg	LEMONTRE IN
Equity Shares (m)	786
M.Cap.(INRb)/(USDb)	50.8 / 0.6
52-Week Range (INR)	71 / 36
1, 6, 12 Rel. Per (%)	1/42/45
12M Avg Val (INR M)	343
Free float (%)	76.1

Financials Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	4.0	8.1	9.2
EBITDA	1.3	3.8	4.5
Adj. PAT	(0.76)	0.71	0.88
EBITDA margin (%)	33.3	47.2	49.1
Cons. Adj. EPS (INR)	(1.0)	0.9	1.1
EPS Gr. (%)	118.6	184.6	18.6
BV/Sh. (INR)	10.6	11.5	12.7
Ratios			
Net D:E	2.0	1.9	1.8
RoE (%)	(8.7)	8.2	9.3
RoCE (%)	1.1	7.3	8.5
Payout (%)	-	-	-
Valuations			
P/E (x)	NA	72.8	58.6
EV/EBITDA (x)	54.9	19.6	16.7
Div. Yield (%)	-	-	-
FCF Yield (%)	1.3	1.7	3.3

CMP: INR66 TP: INR86 (+34%) Buy

A new dawn led by a strong revival in travel and tourism

LEMONTRE is well placed to capitalize on the impending opportunity in the domestic Hospitality industry and the expected upcycle, due to: a) its strong presence in the mid-priced Hotel segment, (b) stabilization of hotels launched prior to the outbreak of the COVID-19 pandemic in greater demand and higher ARR markets, and c) an increase in the number of rooms through management contracts.

Key risks to our call include: a) Another COVID wave can dampen business demand further and delay capex; b) Softening of room rates due to demand normalization; c) and return of cost to pre-COVID levels.

Pickup in Business travel to benefit LEMONTRE as it has underutilized its new Hotel

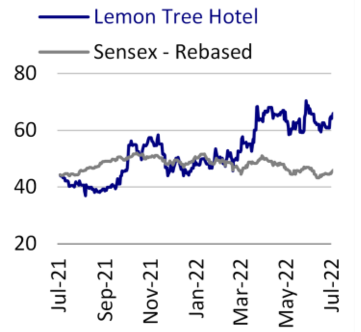
- With business travel picking up, LEMONTRE is in a sweet spot as ~86% of its rooms are located in the business destination. Prior to the COVID-19 pandemic (excluding Keys), the company had 71.5% occupancy (i.e. 3,100 rooms occupied per day in a portfolio of 4,300 owned rooms). Occupancy improved significantly in Apr'22, led by a recovery in business travel, pickup in MICE activity, and an improvement in international travel.
- In FY21, LEMONTRE operated 13 Toddler Hotels (operations commenced in the last one-to-three years) with 1,914 rooms, which accounted for 37% of its total owned/leased room inventory. These rooms were under the stabilization phase as the pandemic impacted their performance. Once normalcy is reached, stabilization will drive growth.
- Revenue contribution from three hotels, which commenced operations prior to the COVID-19 pandemic, are yet to be fully realized. These include: i) LTP Hotel in Mumbai with 303 rooms, ii) Aurika Hotel in Udaipur with 139 rooms, and iii) LTP Hotel in Kolkata with 142 rooms. Margin profile of Mumbai and Udaipur properties is estimated to be higher, resulting in margin expansion at the consolidated level.
- Keys, which operates in the Midscale segment, was acquired by LEMONTRE in 3QFY19 (pre-pandemic period) and was not able to operate at optimal capacity due to COVID-related lockdown restrictions. With the situation returning back to normal, Keys will see a recovery as most of its portfolio is in cities where IT demand is picking up.
- During the COVID-led lockdown, the industry slashed rates. Customers, who earlier visited Red Fox or Keys, upscaled to Lemon Tree Hotels. With conditions normalizing to pre-pandemic levels, the waterfall effect is expected to pass, with customers returning to their original consumption habits, thus improving the occupancy prospects of the Keys Hotel brand.

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	24.0	25.9	25.9
DII	12.2	13.5	15.3
FII	28.9	23.0	23.1
Others	35.0	37.6	35.7

FII Includes depository receipts

Stock's performance (one-year)



Incremental room addition to be under management contracts

- After establishing its presence and brand in the Mid-priced Hotel segment, LEMONTRE is now leveraging the same by adding rooms under the 'management contract' model. It has a strong pipeline of management contracts planned for the next few years across multiple brands. It has 24 signings lined up, with the mix leaning towards Lemon Tree Hotels (17 of 24 signings planned/~1,198 rooms) and major holiday destinations (19 of 24 signings planned/~1,120 rooms). Based on its current pipeline (as of 10th Jun'22), the management expects to operate 4,586 managed rooms by the end of FY24, with mix expected to move up to 47% of total rooms by FY24. When the current pipeline becomes operational by CY25, LEMONTRE will be operating ~10,600 rooms in 109 Hotels across 65 destinations.
- Management fee income has improved drastically, with three-year/two-year CAGR of 49%/67% at INR205m/INR174m in FY20/FY19. As the company changes focus to an asset-light model, the share of contribution is expected to increase in the future, pulling up margin.

Cost rationalization to aid in margin expansion

- LEMONTRE is focused on maintaining key costs – HLP (heat, light, and power), employee, and raw material cost – lower than pre-pandemic levels.
- The management aims to maintain HLP cost at INR10.5-10.7 per unit. v/s INR11.03 per unit in FY21. The company is looking to maintain its employee-to-room ratio at 0.6-0.7x (i.e. 25-37% lower than its FY20 ratio of 0.96x). Reduction in employee-to-room ratio is being undertaken without compromising on service quality.
- Newly launched higher yield Hotels and Upscale Hotels will drive margin. Increasing share of management fees will help improve its margin profile as it earns management fees at zero cost.

Fleur Hotels: A substantial part of the group

- LEMONTRE holds ~58.91% share in Fleur, with the balance held by the APG Strategic Real Estate Pool N.V. (APG) as of FY22.
- Fleur is a major subsidiary of the company, with a revenue/EBIDTA contribution of 70%/75% in FY21 v/s 40%/35% in FY18.
- It constitutes 40%/66% of LEMONTRE's total rooms/owned and leased as of FY22. LEMONTRE operates owned/leased rooms under Fleur, while management rooms are housed in another subsidiary: Carnations Hotels. Fleur has a total of 3,426 rooms (including Keys) across 17 Hotels in 12 cities.
- Under Fleur, LEMONTRE is building the largest Hotel (with 669 rooms) in Mumbai under the Upscale brand Aurika. The Hotel is expected to commence operations in CY23.

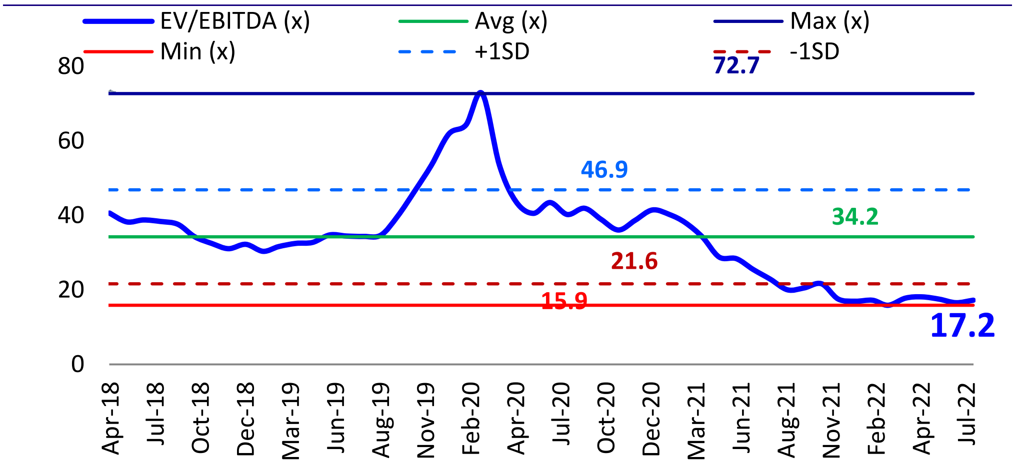
Revival story intact; maintain our Buy rating

- With improving traction in corporate travel, resumption in international travel, and an improvement in MICE activity, LEMONTRE is expected to witness strong growth as it garners ~86% of its business from Business Hotels.
- In FY21, LEMONTRE operated 13 Toddler Hotels with 1,914 rooms, which accounted for 37% of its owned/leased room inventory. The performance of

these rooms, which were in the stabilization phase, has been impacted by the COVID-19 pandemic. Once normalcy is reached, stabilization will drive growth.

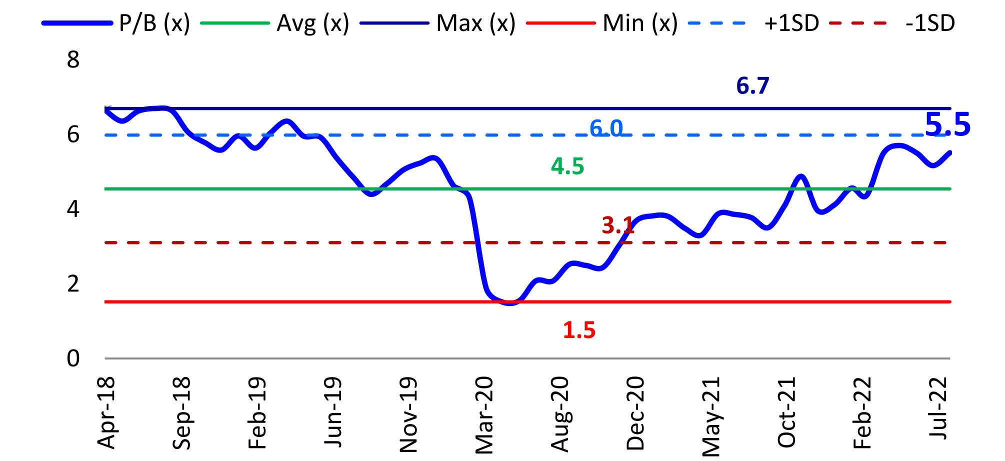
- LEMONTRE is well placed to capitalize on the impending opportunity in the domestic Hospitality industry and the expected upcycle, due to: a) its strong presence in the Mid-Priced Hotel segment, b) stabilization of hotels launched prior to the outbreak of the COVID-19 pandemic in greater demand and higher ARR markets, and c) an increase in the number of rooms through management contracts. We expect LEMONTRE to deliver a revenue/ EBITDA CAGR of 51%/84% to INR9.1b/INR4.5b over FY22-24E and RoE to improve to 9.3% by FY24.
- We have a Buy rating on the stock with a SoTP-based TP of INR86 (assigning an 18x one-year forward EV/EBITDA multiple to FY24E EBITDA).

One-year forward EV/EBIDTA ratio (x)



Source: Bloomberg, MOFSL

One-year forward P/B ratio (x)



Source: Bloomberg, MOFSL

Is RBI really 'behind' the curve?

A comparison with its Asian counterparts doesn't suggest so

- **In contrast to the general perception, we believe the Reserve Bank of India (RBI) has been unduly aggressive in its monetary policy normalization. As India's economic fundamentals are very different from that of the US and other major nations that have hiked interest rates sharply, a gradual approach would have been more suited.**
- **Although there is some agreement with this reasoning, many market participants defends the RBI's actions in the context of financial markets. Without such sharp rate hikes, the argument goes, the spread between India and the US bond yields would have narrowed further, leading to faster outflows from India, creating further depreciation in the Indian rupee (INR).**
- **A comparison of India with other major Asian emerging market economies (EMEs) confirms that RBI is the most aggressive and many of its counterparts are yet to begin their rate hiking cycle (although economic fundamentals are similar in many EMEs). Notwithstanding the divergent rate actions, the movements in bond yields and local currencies are not significantly different in these EMEs in 1HCY22.**
- **This analysis, thus, makes us wonder if the ongoing aggressive rate hikes in India have actually helped the economy or stabilized the financial markets more. If not, it is possible that while domestic financial markets will follow the movements in global markets, quick rate hikes may hurt the already feeble growth in the near future.**
- **In any case, we argue that RBI is not behind the curve. Instead, a comparison with other Asian EMEs suggests that it may be running ahead of the curve. We continue to believe that the terminal repo rate should be ~5.5% in this rate hike episode (from 4.9% at present). We also recommend that RBI raise the repo rate by 25bp in its next monetary policy.**

Dr. Mridul Saggar, the retired Executive Director of the RBI and who was a part of the Monetary Policy Committee (MPC) up to Apr'22, stated in a recent **interview:** *"In hindsight, it can be argued that maybe we should have started normalising the corridor in December 2021, changed the stance in February and started hiking in April"*. Dr. Saggar is not alone. There is almost unanimity among participants that the RBI was late in normalizing its monetary policy. This delay is believed to explain the aggressive rate hikes implemented by the RBI in the past three months.

The question, asked in the title of the article, thus, may come as a surprise to many readers. However, a comparison of major EMEs confirms a remarkable similarity in their financial market movements during the past six months, notwithstanding the very divergent monetary policy actions by their respective central banks. Moreover, the economic fundamentals of some of these EMEs are similar to that of India (IN), raising questions over the divergence in monetary policies. Is this the case of IN leading or others lagging? Both will have serious consequences.

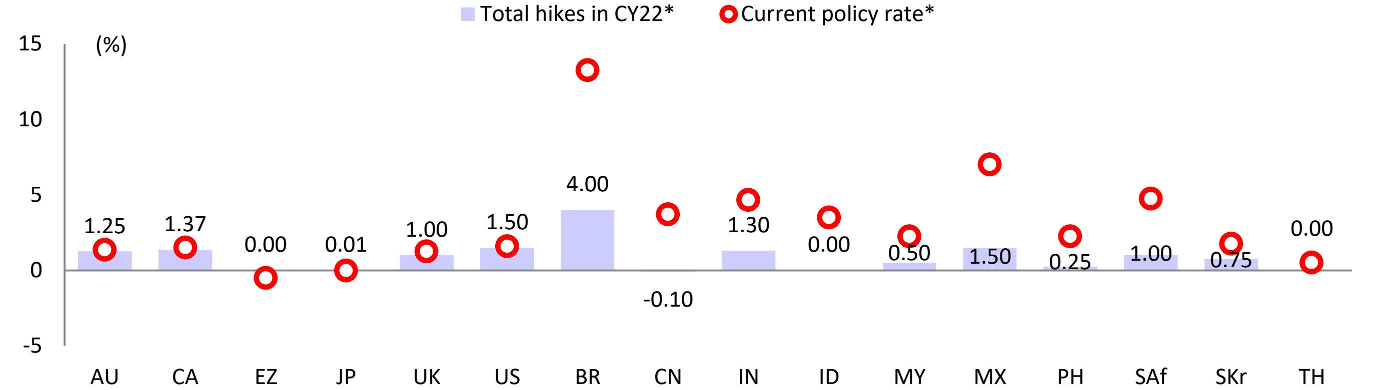
RBI: The fast and the furious

Rate hikes in IN during the past three months is the highest and the fastest among Asian EMEs

A comparison of 10 EMEs (that together account for 70% of all EMEs) reveals that the cumulative hikes of 130bp in the effective policy rate (i.e. the standing deposit facility rate and the repo rate hike of 90bp) by the RBI in the past three months are among the highest and the fastest *(refer Exhibit 1)*. Some major Asian EMEs such as Indonesia (ID), and Thailand (TH) have either not yet begun raising rates, while few such as Malaysia (MY) and the Philippines (PH) lifted it by 25-50bp. China (CN), on the other hand, reduced its policy rate by 10bp in Jan'22. South Korea (SKr)/South

Africa (SAf) implemented their first rate hike in Aug'21/Nov'21, but the cumulative rate hikes till now have been 125bp each – lower than that in IN. Not only have major Latin American EMEs – Brazil (BR)/Mexico (MX) – been more aggressive (hiked by 400bp/200bp in 1HCY22), they have also started their rate hikes much earlier in Mar'21/Jun'21.

IN has seen rapid rate hikes compared to other Asian EMEs in CY22*

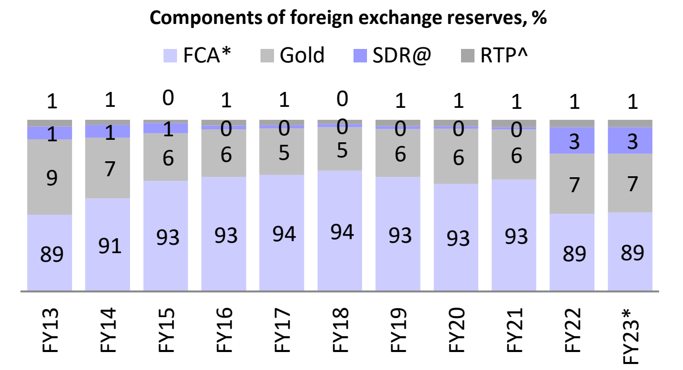


*As of 8th Jul'22 Source: CEIC, various national sources, MOFSL

RBI allows international trade settlement in INR

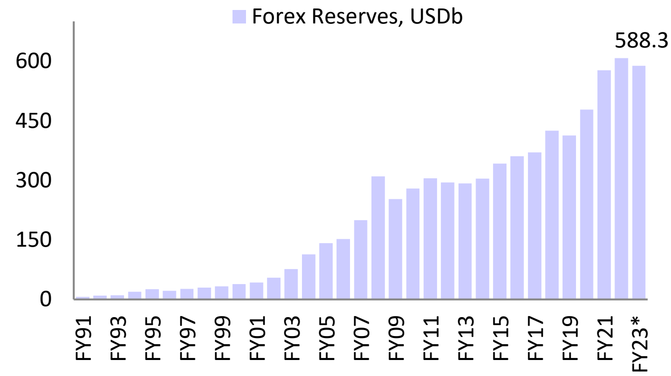
- **In another move aimed at supporting the currency, the RBI allowed international trade settlement in INR on 11th Jul'22. *"In order to promote growth of global trade with emphasis on exports from India and to support the increasing interest of the global trading community in INR, it has been decided to put in place an additional arrangement for invoicing, payment, and settlement of exports and imports in INR,"* the press release issued by the RBI stated.**
- **This essentially implies that RBI is aiming to de-dollarize global trade and the Indian economy. While this seems like a welcome initiative, we believe that it is a long drawn process and is likely to play out fully over decades.**
- **Implementation of this process will require extensive deliberations with trading partners. The success of this measure will depend on how many of them are willing to trade in the INR. There is a possibility that if India asks for its import settlement in INR, the trading partner may ask for its import settlement in its local currency, which indicates that RBI, along with other central banks, will have to hold their foreign exchange reserves in many currencies. If so, it could further increase volatility and fluctuations in the currency market.**
- **Foreign exchange reserves held with the RBI comprise of four components – foreign currency assets (FCA), gold, Special Drawing Rights (SDR), and reserve tranche position (RTP) with the International Monetary Fund (IMF). On an average, ~93% of total foreign exchange reserves constitute FCA. The latter is maintained with the RBI as a multi-currency portfolio comprising major currencies (such as the US dollar, Euro, Pound sterling, and the Japanese yen), and is valued in USD terms.**
- **This move can also help reduce the effectiveness of US sanctions recently imposed on Russia on account of its invasion of Ukraine, or sanctions imposed even otherwise.**
- **If the INR has to play an international role, it needs to be more freely determined. This begs the questions: Will India have lesser capital controls in the future? Only time will tell.**
-

Around 93% of RBI's foreign exchange reserves comprise of FCA



*Foreign currency assets; @special drawing rights; ^reserve tranche position with the IMF

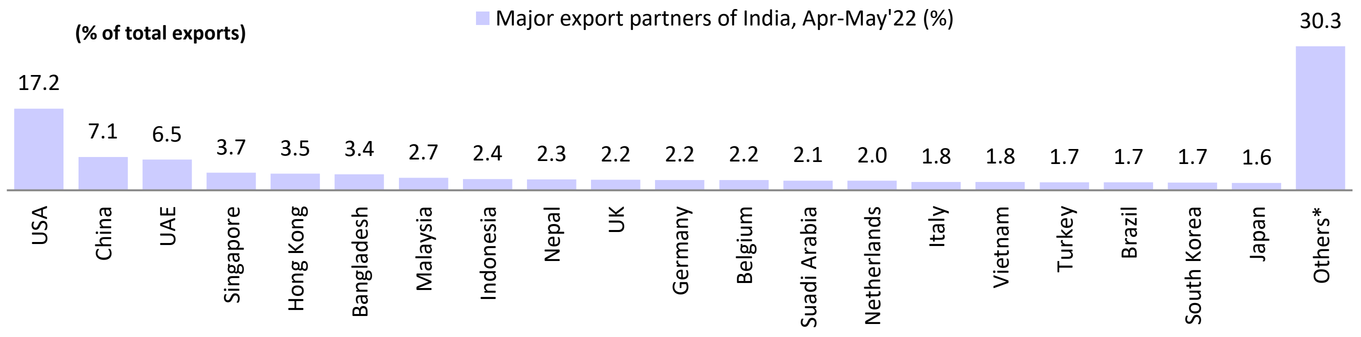
Total reserves as of 1st Jul'22 stood at USD588.3b, slightly lesser than USD607.3b as at the end of FY22



*As of 1st Jul'22

Source: RBI, CEIC, MOFSL

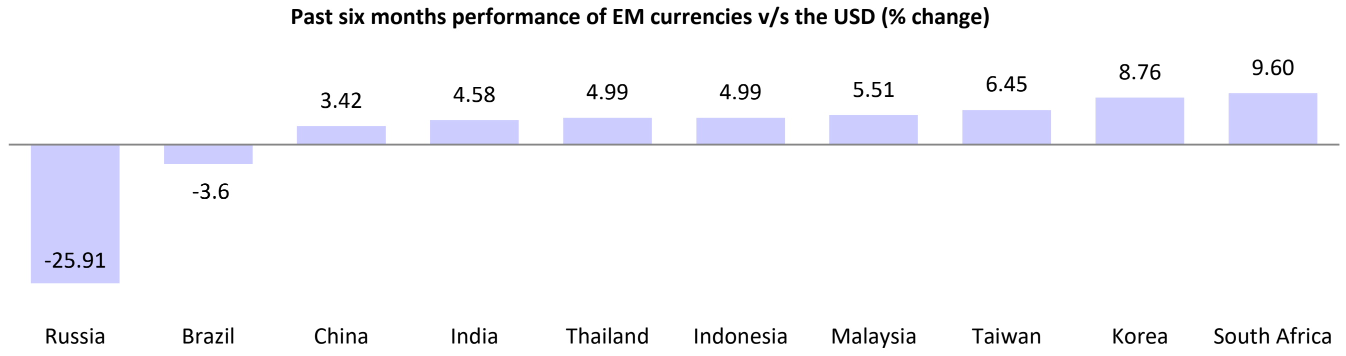
USA and China together accounted for about a quarter of India's total exports during Apr-May'22



*Remaining 202 countries as per EXIM database

Source: Ministry of Commerce and Industry, MOFSL

INR has depreciated 4.6% against the USD in the past six months, still better than most other EM currencies



Negative implies appreciation, positive implies depreciation; data as of 4th Jul'22

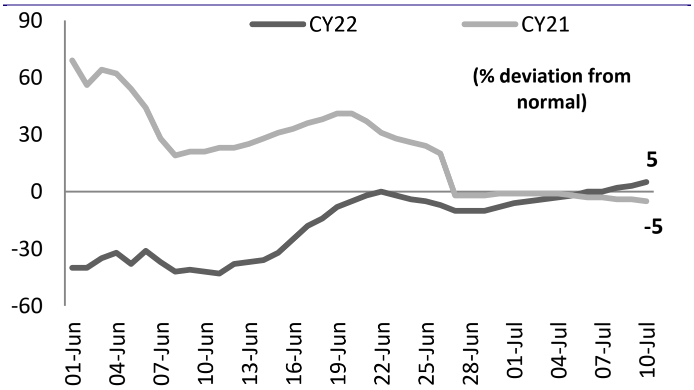
Source: CEIC, MOFSL

Weekly Update: Monsoon season changes trajectory; rainfall in surplus now

Southwest monsoon at a 5% surplus as of 10th Jul'22

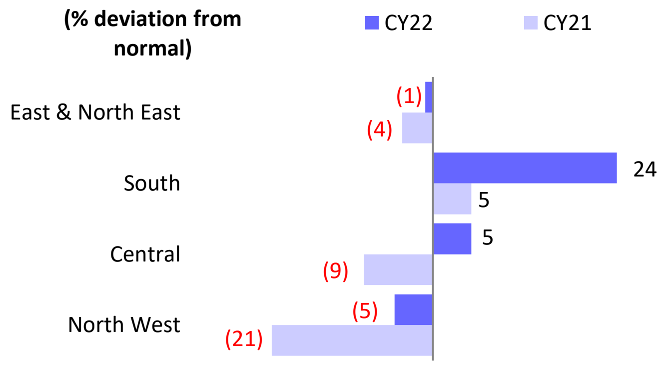
- India's southern and central region witnessed heavy rainfall last week. From a deficit of 8% (v/s normal) and 23% as of 3rd Jul'22, it is now at a surplus of +24% and +5% respectively. Consequently, all-India cumulative rainfall as of 10th Jul'22 stood at a surplus of +5% compared to a deficit of 4% as of 3rd Jul'22. The deficit in the southwest monsoon in the northwest region stood at 5% as of 10th Jul'22 and that in the northeast reported a deficit of 1% (first deficit in a month) (refer *Exhibits 1, 2, and 3)*.
- As of 10th Jul'22, Kharif sowing was 9.3% lower than the area sown last year as compared to a 5% deficit (v/s last year) seen as of 1st Jul'22 *(refer Exhibit 4)*.
- As expected, rainfall in Jul'22 is turning out to be better compared to Jun'22. Incrementally, better rainfall bodes well for food prices in India, and it also helps in dissuading inflationary fears. Month-wise rainfall received between CY02-21 shows that on an average, June receives only 19% of the season's rainfall. July receives almost one-third, followed by August at 29%. In CY21, while June received 21% of the rainfall, July received 30%, followed by August at 22% *(refer Exhibit 5)*.

All India rainfall stood at a surplus of 5% as of 10th Jul'22



The southwest monsoon season beginning June

Rainfall is still deficient in central and northwest regions, but has improved in the southern region



Data as of 10th July for both years

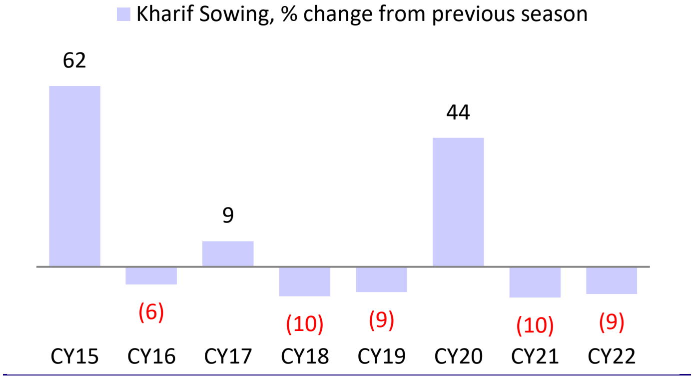
Source: IMD, CEIC, MOFSL

Exhibit 3: Rainfall in central and south peninsula turned a surplus as of 10th Jul'22

% deviation from normal	01-Jun	08-Jun	12-Jun	19-Jun	22-Jun	26-Jun	03-July	10th July
All India	**-40**	**-42**	**-38**	**-8**	**0**	**-7**	**-4**	**+5**
Northwest	-79	-94	-85	-33	+9	-10	**0**	-5
Central	-69	-88	-69	-48	-34	-30	-23	+5
South Peninsula	+18	-26	-41	-22	-14	-14	-8	+24
East and Northeast	-45	-7	+1	+48	+38	+21	+16	-1

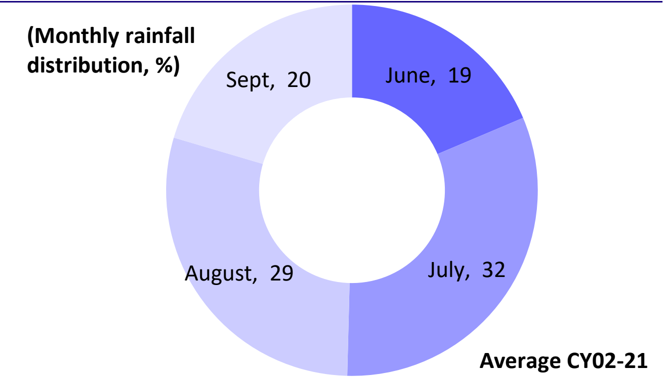
Source: CEIC, MOFSL

Acreage under Kharif crop sowing is 9.3% lesser than last year levels as of 10th Jul'22



Data as of 10th July for all years

Historical average shows July receives the maximum amount of rainfall in one season

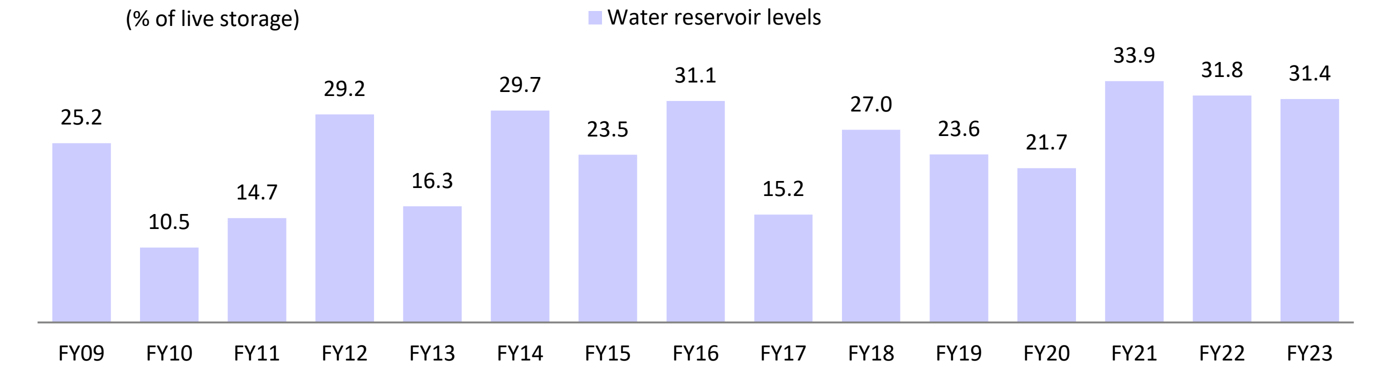


Source: IMD, MOFSL

Water reservoir levels as of 7th Jul'22 similar to FY22 levels

- Water reservoir levels as of 7th Jul'22 stood at 31.4% of live storage capacity, similar to levels seen in FY22, but lower than that in FY21 (34%). Compared to historical standards, barring the preceding two fiscals (FY21-22), reservoir levels of over 31% are high (refer *Exhibit 6)*.

Water reservoir level as of 7th Jul'22 is similar to levels seen in FY22



Around 7th July for all years

Source: CEIC, MOFSL

One97 Communications

BSE	S&P CNX
53,751	15,990

Financials & valuations (INR b)

Y/E March	FY20	FY21	FY22
Core revenue	30.3	28.0	49.6
OPEX	59.2	45.7	73.1
Adj. EBITDA	(24.7)	(16.5)	(15.2)
Net profit	(29.4)	(17.0)	(24.0)
Adj. EBITDA margin (%)	(75.2)	(59.0)	(30.5)
Contribution margin (%)	(7.2)	12.9	30.1
GMV	3,032	4,033	8,516
MTU (m)	41.2	50.4	70.9

CMP: INR709 — Not Rated

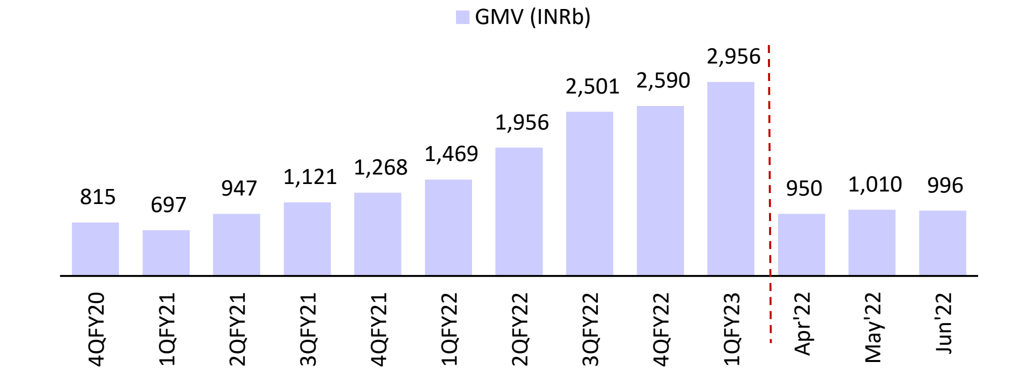
Healthy traction in GMV and disbursements continue

Average ticket size increases due to scale-up in Personal loans

PAYTM released its monthly update for Jun'22 highlighting the key business numbers. The key takeaways are as follows:

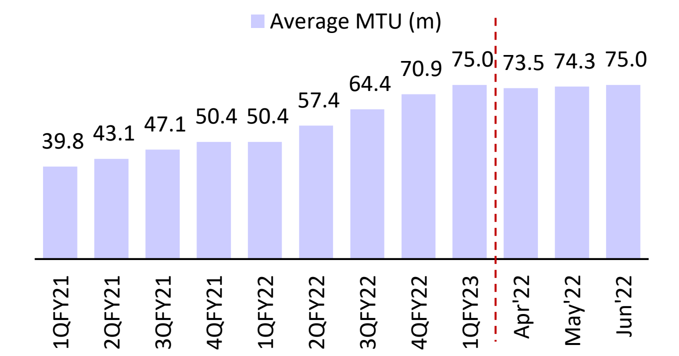
- Total gross merchandise value (GMV) continued to remain strong as it clocked a robust growth (+101% YoY) at INR2.96t in 1QFY23 (+96% in Jun'22). Sequential growth remains encouraging, supported by an improvement in its omnichannel presence.
- Average monthly transacting users (MTU) grew 49% YoY to ~75m in 1QFY23 (v/s 70.9m in 4QFY22) as the super app provides a comprehensive payment choice to its customers.
- Total devices deployed rose to 3.8m in 1QFY23 from 0.9m/2.9m in 1QFY22/4QFY22. The current monthly deployment run-rate is ~0.3m and led to a rise in the number of eligible merchants for loans.
- The total number of loans disbursed grew 492% YoY to ~8.5m in 1QFY23 (v/s 1.4m in 1QFY22). Total value of loans disbursed grew 779% YoY to INR55.5b in 1QFY23 (from INR6.3b in 1QFY22). The lending business is now seeing disbursements at an annualized run-rate of ~INR240b. Average ticket size is witnessing a continuous increase due to a scale-up in Personal loans.

Total GMV grew 101% YoY to INR2.96t in 1QFY23



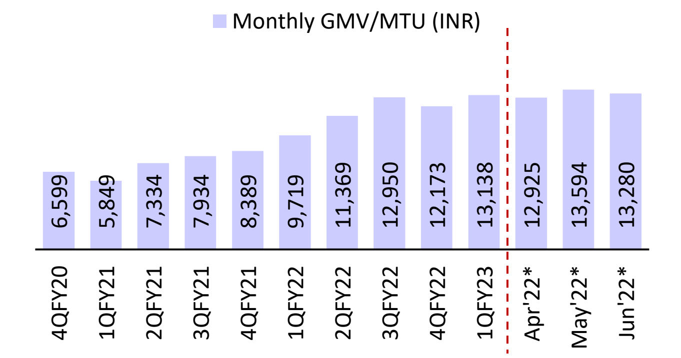
Source: MOFSL, Company

Average MTU increases by 49% YoY to ~75m



Source: MOFSL, Company

Monthly GMV/MTU remains ~INR13.1k in 1QFY23

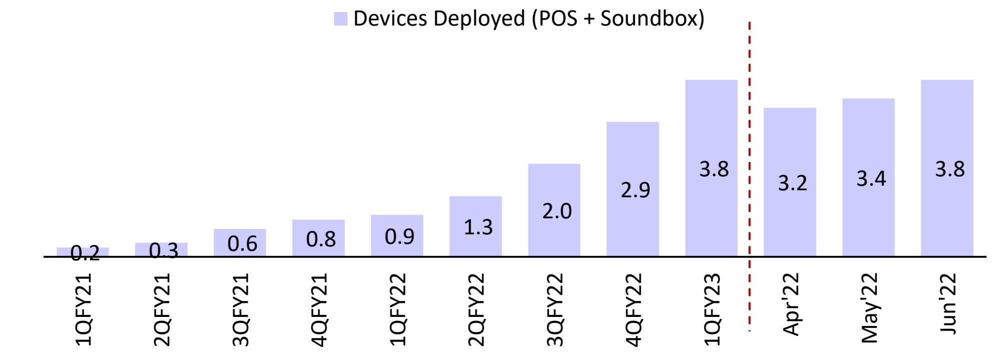


*Calculated

Source: MOFSL, Company

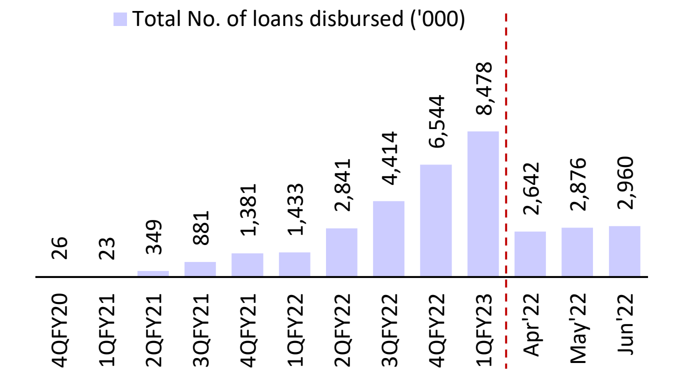
PAYTM has been adding devices at an average monthly deployment rate of ~0.3m

Devices deployed rose to 3.8m as of Jun'22



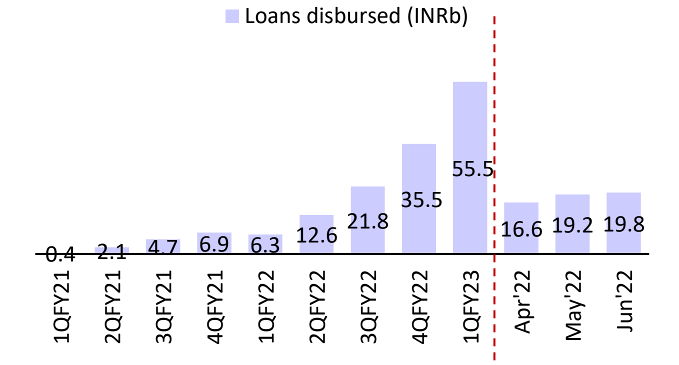
Source: MOFSL, Company

The number of loans disbursed grew 5.9x YoY to 8.5m over 1QFY23



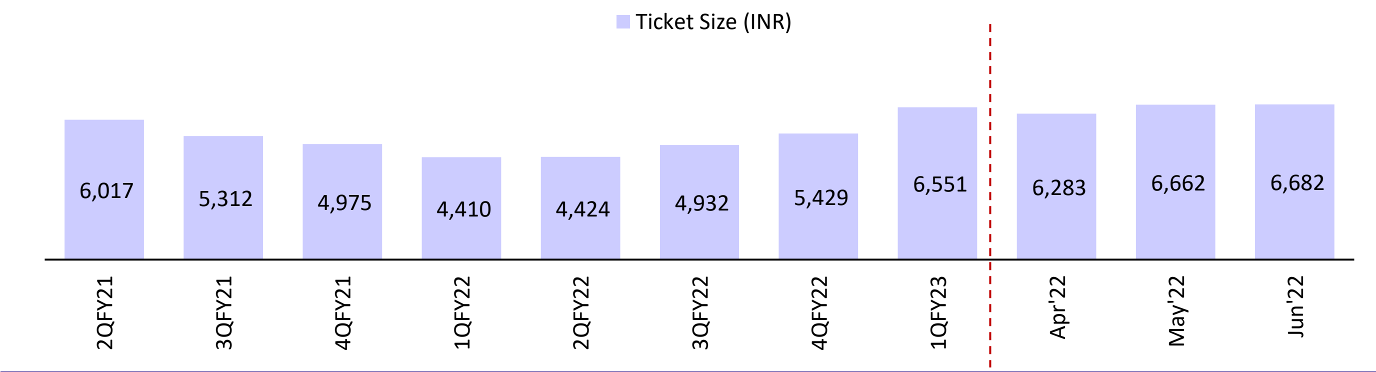
Source: MOFSL, Company

Value of loans grew 8.8x YoY to INR55.5b in 1QFY23; traction remains healthy MoM



Source: MOFSL, Company

Average ticket size (at INR6.7k in Jun'22) on an uptrend due to scale-up in the Personal loan segment



Source: MOFSL, Company

Indian companies' valuations

	Price	EV/ EBITDA (x)		P/B (x)	
	(INR)	FY23E	FY24E	FY23E	FY24E
Steel					
Tata	913	4.5	4.0	0.9	0.8
JSW	577	6.4	5.6	1.8	1.6
JSP	351	4.3	3.0	0.9	0.8
SAIL	73	4.5	2.2	0.5	0.5
Non-ferrous					
Vedanta	229	4.5	4.4	1.3	1.3
Hindalco	356	4.8	4.5	1.3	1.1
Nalco	74	4.5	2.9	1.0	0.9
Mining					
Coal	193	3.4	4.3	2.2	1.9
HZL	271	5.6	5.4	3.5	3.7
NMDC	109	5.3	4.5	0.9	0.8

Global companies' valuations

Company	M-cap	EV/EBITDA (x)		P/B (x)
	USD b	CY22/ FY23	CY23/ FY24	CY22/ FY23
Steel				
AM	19	2.1	2.4	0.3
SSAB	4	2.4	2.7	0.5
Nucor	29	5.3	5.4	1.2
POSCO	15	2.4	2.3	0.3
JFE	7	5.8	6.1	0.4
Aluminum				
Norsk Hydro	11	3.3	3.2	1.1
Alcoa	8	2.5	2.4	1.1
Zinc				
Teck	15	2.2	2.1	0.6
Korea Zinc	7	4.8	4.6	1.0
Iron ore				
Vale	71	3.3	3.7	1.5
FMG	35	4.0	4.8	1.9
Diversified				
BHP	130	3.9	4.7	2.6
Rio	95	3.9	4.3	1.6

Light at the end of the tunnel? Removal of export duty on cards

- Various media reports (link1 , link2) suggest that the govt may reconsider its stance on export duty on steel, iron ore, and pellets. This resulted in a 1-3% rally in steel companies on 11th Jul'22. In the last one week, the BSE Metal index has risen by 5.4%.
- Domestic HRC prices continue to trade at a discount of ~INR1,600/t to landed imports from FTA countries, while the premium to exports stood ~INR8,600/t
- Coking coal prices have corrected by 14% in the last one week and by 60% from its peak of USD704/t on 15th Mar'22, indicating normalization of margins for steel companies in 3QFY23.
- As per media reports (link1, link2) China is planning a stimulus of USD220b (RMB1.5t) to jump start its slowing economy by preponing bond sales due in Jan'23. This should help improve the sentiment for commodities.

Commodities/forex tracker

		UoM	Spot	WoW (%)	MoM (%)
Steel	India HRC (ex-Mum)	INR/t	59,800	-1	-6
	India TMT Prime (ex-Mum)	INR/t	58,800	0	-5
	India TMT Secondary (ex-Mum)	INR/t	55,700	2	2
	Korea HRC - FoB	USD/t	715	-2	-15
	Dom. HRC (Prem/(Disc) vs FTA	INR/t	-755	629 INR	4,414 INR
	China HRC Dom.	USD/t	657	0	-10
	China HRC - FoB	USD/t	660	-2	-15
Coking coal	India Prem HCC CNF	USD/t	282	-14	-36
	India 64 Mid Vols CNF	USD/t	248	-16	-39
	India Low Vols PCI CNF	USD/t	267	-12	-39
Metalics	Iron Ore Fines (Odisha Index) Fe 62%	INR/t	3,500	9	-3
	Iron Ore Fines (China - CNF) Fe 62%	USD/t	115	-4	-22
	Europe Scrap HMS 1&2(80:20)	USD/t	465	9	2
	C-DRI (ex-Raipur)	INR/t	35,400	4	11
Thermal Coal	RB1 (6000 NAR) SA FoB	USD/t	367	1	10
	RB2 (5500 NAR), SA FoB	USD/t	264	17	-1
	Indonesia (4200 GAR) Futures	USD/t	84	-1	-5
Non-Ferrous	Copper	USD/t	7,790	-2	-19
	Aluminum	USD/t	2,400	1	-12
	Zinc	USD/t	3,151	1	-16
	Lead	USD/t	1,948	2	-10
	Nickel	USD/t	21,512	-1	-27
	Alumina	USD/t	348	-3	-1
	Ali UBC Scrap	USD/t	1,698	0	-10
	Ali UBC Scrap Spread	USD/t	702	2	-14
Bullion	Gold	USD/Oz	1,744	-3	-6
	Silver	"	19.3	-2	-13
FX	INR:USD	x	79.3	0	2
	USD:EUR	"	1.02	-2	-5
	USD:GBP	"	1.20	-1	-4
	CNY:USD	"	6.69	0	0
	JPY:USD	"	136	1	3

TCS: Don’t see any immediate cause of concern for growth; levers are available to get back to the margin of 25%; Rajesh Gopinathan (MD & CEO) & N Ganapathy Subramaniam (COO & ED)

- Remained focused on large enterprise clients
- Deal-win ratio is healthy from a long-term perspective
- North America amongst geographies and BFSI amongst segment are doing well
- Compared to the industry average, deal wins are healthy
- Hired closed to 1 lakh people in FY22, which is on the higher side
- Invested heavily in hiring, net addition at 14,000 in Q1FY23
- Q1 margins lower than normalised levels due to salary hikes
- Levers are available to get back to the margin of 25%
- Increments across the board and supply side challenges are two well-known headwinds
- Met 30-40 CXOs across verticals in the last quarter who have reaffirmed tech transformation is crucial
- Tech is a low beta sector, but not zero beta sector in times of recession
- Don’t see any immediate cause of concern for growth
- Demand environment and our capabilities are strong
- Clients have said that there is no going back on cloud spends

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Motherson Sumi: H2FY23 will be better as RM prices are expected to cool down further; Vivek Chaand Sehgal, Chairman

- Seeing robust demand globally
- Chip shortage situation is easing now
- H2FY23 will be better as RM prices are expected to cool down further
- Looking to take more price hikes in coming months

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MapmyIndia: Next generation vehicles are exciting opportunities; Rohan Verma, CEO & ED

- Next generation vehicles are exciting opportunities
- Next generation cars will require more of our mapping technology
- See production ramping up with chip shortage easing
- In SaaS marginal cost of incremental sales is low
- Innovating to create more use cases for products
- Barely any competitors, as norm restrict foreign players

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