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# THE TRANSCRIPT

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Jun-Sep 2021



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

The compilation should not be used for investment decisions. Read our disclaimer below and at the end.


**Sources: Investor Call Transcripts, Bloomberg, Management Interviews, Motley Fool, Seeking Alpha, Company Presentations**

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## Segments

1. Identifier For Advertisers (IDFA): Follow Me Wherever I Go?
2. Copper, Batteries & Renewables: Do We Have Enough Supply?
3. Travel & Tourism: Where Did You Summer?
4. Electric Two Wheelers: Incumbents Charged Up?
5. Consumer Stocks & Inflation: Unprecedented Margin Pressures?

**Earnings Curve:** Charts From Quarterly Presentations

## QUOTE OF THE QUARTER

“

*Recently of course there have been lots of talk on who will win in EV and you have several names that have been floating around. While I would not get into betting, but let me just talk about what we believe success in EV will require.*

*It will require focus on customers, on cost, and on collaboration and not necessarily on competition.*

*Having said that, if you still want to pick a winner company, just Google the synonyms of the word “winner” and you will have your answer.*

”

Niranjan Gupta, CFO – Hero MotoCorp Ltd.

### Identifier For Advertisers (IDFA): Follow Me Wherever I Go?

Apple supplies about one fifth of global smart phones and about half of America's. Since 2020 Apple's Safari browser has blocked "cookies" that advertisers use to track users. Apple had introduced Identifier for Advertisers (IDFA) in 2012 to help advertiser track users but at the same time provide some degree of privacy. The IDFA is a unique ID allocated to your device. If you see an ad on Facebook and open your Amazon App to buy a product – IDFA lets Facebook know that its ad was effective. IDFA doesn't convey your personal details, instead these behaviours are tracked at an aggregate level. IDFA allowed advertisers to deliver relevant ads to users and measure the return on advertising spend. It also helped in running small surveys to assess effectiveness of a campaign before full scale launch. Small businesses used this kind of targeted advertising to grow – a point that Facebook has advertised in full page ads in newspapers.

Consumers always had the option of blocking IDFA tracking. But Apple decided with the launch of iOS 14.5 that the default setting will be "off". Apps will have to ask users for permission to use this kind of tracking. Some reports suggests 80% of users decline this request. It's unclear whether Apple's own apps will also seek this permission. Apple also has a growing digital advertising business. Google is yet to announce similar changes for its Android platform.

This intensifies the debate about how large platforms like iOS/Android control the market. It is the reason why companies like Facebook are building in-app shopping platforms and with projects like "Metaverse" want to build a walled garden of their own.

(IDFA) changes have upended many of the industry norms and advertiser behaviors that were built on IDFA, Apple's unique device identifier for advertising over the past decade, which now require a double opt-in by users in order to access directly. As part of these changes, Apple rolled out SKAd Network or Scan as a proprietary solution to allow app-based advertisers to continue measuring their advertising on iOS. The initial results we observed using Scan were generally aligned with prior industry standard solutions and we were among the first platforms to lean into this solution and push for widespread industry adoption. However, over time, we saw Scan measurement results diverge meaningfully from the results we observed on other first and third-party measurement solutions, making Scan unreliable as a stand-alone measurement solution.

Snapchat



Apple iOS 14 changes, has created headwinds for others in the industry as well, major challenges for small businesses, and advantaged Apple's own advertising business. As a result, we've encountered two challenges. One is that the accuracy of our ads targeting decreased, which increased the cost of driving outcomes for our advertisers. And the other is that measuring those outcomes became more difficult.

As Apple changes, makes e-commerce and customer acquisition less effective on the web, solutions that allow big businesses to set up shop right inside our apps will become increasingly attractive and important to them. We build solutions like ads that can dynamically point to either a business's website or their shop on our platforms depending on what will perform better for them.

Meta  
facebook

In China, we've been through the targeting challenge. And the attribution challenge appears less, partly because the industry has a variety of mechanisms for driving attribution and partly because Apple only represents a teens percent of Internet traffic in China versus a much higher proportion in Western markets.

Tencent 腾讯

We're pleased with the strength across our business in the third quarter. It was broad-based. It was global. In terms of the iOS 14 changes specifically, they had a modest impact on YouTube revenues.

Google

## Copper, Batteries & Renewables: Do We Have Enough Supply?

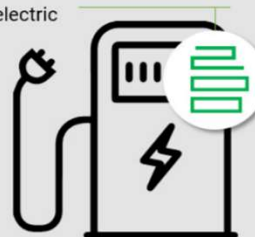
Rise of renewables and electric vehicles are leading to a surge in demand for metals like copper, nickel and lithium. Copper and nickel will probably remain key metals irrespective of how the battery technologies evolve. Discussions of peak oil often overlook the bottle necks and supply challenges in some of these metals. Copper is a long cycle commodity. It takes 2-3 years to extend an existing mine while 8 years to bring in new greenfield capacity. Copper grades have been falling and new discovery rates have been low. Goldman Sachs believes mine supply will fall well below demand by 2024 leading to largest supply gap on record.

### Copper in **Electric Vehicles**

Additionally, the **cabling for charging stations** of electric vehicles will be another source of copper usage.



For example, level 1 and 2 AC charging ports contain between 1 and 7 kg of copper and fast DC charger can contain up to 25 kg.



Electric vehicles rely heavily on copper for the **motor coil that drives the engine.**

Total demand in 2030: **2.6mn mt** and **3.2mn mt** in the hyper adoption case

### Copper in **Solar Technology**

There are approximately **4.56t per MW** of copper in solar power systems



Commonly used in



**Interconnectors**  
used to connect the solar cells and form the solar panel



**Wiring**  
used for conducting electricity



**Inverters**  
used to invert the DC current into AC current

Total demand in 2030: **1.6mn mt** and **3.3mn mt** in the hyper adoption case

Source: Copper Alliance, Goldman Sachs Global Investment Research

Copper is (...) a strategic metal in many respects for the future. The world is getting increasingly electrified and more than 65% of the world's copper is used to deliver electricity. And when you look at electric vehicles charging stations, clean power from wind, solar, all of these require significantly more copper to operate than the way that things are currently done now.

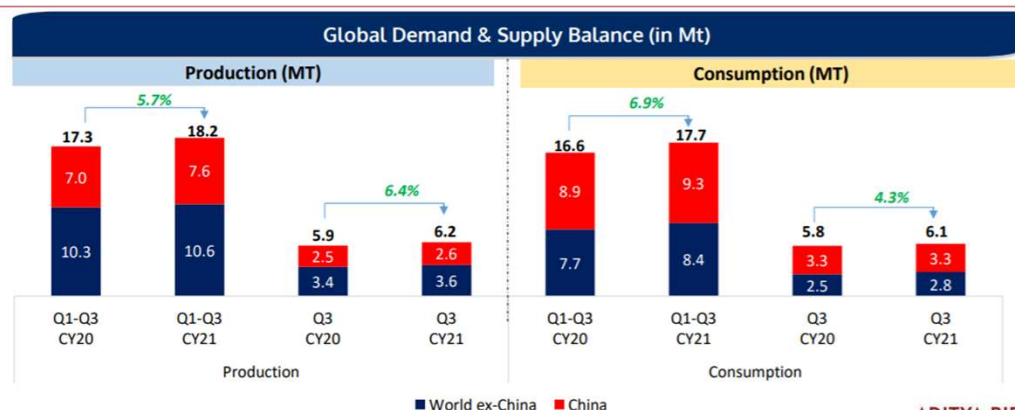
The industry really has an issue with meeting the demand with supply and that's going to require action across a lot of fronts; more scrap, some substitution. But copper as a commodity is so much better than any alternatives that whichever environment you can envision for the world going forward, absent some doomsday situation in the global economy, it's just in a situation where copper prices have to be strong in my view - stronger than they are today.



There is growing recognition of the critical role that copper, nickel, iron ore, and even metallurgical coal for steel making, as well as potash for improved farming practices, have to play in the energy transition and in ensuring a sustainable world for future generations. The increased focus and awareness reinforce our conviction that the mega-trends of decarbonization, electrification, population growth and higher living standards will drive strong demand for many of the commodities we produce and that there will be an increasing call for these commodities to be supplied by companies with a track record of sustainable operations and strong social value creation.



June-2021 Quarter

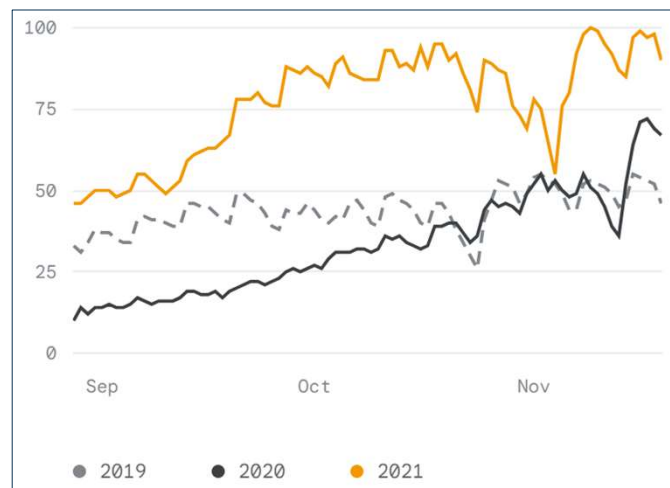




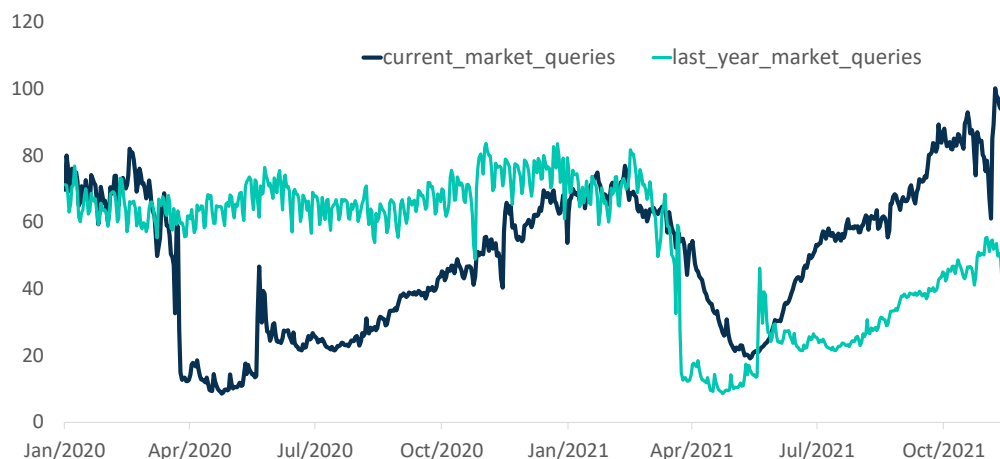
## Travel & Tourism: Where Did You Summer?

Accor Hotels CEO in a recent interview said, “leisure travel has never been so flamboyant”. Private rentals had gained some share from hotels as people were working from home and they preferred longer term stays in private isolated properties compared to hotels. Leisure travel has shown strong growth while corporate travel is lagging. Google Analytics data shows that domestic travel has recovered in India to pre-covid levels. Worldwide travel including international trips is also close to pre-covid levels. Travel search interest for “Goa”, a popular destination in India, is higher than it was in 2019.

Travel Search Interest for “Goa” in India



India Domestic Travel Demand (Air & Accommodation)



Source: Google Analytics

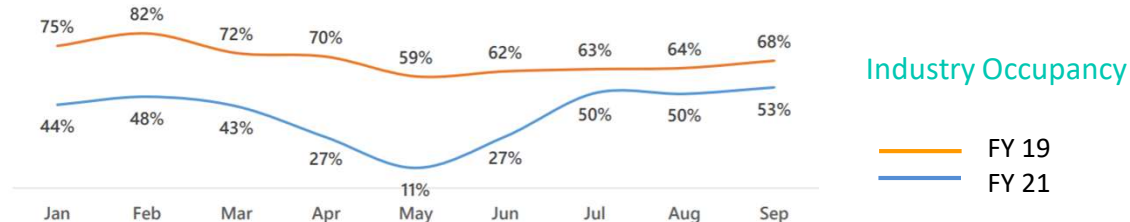
Technologies like Zoom make it possible to work from home. Airbnb makes it possible to work from any home.

Because many people don't have to be in the office at specific times, they have more flexibility on when they can travel. So, families are increasingly traveling outside the traditional weekend trip. And in fact, Mondays and Tuesdays are currently our highest growing days of the week to travel. The second trend we're seeing is that people are traveling everywhere, literally everywhere. During the pandemic, over 100,000 cities have had at least one booking on Airbnb. And that includes 6,000 towns and cities that received their first booking ever on Airbnb. The third trend we're seeing is people aren't just traveling in Airbnb, they're now living on Airbnb.



If you look at pre-COVID, which is specifically in January and February 2020, our retail demand was 1,200 rooms per day. Today in Q2, it hit 1,500, in Q3, it is now trending towards 1,800. So you can see an enormous improvement in retail.

When you look at corporates, and I'm including large and small, micro, medium, all of them, they use to account for about 1,500 rooms pre-COVID. In Q2, it was 650. Right now, it is trending at 800. Travel trade which is large blocks conferences, and so on, which was 350 rooms pre-COVID was 150 in Q2 and is now 260.



What we continue to find is very, very, very strong performance in leisure and absolutely no resistance to rate. So, the perception or the misperception was that the domestic traveler is more rate resistant whether traveling on business, on leisure.

Certainly, what I can tell you is as far as leisure goes for the right product, the right service, the Indian luxury traveler is willing to pay a high rate and we are enjoying record occupancies at both Udaivilas and at Vanyavilas.



So having myself lived in the western part of the world, I saw a lot of people travelling by road. And it was not happening as much on the Indians subcontinent as it used to happen. So what COVID has done is it's got people out in their own vehicles or traveling by road with family far more frequently than it was evident pre COVID. So I think maybe the "Bleisure" and "Bizcation" displacement might happen to some extent as more and more people get back to work, but the private holidays of families and the extended weekends will only increase and not decrease.

Indian Hotels Company Ltd. **IHCL**

We're running 85% to 90% systemwide in the U.S. on the weekends, and we're pricing over '19 levels, obviously, because we have a lot of demand. I do think that will -- that leisure pricing power will continue because, what I said before, I believe that leisure demand is going to remain at elevated levels, particularly on the weekends, and that that's going to give us nice pricing power.

 **HILTON**  
WORLDWIDE

There clearly is some pent-up demand that is obvious, particularly the international market. As each market opens up - whether it is Oman or Kuwait or Dubai, every market that opens up, there is a huge surge of demand if you will and prices are high as a result. Fortunately, they are not also declining rapidly. They start off high, they come down a little, but they continue to remain at pretty attractive levels.

The same is true domestically and we are pretty pleased with the pricing performance. Internationally, of course, it is not a pricing cap issue. On domestic, the pricing cap that the government puts in place I am sure has some impact.

**IndiGo** 

## Electric Two Wheelers: Incumbents Charged Up?

Big disruptions in an industry have historically not been kind to incumbents. In auto industry its evident with derating in valuations of ICE (internal combustion engine) OEMs at a time when the valuations of electric only players (some with zero revenues) have skyrocketed. Legacy battery players in China (lead-acid) derated to single digit PEs as market moved to Li-ion even as they continued to report double digit ROEs. - Both Li-Ion batteries and electric cars require significant upfront capex and their asset turnovers continue to remain low. This does not seem to be true for 2W EVs.

Etergo Mobility had raised only €20 MN before Ola electric acquired the Netherland based company in May-2020. Ola electric recently raised \$200 MN at \$3 BN (post money) valuations according to Economic Times. In case of electric 2Ws, we wonder if investors want to pay for technology, manufacturing, brand or distribution. Is the technology as complex as PVs?

We expect a high degree of disruption in the electric cars and in the battery space, but would be wary of expecting a similar fate for 2W industry.



Source: [cleanscooter.in](https://cleanscooter.in)

Currently what is happening is, probably tech is becoming the core and the rest is getting a bit ignored, which will come back as the customers then starts picking up deliveries and start riding, so that is our view, that it needs to meet the bare minimum benchmark of the current scooter for the customers to migrate and then the tech will be plus, but the convenience of the customer cannot be compromised whether on speed or on the range part of it.

One thing I can assure you is that, because of our ability, our scale, will able to do that in a far more optimized manner, so if let's say a new player required ₹X to spend behind achieving as an objective, we probably can do in ₹X/2, so that is the broad thing that I can tell you.



We have found such a great response to cater that we find it not right to go and launch it in 25 cities and spread the meagre butter very thinly over the entire toast. The advantage of, for example, you can check the Vaahan's data and it will tell you that market shares which we enjoy with Chetak in electric is already 40% in Pune city. So we rather go deep. It's a balance we have to strike because if we service entire demand of Pune, we will also get excluded from engaging with customers in other places.



I think once the volume comes, we will get better partnership with the supply chain, we will be able to reduce the cost of sales. I think it's a journey. I think first, you have to invest and customers once they get delighted, it's a question of another four quarters, six quarters where we will work with the suppliers and our own design ability and also partnership with cell manufacturers how do we cut down the cost, but what is most important, you have to get right.

A big tick is the customer liking your product and they once they get it right, then scale benefits will flow in, that is exactly what we have done. Even in TVS Motor strategy, first, we focused on JD Power, number one. Once we got all the JD Power number one for four years, five years both in product as well as in customer satisfaction, we started putting the right products and we started gaining market share, then concurrently we have started now EBITDA journey.



## Consumer Stocks & Inflation: Unprecedented Margin Pressures?

Consumer stocks have been able to handle gross margin pressures well in the past. Even in this quarter the gross margins for Hindustan Unilever, Nestle, Dabur held up. This was true for consumer discretionary stocks like Hero MotoCorp and TVS Motors as well. But paint companies saw gross margins dip to multi decade lows. Paints are usually 40% of the painting cost while the rest being labour (one company even indicated that price sensitivity for paints should be lower than consumer staples). This combined with high market shares have been indicated as the reasons for the pricing power. The market leader, probably the first time ever, decided to delay price hikes and take smaller hikes compared to peers. This could be an effort to support demand, distribution network or it could be temporary change in the strategy as a response to imminent entry of new large players in the sector. Consumer durables also witnessed gross margin pressures driven by subdued festive demand and high metal prices. Also notice the stability of gross margins (or lack of it) for different companies below.

Should this be a factor in valuations?



Source: Internal

Must admit that the entire inflationary trend has been really unprecedented this year. We have never seen, I think, in the last about three to four decades, inflation, which is so strong.

One thing which I wanted to put forth is that I think Asian Paints has the capability in terms of taking the price increases. That has never been the concern. I think the concern has been clearly two areas. One is the effect in terms of the stability of the market because what we have seen is the price increases are very high. It creates a huge amount of instability in the market in terms of the rates which are offered to the consumers.



On the cost side of the equation, our raw material inflation expectations for the year moved up to the low 20% range from the high teens given additional pressure we've seen since our last guidance. We do not see any meaningful improvement until well into 2022.



When you get to consumer staple, items of every day purchase, where a significant inflation does significantly change consumer behavior because those are every day purchase items and they affect a household budget.

Paints being purchased typically once in four years, the sensitivity to pricing in paints is much less. Also, when you take into account that paint accounts for less than 50% of your painting cost. The other 55%, 60% 65% whatever, being the labor cost.

Therefor when you look at the overall painting cost, even if paint prices go up by 8% or 9%, the overall impact on your painting cost is less than 4%. Past experience has been that it has not changed consumer buying habits.



Paints, as you have rightly said more than two thirds of the demand comes out of repainting rather than our fresh construction, we have a little greater multiplier from fresh constructions.

The other thing is we go across broader spectrum than paints and therefore we do not tend to compare ourselves with paints. If you look at the paint companies over the last four quarters and you take out the volume that in a sense, they have bought putties and low-price products and frankly on premium products our sales we do not operate in those segments at all in our part on the market, largely because we find those largely commodity segments.



## Earnings Curve: Charts From Quarterly Presentations

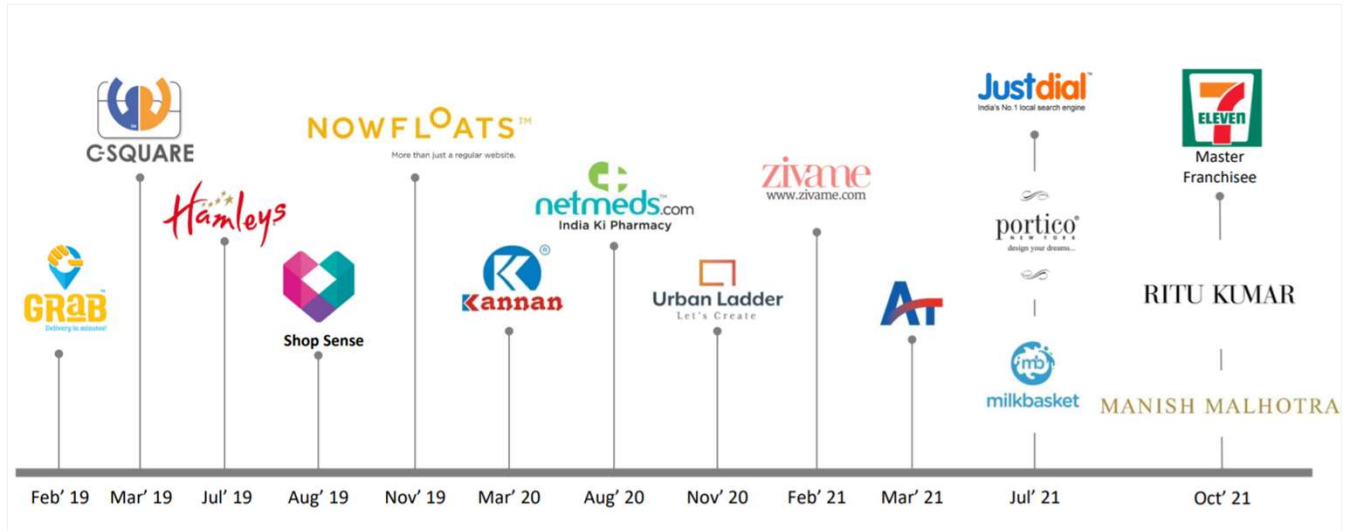
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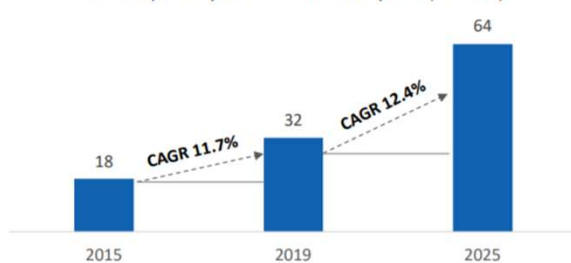


## Reliance Industries: Acquisitions To Bolster Retail Portfolio

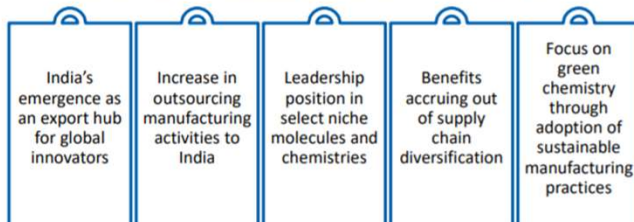


## PI Industries: India Gaining Share in Global Specialty Chemicals

Indian Specialty Chemicals Industry size (USD bn)



Factors that will elevate growth for Indian Companies

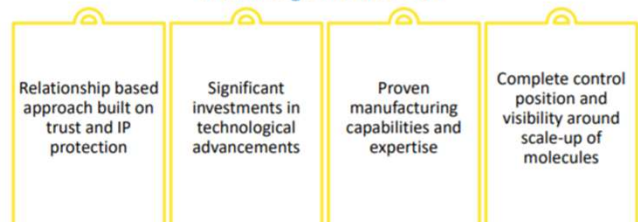


Source: FICCI Report on Indian Specialty Chemicals Industry

Global Specialty Chemicals Industry size (USD bn)

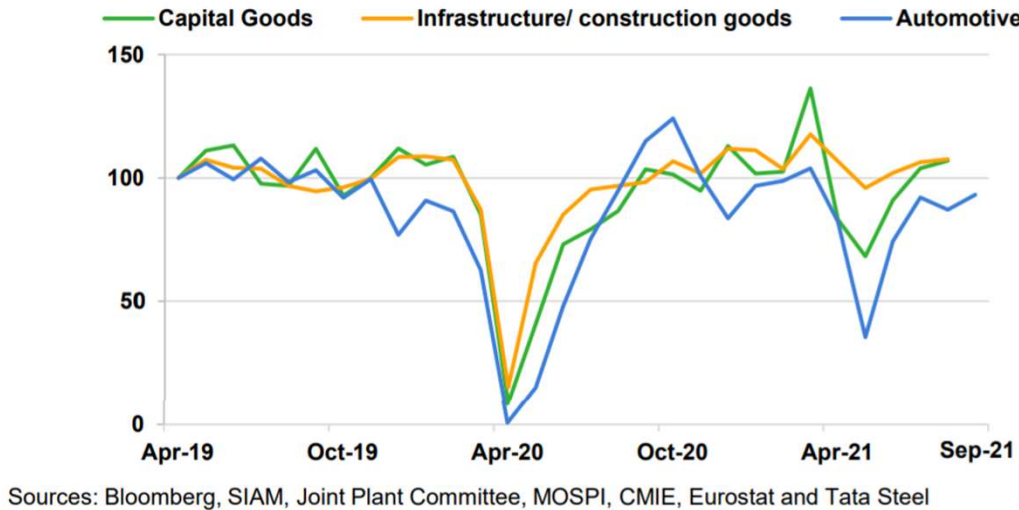


Advantage PI Industries



## Tata Steel: Infra/Capital Goods Driving Demand. Automotive Lagging.

### Key steel consuming sectors\*



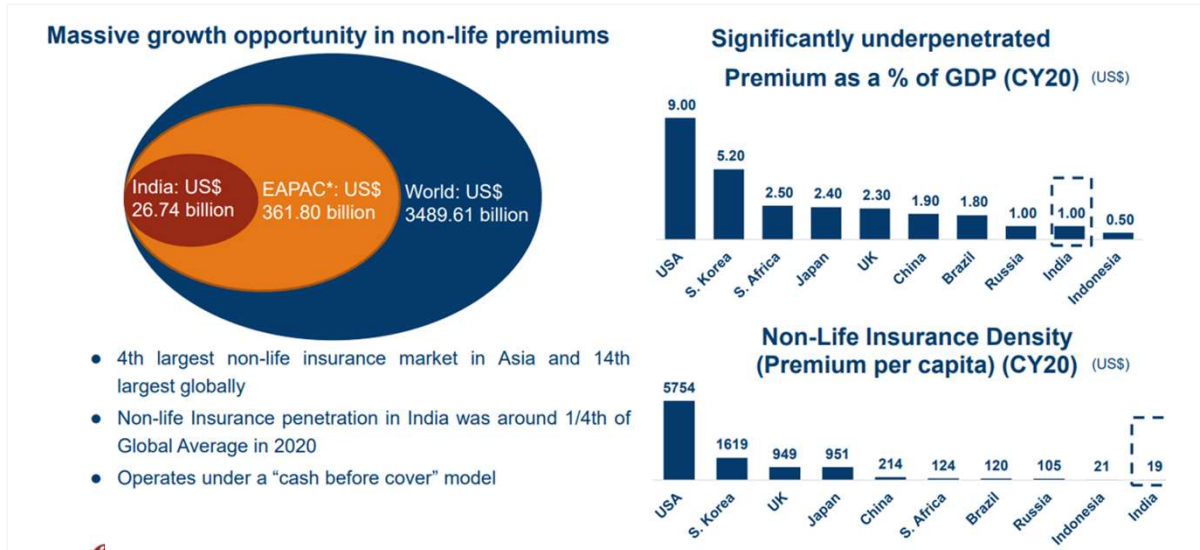
## Nestle India: India Consistently Growing Faster Than Other Geographies

### India – Amongst The Fastest Growing in the Nestlé World in Last Three Years

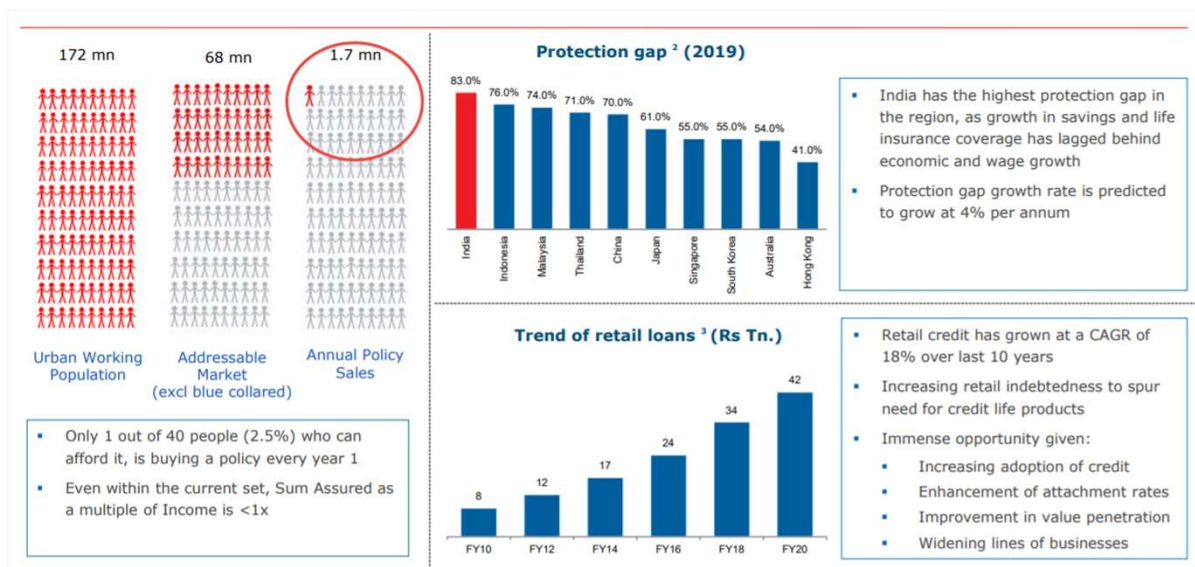


India Growth represents sales growth from all Nestlé brands sold in India  
Year 2020 growth remained impacted due to divestiture of Nestlé Skin Health business

## ICICI Lombard: Large Addressable Market For General Insurance



## HDFC Life: Large Addressable Market For Life Insurance

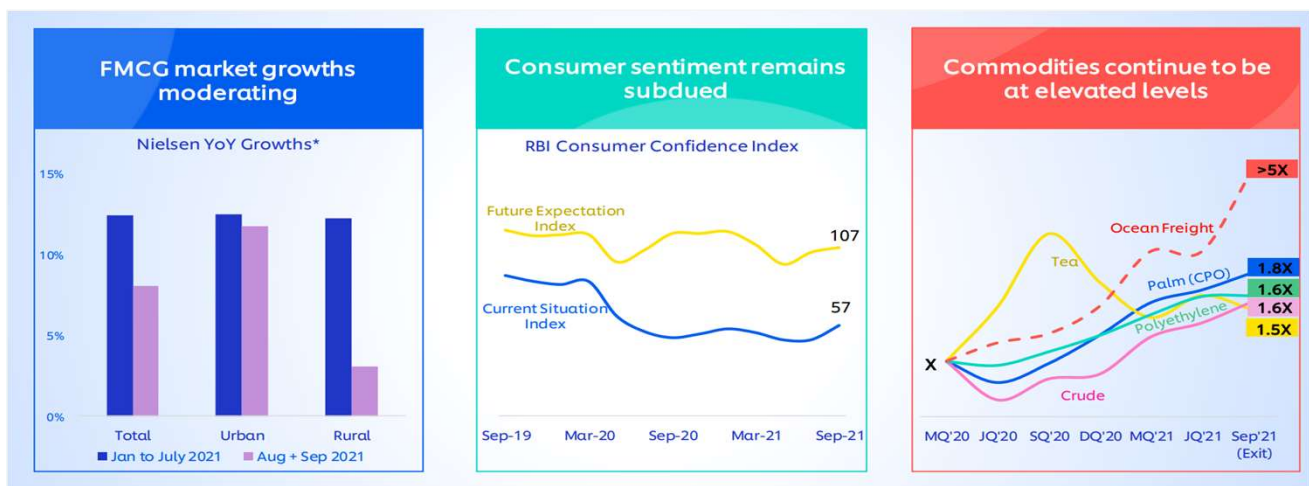


## UltraTech: Strong Demand in South & West

I: Infrastructure, R: Rural, C: Commercial, H: Housing

State/Region	Volume Growth	I	R	H	C	Key drivers
North	↑	●	●	●	●	<ul style="list-style-type: none"> <li>Infrastructure segment registered growth</li> <li>Housing witnessed degrowth on account of heavy rains</li> </ul>
Central	↔	●	●	●	●	<ul style="list-style-type: none"> <li>Housing registered growth led by rural housing</li> <li>Infrastructure segment saw degrowth in all the states</li> </ul>
East	↓	●	●	●	●	<ul style="list-style-type: none"> <li>Housing witnessed degrowth due to rains and Covid related restrictions, Odisha was affected by cyclone</li> <li>Infrastructure saw growth in Jharkhand and Chhattisgarh</li> </ul>
West	↑	●	●	●	●	<ul style="list-style-type: none"> <li><b>Maharashtra:</b> Housing and Infrastructure segment saw strong growth led by rural and urban demand as Covid related restrictions were eased out</li> <li><b>Gujarat:</b> Demand growth in all the segments</li> </ul>
South	↑	●	●	●	●	<ul style="list-style-type: none"> <li>Housing saw growth led by rural housing in Andhra Pradesh and Karnataka and urban housing in Tamil Nadu and Kerala</li> <li>Infrastructure segment registered growth in all the Southern states</li> </ul>

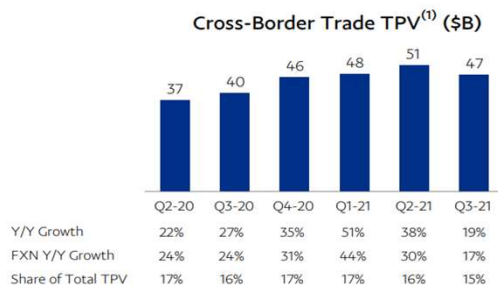
## Hindustan Unilever: Rural Lagging Urban Growth



## PayPal: Cross Border Travel Spends Are Back

### Q3-21 TPV: Cross-Border Trade (CBT)

CBT TPV of \$47B, 17% FX-neutral y/y growth



- CBT TPV was ~\$47 billion in Q3-21, up 17% on an FX-neutral basis
  - Excluding eBay, cross-border TPV up 20%
  - Key corridors in Q3-21 include intra-European corridors and U.K. to EU
  - CBT TPV represented 15% of TPV in Q3-21, compared to 16% in Q3-20

(1) In a typical purchase transaction, cross border TPV is counted in the region where the merchant is located. For example, in the case of a U.S. seller and a German buyer, the TPV is counted in the U.S.



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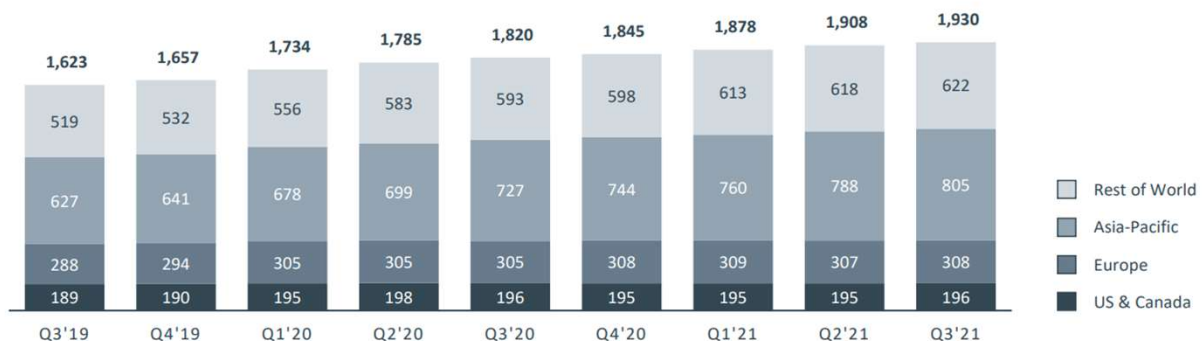
Q3-21 Investor Update - 16

## Facebook: About 2 BN People Use Facebook Daily

### Facebook Daily Active Users (DAUs)

In Millions

FACEBOOK





## Nobody Knows

“

*We believe that Enron should be compared to leading global companies like GE, Citigroup, Nokia, Microsoft, and Intel, and that its valuation reflects this eminence. Above all, Enron is about harnessing the intellectual capital of its employees to aggressively pursue perceived market opportunities. While the company embraces risk and speed in this regard, it does so with a strong capital and intellectual base, and constantly evaluates its moves to avoid mistakes.*

”

**Bear Stearns, 26<sup>th</sup> Jan 2001**  
(Enron filed for bankruptcy on 2<sup>nd</sup> Dec 2001)

### Enron Values

#### Communication

We have an obligation to communicate. Here, we take the time to talk with one another... and to listen. We believe that information is meant to move and that information moves people.

#### Respect

We treat others as we would like to be treated ourselves. We do not tolerate abusive or disrespectful treatment.

#### Integrity

We work with customers and prospects openly, honestly and sincerely. When we say we will do something, we will do it; when we say we cannot or will not do something, then we won't do it.

#### Excellence

We are satisfied with nothing less than the very best in everything we do. **We will continue to raise the bar for everyone. The great fun here will be for all of us to discover just how good we can really be.**

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