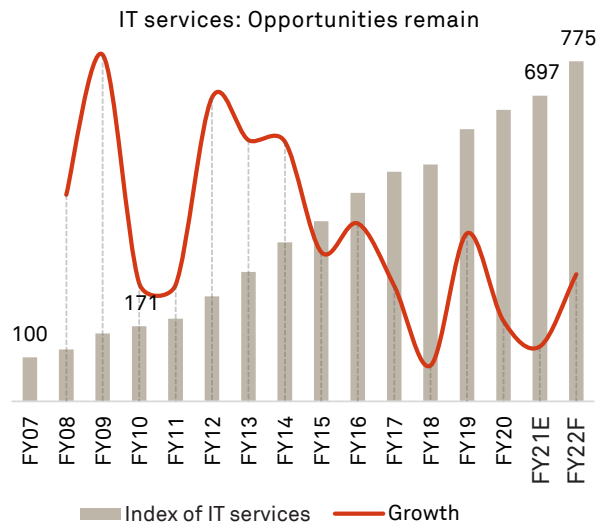
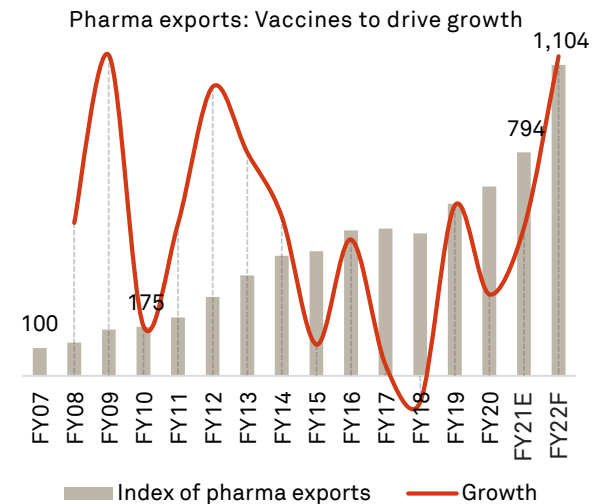


Exports propelled by resilient segments

Exports-driven pharmaceuticals and IT services to reach all-time high next fiscal



Share of digital rises to 42% for Tier I companies from 37% a year ago



Vaccines to comprise 25-30% of exports next fiscal, compared with 5% in fiscals 2020 and 2021

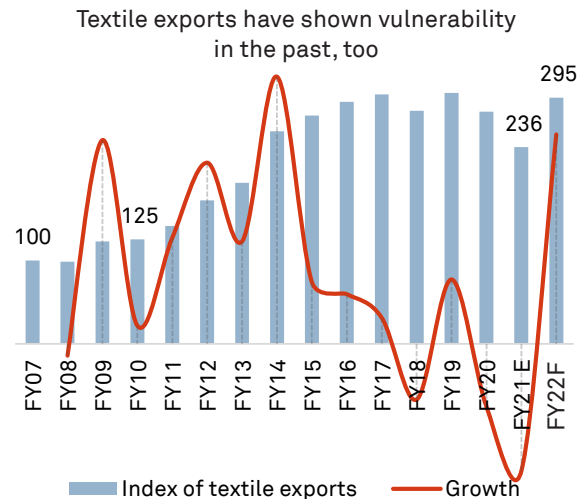
Source: Company, Ministry of Commerce, CRISIL Research

Exports in consumption segments likely to lag

Consumption segments, which have been impacted for a while, are structurally weak so it'll be tough to gain global market share

FY10: 4.1%

FY20: 4.5%



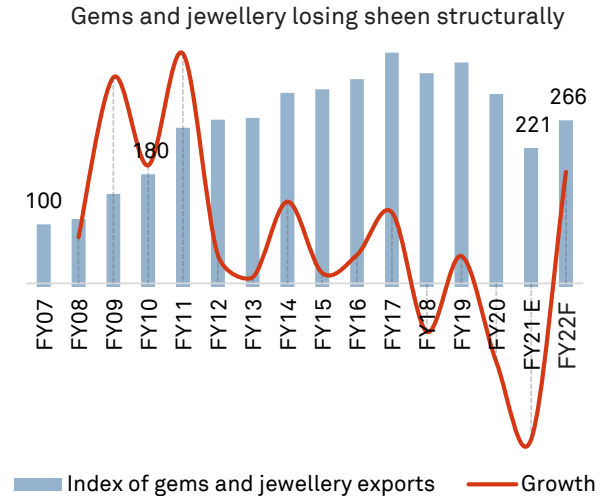
Expiry of the Merchandise Exports from India Scheme and weak pricing power indicate need for incentives

■ Represent share in global trade for that particular year

Source: Ministry of Commerce, CRISIL Research

FY10: 10%

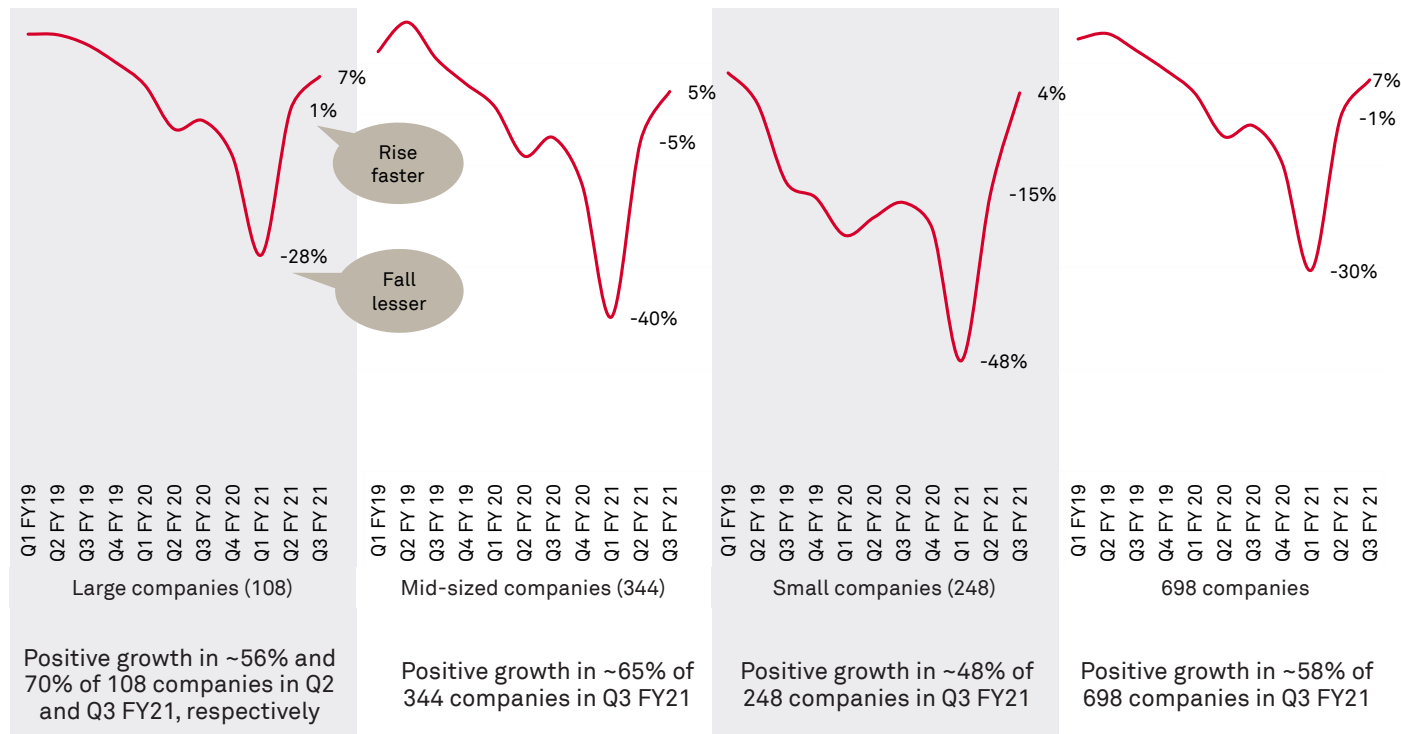
FY20: 6%



Global recovery may be staggered, so the road ahead will be challenging

Large companies have been more resilient...

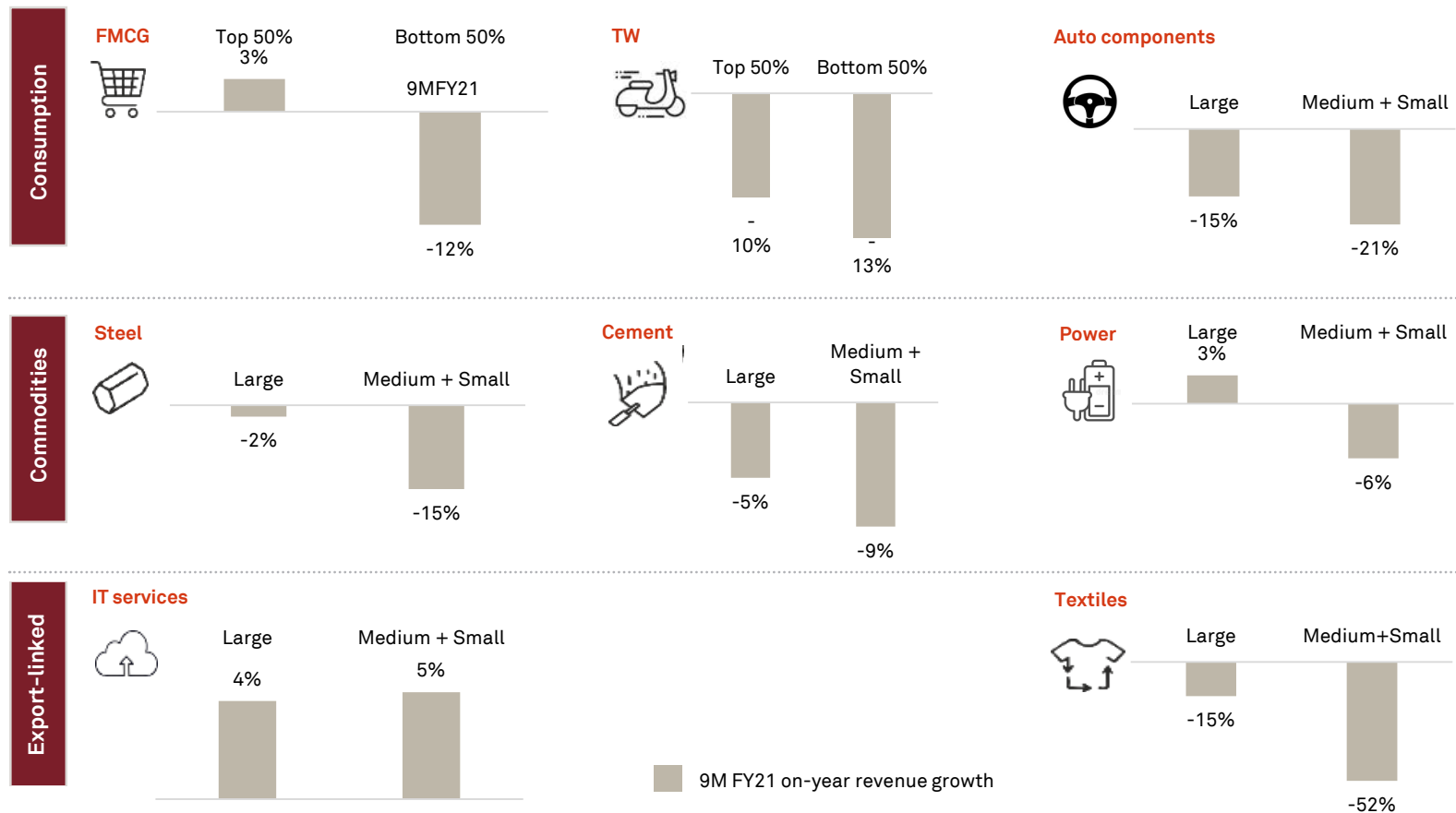
Trend in quarterly revenue of ~700 key listed players, by size



Note: Large players are defined as those with annual revenue of Rs 5,000 crore, mid-sized are those between Rs 500- 5,000 crore, and small are those with revenue below Rs 500 crore, as on fiscal 2020

Source: CRISIL Research

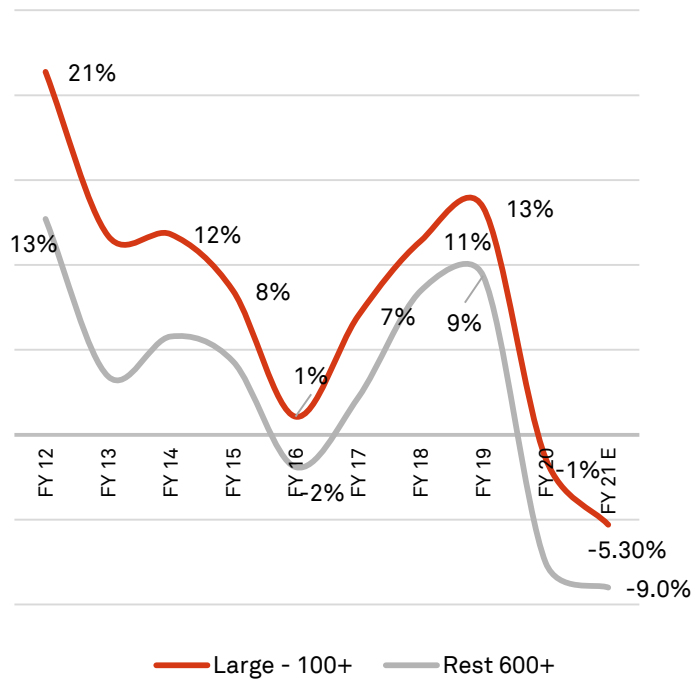
...and the resilience continues across sectors



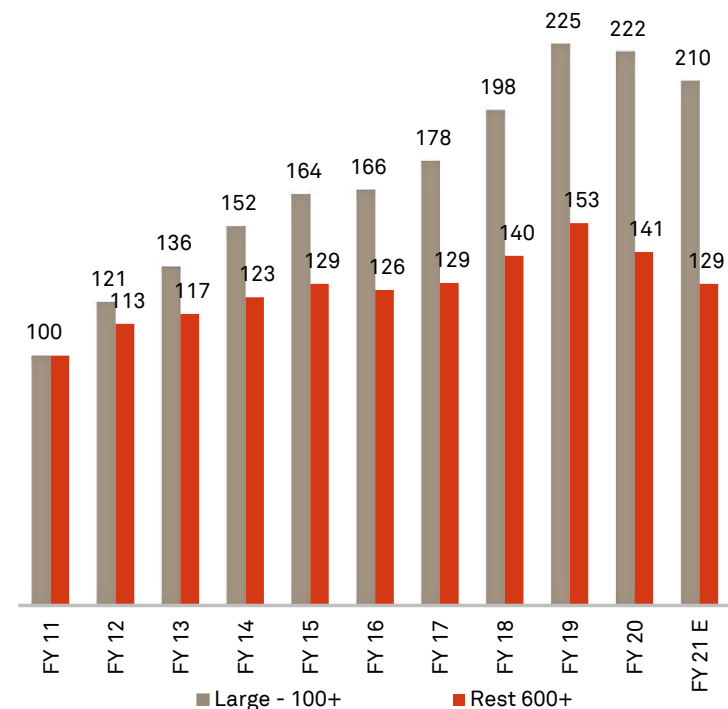
Note: For sectors like auto-components and textiles, companies with FY20 revenue greater than Rs 500 crore have been classified as large. Tier-I IT companies, too, are classified as large, while for other sectors, companies have been classified as large on the basis of their capacity.
Source: CRISIL Research

Small companies have seen a decade of underperformance

Large companies have consistently outperformed smaller ones, though the extent of outperformance has reduced after the advent of GST...



...consequently, large companies have increased their share of the overall revenue



Note: Large players are defined as those with annual revenue of Rs 5,000 crore, as on fiscal 2020
Source: CRISIL Research

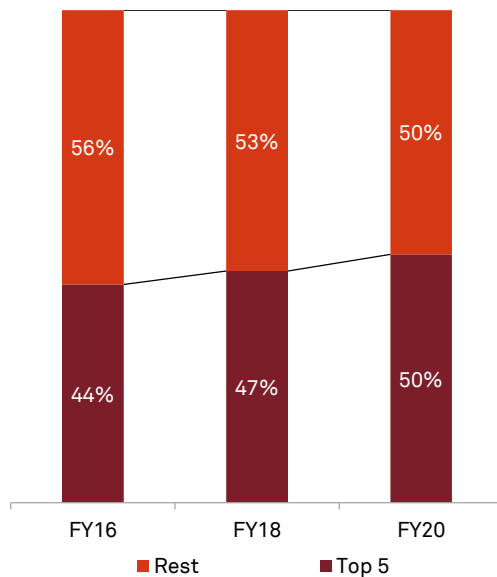
Large companies

have gained share
in key sectors over
the past decade



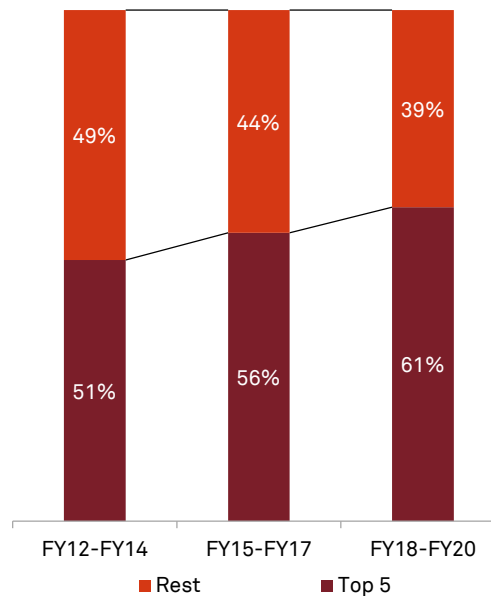
Cement

Industry has undergone consolidation over the past three years



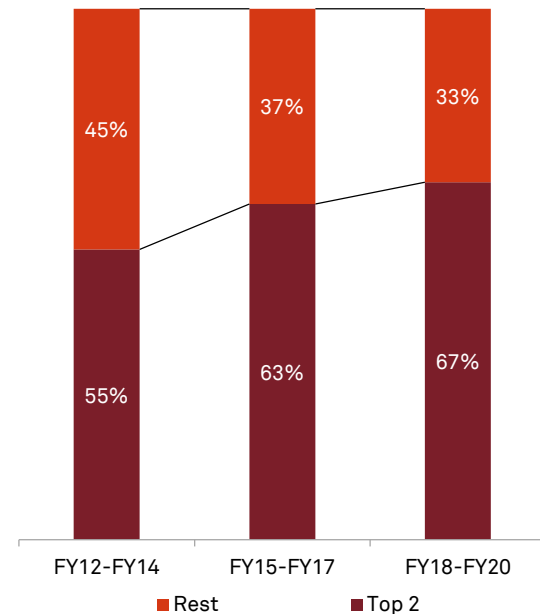
Steel

Pace of consolidation has accelerated post recent liquidation of a few smaller players



PVs

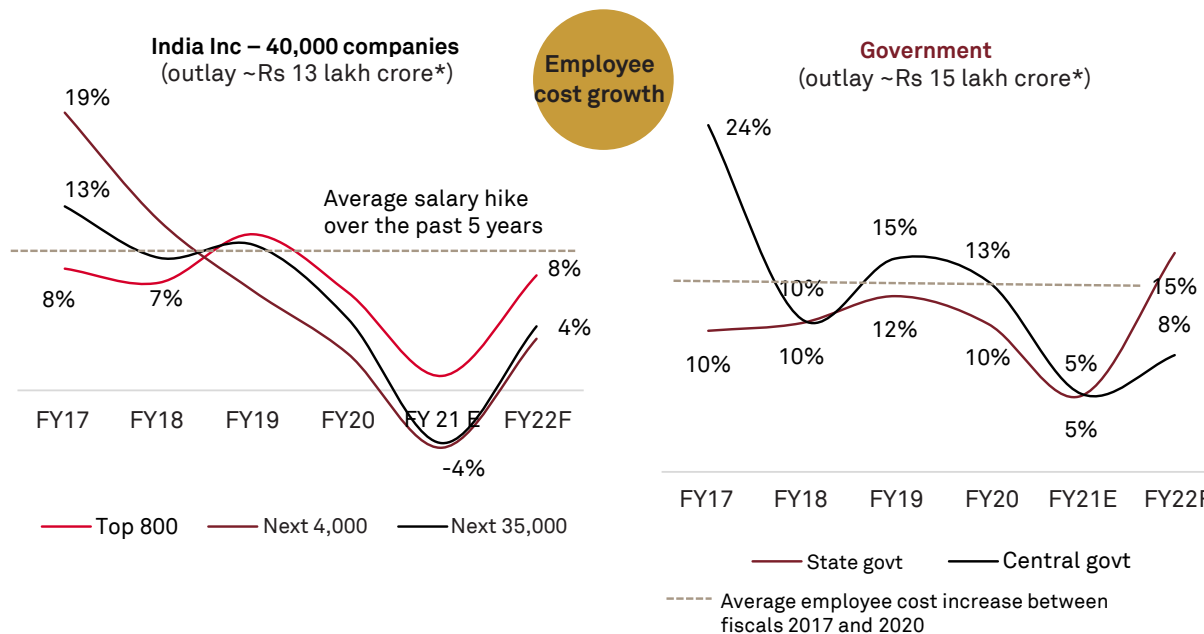
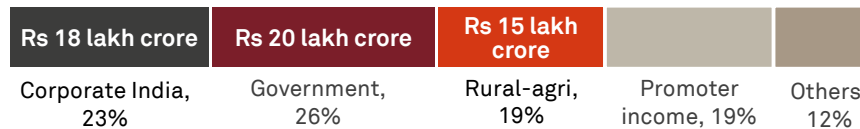
Top two players now cater to two-thirds of domestic demand



Note: Market shares of steel, cement and PV sectors are in volume terms
Source: CRISIL Research

~Half of income earners may return to 2017-2019 growth levels

KLEMS report – share of segments in total income of Rs 78 lakh crore#



Top 100 companies comprise 22% of corporate India's employee cost

States account for ~70% of all government expenditure, while the Centre and defence contribute the rest

Average salary hikes across years is more than the rise in employee cost, implying a reduction in the number of employees

Notes:

Revenue estimates for the top 700 companies are for the first 9 months of this fiscal; for fiscal 2020, data is for 5,000 companies; government estimates for this fiscal are based on revenue disclosed for 9-10 months, and for the next fiscal, they are based on budget estimates of the top 6 states and the Centre

refers to fiscal 2018 and * to fiscal 2020

Source: CRISIL Research

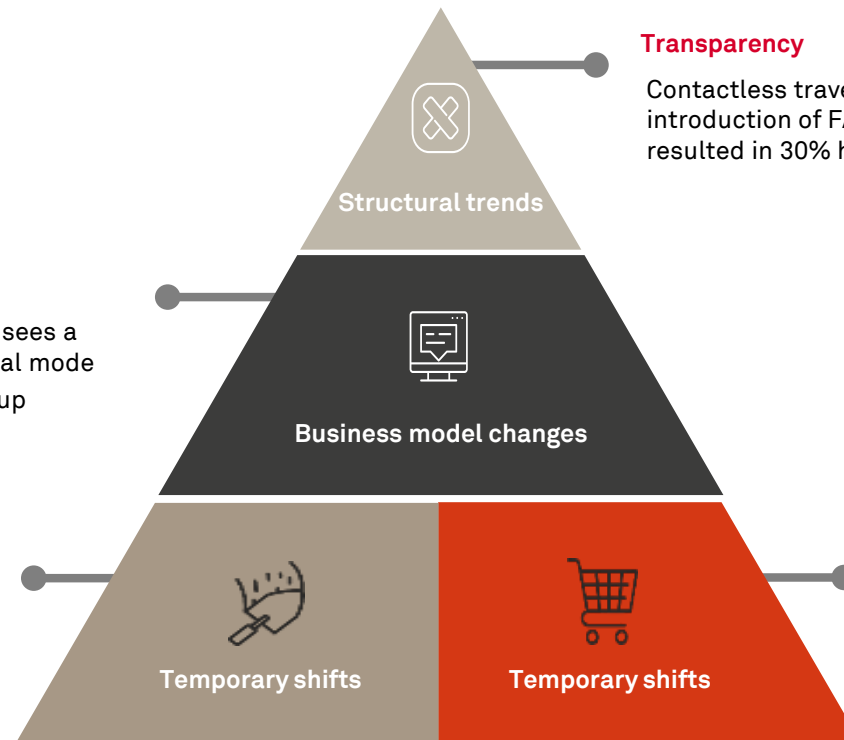
New trends in the new normal

E-commerce-based business models

- The media industry sees a big shift to the digital mode
- E-commerce picks up across categories

Modal shifts

Cement makers have benefited from high rail rake availability



Transparency

Contactless travel necessitated introduction of FASTag, which has resulted in 30% higher toll revenue

Re-negotiation of fixed cost

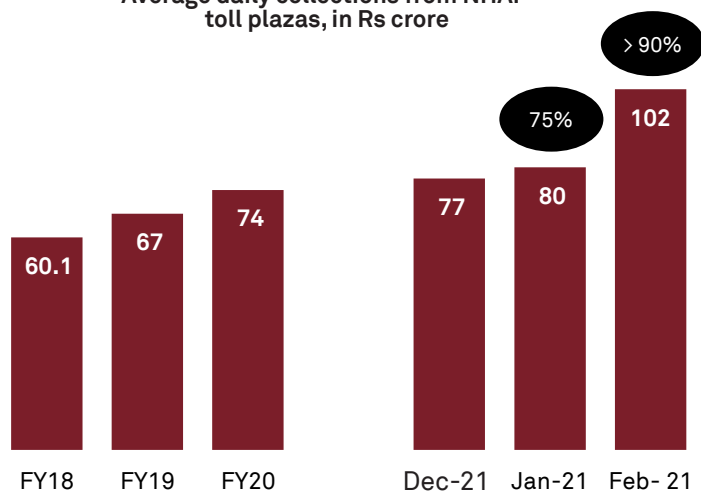
Organised retailers temporarily shift to profit-sharing rental agreements

Source: CRISIL Research

Transparency is here to stay

FASTag has ushered in more transparency

Average daily collections from NHAI*
toll plazas, in Rs crore



*NHAI = National Highways Authority of India

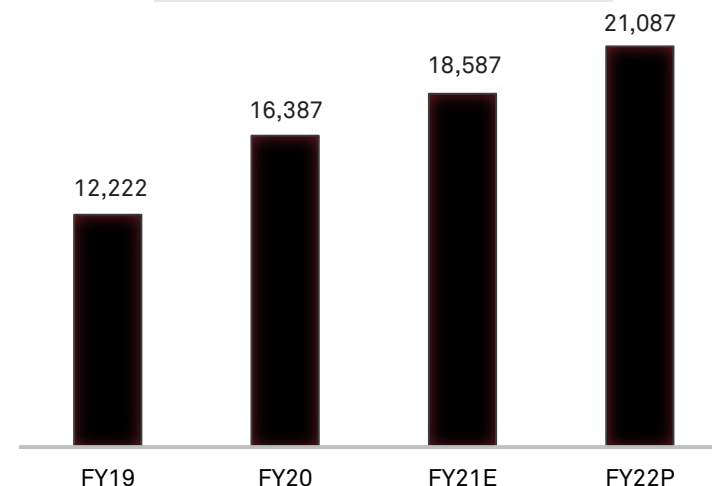
- FASTag collections ~30% higher following 90% adoption
- FASTag accounted for only 35% of collections at beginning of fiscal 2021

Note: TOT: Toll-operate-transfer
Source: NHAI, CRISIL Research

More than 20,000 km available for asset monetisation with NHAI

(km)

1,400 km monetised via TOT so far



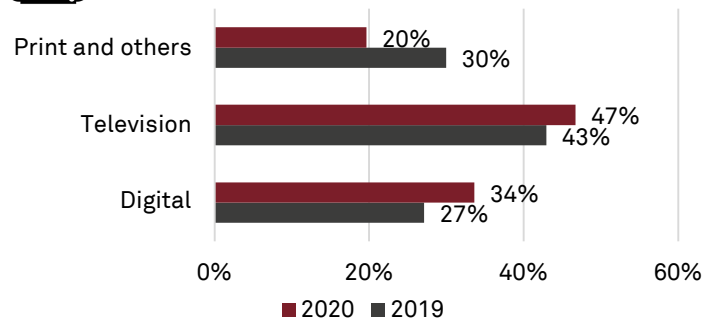
- Total kilometres under toll between fiscals 2018 and 2020 rose ~33%, driving growth in collections over the period
- Asset monetisation to fetch better valuations

Business

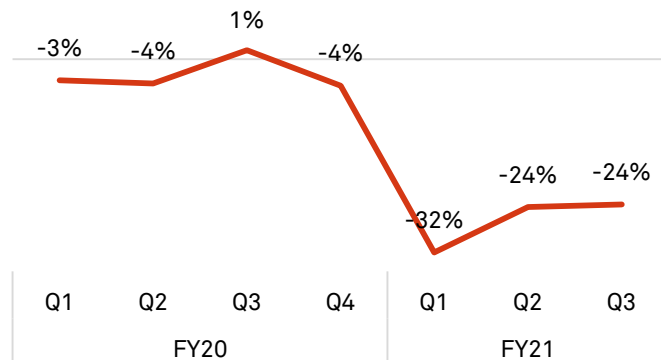
models of many
have pivoted



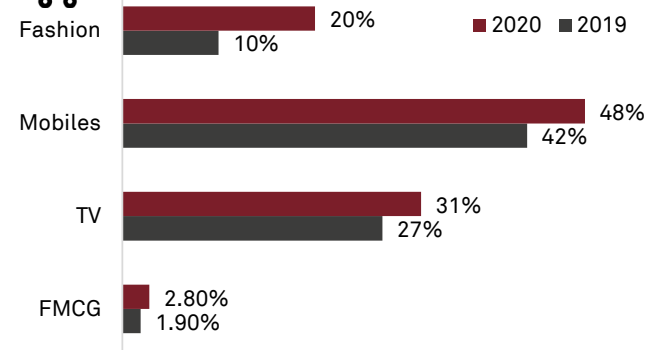
Media industry goes digital, as share of advertising revenue shifts



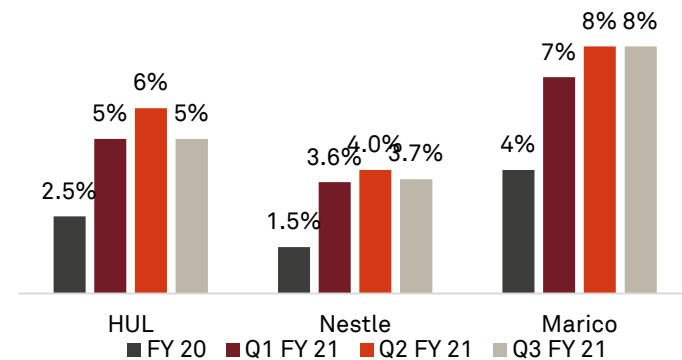
Declining circulation revenue points to digital uptick



E-commerce share grows sharply in India



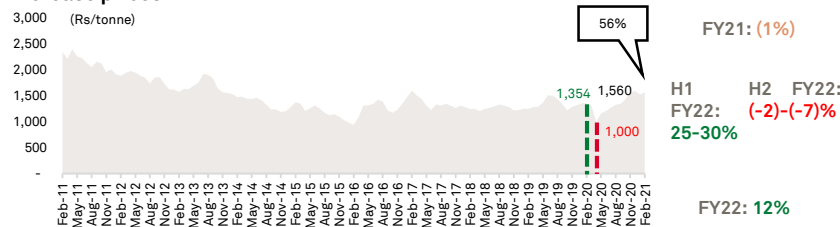
Digital sales sustain for key FMCG players



Source: CRISIL Research

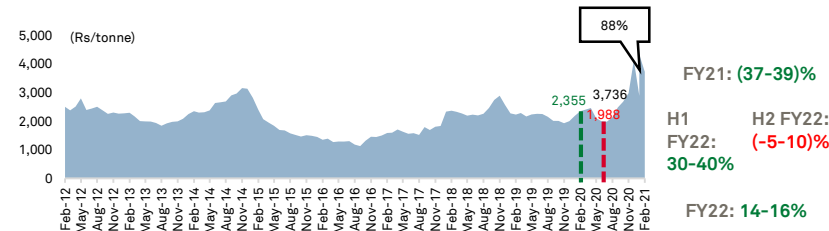
Sharp price rise in most commodities may not sustain-1

Natural rubber: Supply constraints and higher expected global prices to increase prices in H1 FY22



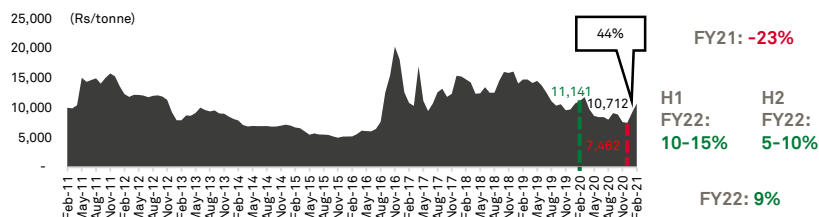
Global prices to be supported by improving demand from China and other economies while political unrest in Thailand, floods in Vietnam and Cambodia impact natural rubber production.

Iron ore: Domestic price rise due to supply crunch because of delays in operation of auctioned mines



Additional supply from NMDC and OMC mines to reduce demand supply gap slightly but high bid premiums to be paid by auctioned mines to keep prices resilient.

Coking coal: Economic recovery to spur prices in FY22, China's ban on Australian imports a monitorable

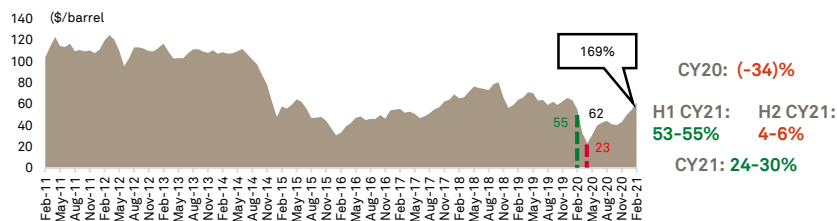


Coking coal prices to be propped up by global demand recovery next fiscal; sustained Chinese ban on Australian coal imports likely to weigh on price recovery.

Note: NMDC: National Mineral Development Corporation; OMC: Odisha Mining Corporation
Source: CRISIL Research

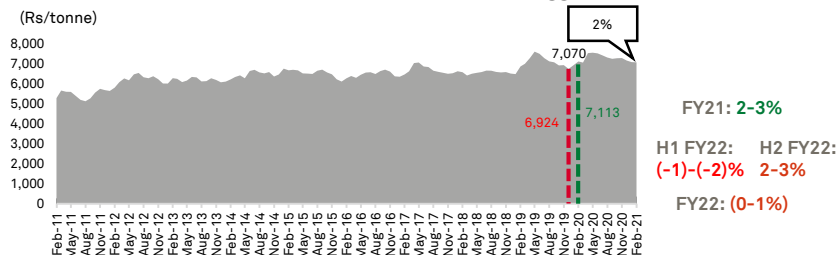
Sharp price rise in most commodities may not sustain-2

Crude oil: Demand recovery and higher-than-anticipated production cuts to increase prices in 2021



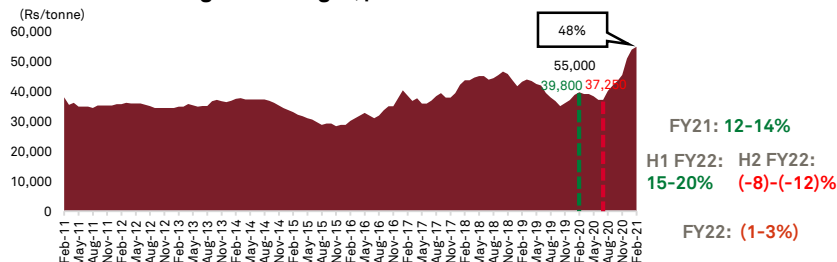
Easing of supply cuts by OPEC+ and increase in US shale production to remain a key monitorable.

Cement: Prices' upward trajectory in FY21 to offset sluggish demand



Higher freight (higher fuel prices) and power and fuel (higher coking coal prices) cost to keep prices elevated going ahead.

Steel: After reaching decadal highs, prices to trend south over next few months

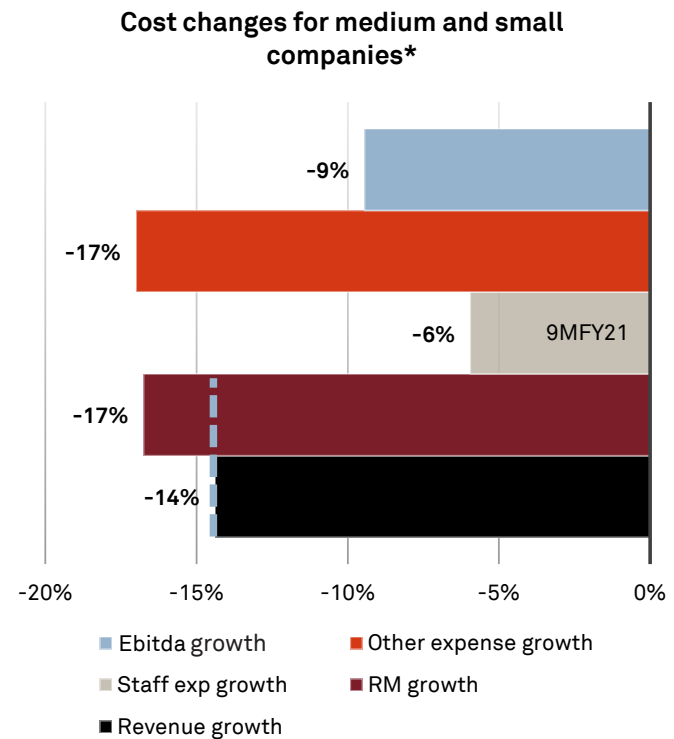
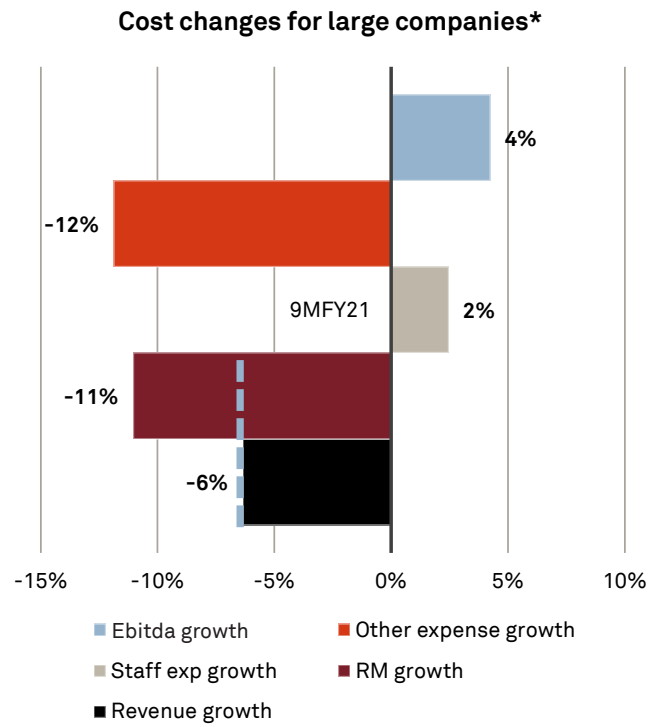


Any major fall in steel prices will be limited by higher iron ore and coking coal prices (key input materials for steel).

Source: CRISIL Research

Better raw

material negotiation
ability gives large
companies the edge

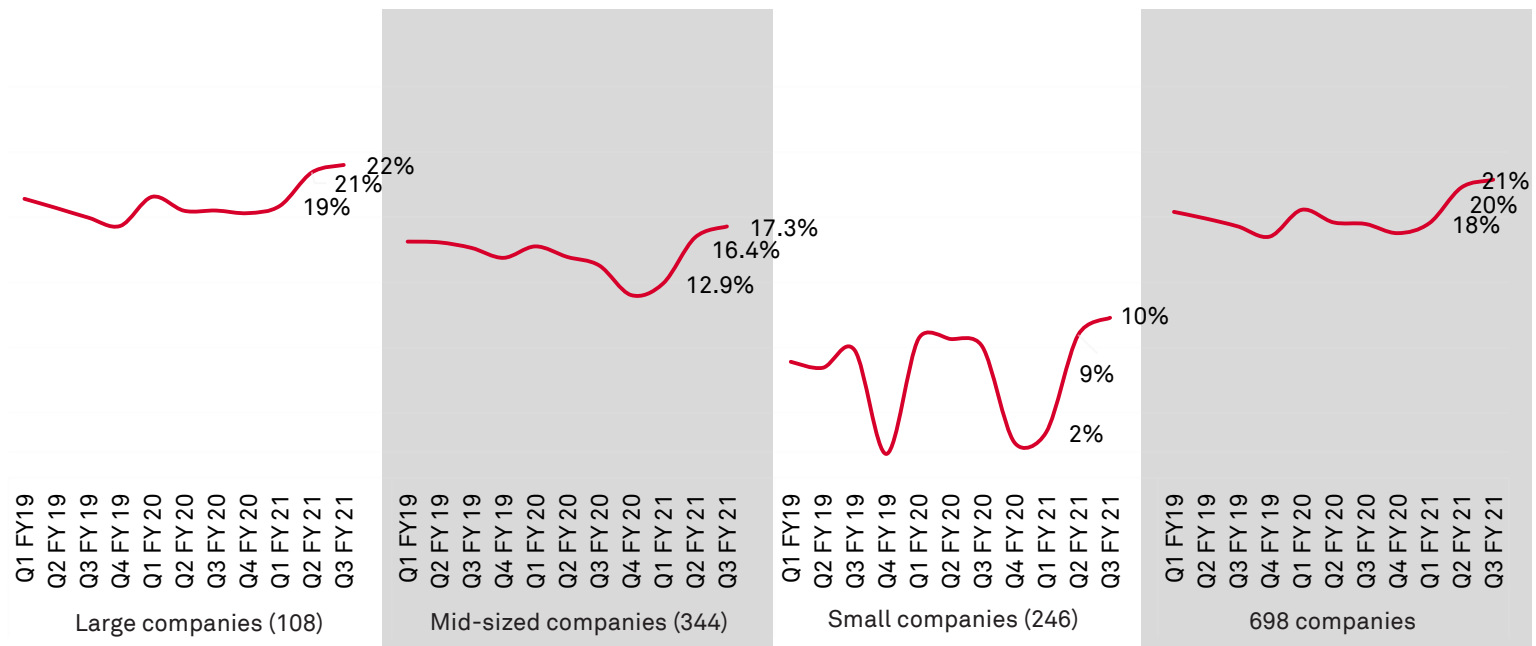


Note: * for nine months of current fiscal
Source: Quantix, CRISIL Research

Ebitda margin

shows superior bargaining power of large companies...

Ebitda margins of large players were resilient even during the peak of the pandemic

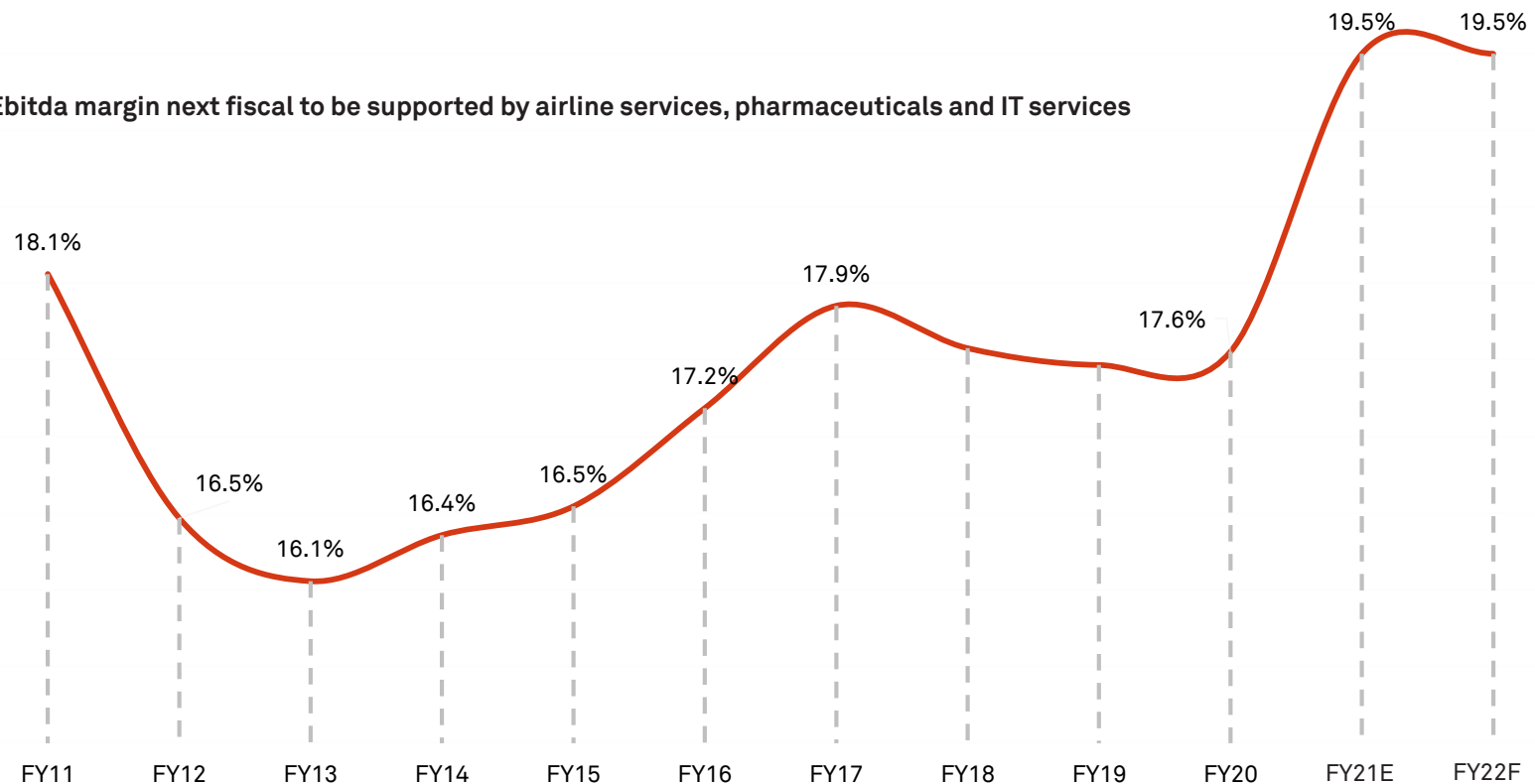


~30% of companies in each revenue segment have shown over 300 bps improvement in margins in the first nine months of this fiscal

Source: CRISIL Research

...but all-time
high margins may
just about sustain

Ebitda margin next fiscal to be supported by airline services, pharmaceuticals and IT services

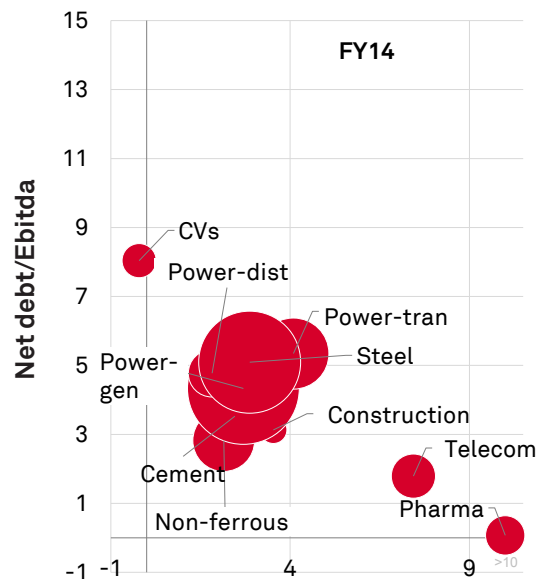


Next fiscal, margins to sustain at this fiscal's levels owing to improving demand for consumer discretionary services and consumer staples

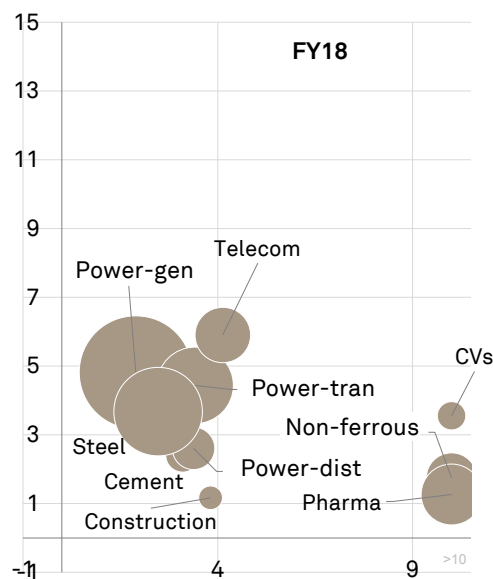
Source: Quantix, CRISIL Research

Pharma and commodity sectors drive improvement in financial metrics

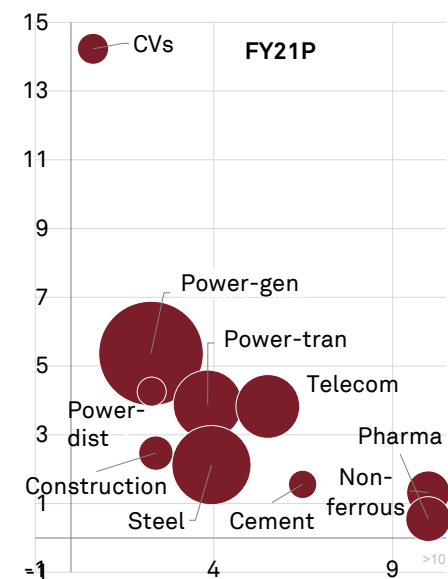
Net debt to Ebitda for power companies remain elevated



Marginal improvement in overall performance led by cement and metals companies



Quick recovery in second half, market share gain and commodity prices supporting metrics of top companies



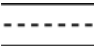







Note: Median ratios of key 100 listed companies (sales of more than Rs 5,000 crore in fiscal 2020) (excluding oil & gas, BFSI); company set is spread across sectors such as IT, power, steel, pharmaceuticals, FMCG and others. Size of bubble indicates total debt of companies in the sector
Source: Company reports, CRISIL Research

Investments



Government push to drive investments up 20-25% next fiscal on low base

Government capex to push infrastructure investments up 17-20% next fiscal; industrial investments to rise 45-55%

	Sector	FY17-19 (CAGR)	FY20E (Rs lakh crore)	FY21P	FY22P	FY22-24 (CAGR)	FY22-24/ FY19-21	Source of funds (FY20E)		
	Roads	21%	3-3.2	0-2%	10-15%	9-11%	1.2x	39%	43%	18%
	Power	-6%	2-2.1	(5-10)%	20-25%	4-6%	1.3x	28%	51%	21%
	Railways	10%	1.4-1.5	7-10%	14-18%	5-7%	1.3x	95%		5%
	Urban infrastructure	15%	0.9-1	(2)-0%	15-19%	8-10%	1.3x	43%	52%	5%
	Irrigation	6%	0.8-0.9	(8-12%)	10-15%	9-11%	1.1x	4%	96%	
	Infrastructure	8%	9.7-9.8	(5)-0%	17-20%*	6-8%	1.25x	43%	43%	14%
	Industrial	12%	3.3-3.4	(30-35%)	45-55%	6-7%	1.3x	35%	65%	
	Infrastructure and industrial investments	9%	13-13.1	(8)-(12)%	20-25%	6-7%	1.2x	41%	32%	27%

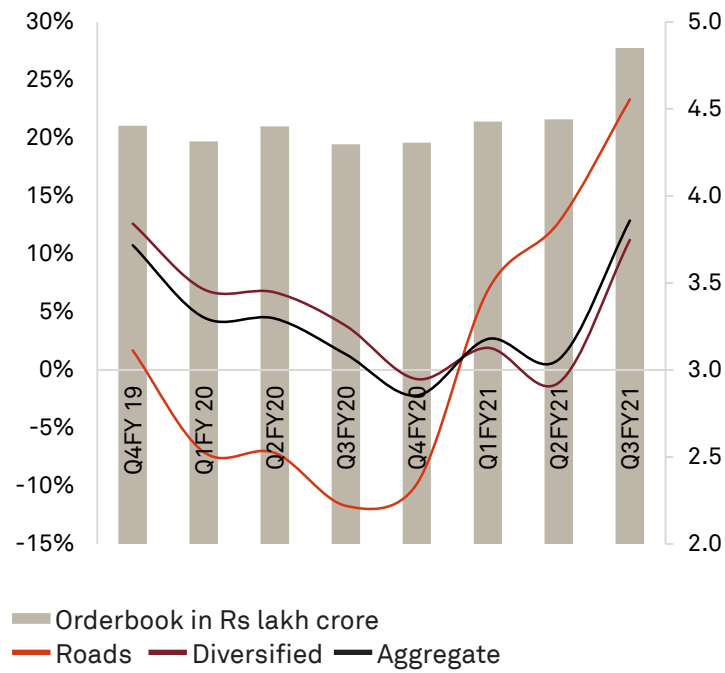
Note: E: estimated; P: projected; BE: budget estimate; RE: revised estimate
Source: CRISIL Research

* Centre-focussed investments, also supported by states
(capex of five states up 37% in FY22BE over FY21RE)

Centre State Private

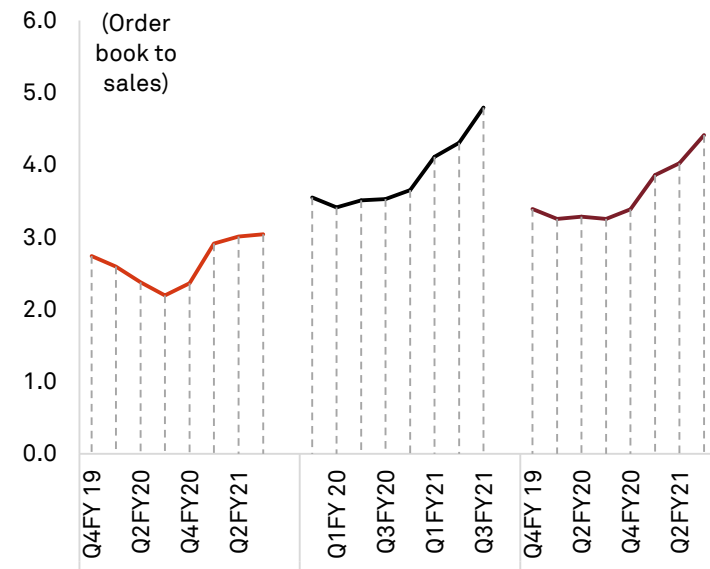
Construction, road firms log strong order book despite pandemic

Order book growth has caught up
(for top 11 players in India)



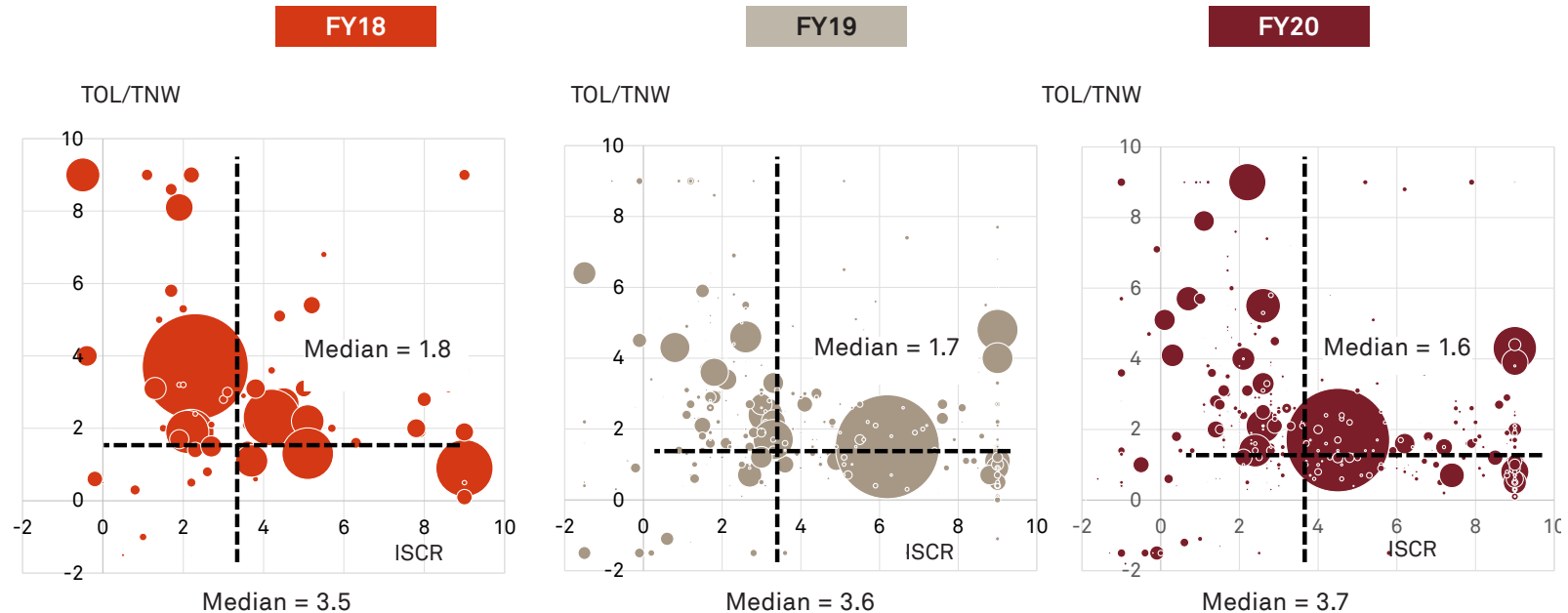
Source: CRISIL Research

Order book-to-sales ratio is also on the rise



Source: CRISIL Research

EPC construction companies, mainly into roads, have stronger balance sheets



Notes:

1) Based on set of 399 companies that accounted for 50-55% of revenue for all construction firms in India as of fiscal 2019

2) TOL/TNW: Total outside liabilities/Tangible net worth; ISCR: Interest service coverage ratio

3) ISCR and TOL/TNW greater than 9 have been taken as 9, while lesser than <-2 have been taken as -1.5

Source: Company reports, CRISIL Research