

17th December, 2020

TOP 10 PICKS FOR 2021



Moneywise. Be wise.

The year 2020 is ending on much firmer note than what it was looking when pandemic unfolded in the world economy. Governments and Central Banks efforts by way of giving stimuluses and printing money have led to recovery in the global economy recovery from the lows seen in quarter ending June' 20 to where we are now. The stock markets that are always forward looking have marched up significantly surpassing their pre-covid levels sensing that the things would be near normal as we move into next year getting boost from the medicine that looks very much insight.

Indian stock markets on the back of both government and central banks stimuli together with record foreign flows have seen sharp run up which has become more broad-based that was initially restricted to few sectors like Information technology, Pharmaceuticals, etc. Good monsoon showers, record low interest rates together with authorities intent to boost broad based recovery including rural Bharat and infrastructure has led to increase in demand that is being reflected in buoyancy in tax collections, acceleration in pace of recoveries by banks and the confidence of the companies in the sectors like real estate, cement, metals, etc. pointing towards even better time as we move forward to next year.

We at SMC Research Desk have jotted down few ideas keeping track of the developments that are happening in the local and global economy that are expected to be rewarding as we are moving in the new year.

Happy Investing

TOP 10 PICKS FOR 2021

SR.NO.	CO_NAME	SECTOR	CLOSE PRICE*	TARGET (RS.)	UPSIDE POTENTIAL (%)
1	HCL Technologies	IT - Software	885.15	1006	14
2	Axis Bank	Banks	605.90	802	32
3	Hindustan Zinc	Non Ferrous Metals	242.10	297	23
4	Bank of Baroda	Banks	66.45	80	20
5	Mphasis	IT - Software	1357.05	1604	18
6	Alembic Pharma	Pharmaceuticals	1103.40	1355	23
7	Prestige Estates	Realty	279.40	349	25
8	Finolex Cables	Cables	363.25	447	23
9	Kalpataru Power	Capital Goods - Electrical Equipment	319.30	387	21
10	KNR Construct.	Construction	315.55	418	32

*CMP as on 16th December 2020

DIWALI DHAMAKA

SAMVAT
2077

Performance of "Diwali Dhamaka 2020" released on 3rd November 2020

S.No.	Co_Name	Recommended Price	Target	Status/ CMP*	Return
1	ICICI Bank	417.10	516	Target Met	24%
2	Tata Consumer	493.35	583	Target Met	18%
3	Sobha	290.45	353	336.80	16%
4	Larsen & Toubro	929.20	1067	Target Met	15%
5	Polycab India	909.85	1167	1044.00	15%
6	UltraTech Cem.	4551.30	5440	5114.15	12%
7	Infosys	1072.00	1279	1165.75	9%
8	HCL Technologies	822.20	933	885.15	8%
9	Dr Reddy's Labs	4856.45	5848	5039.00	4%

SMC Retail Research came out with a report " Diwali Dhamaka 2020" on 3rd November 2020. It is a pleasure to share with you that out of 9 stocks recommendation, 3 stocks met the targets given in the report.

*Calculated either on the target price in case of target met or other wise calculated on the CMP as on 16th December 2020.



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HCL TECHNOLOGIES LIMITED

CMP: Rs. 885.15

Target: Rs. 1006

Upside Potential: 14%

Recommendation: Buy

VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	910.75/375.50
M.Cap (Rs. in Cr.)	240200.06
EPS (Rs.)	44.92
P/E Ratio (times)	19.71
P/B Ratio (times)	4.24
Dividend Yield (%)	1.13
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	25.40
Institutions	10.62
Non Promoter Corporate Holding	0.45
Promoters	60.33
Public & Others	3.21

P/E CHART



INVESTMENT RATIONALE

- HCL Technologies offers its services and products through three business units - IT and Business Services (ITBS), Engineering and R&D Services (ERS) and Products & Platforms (P&P).
- It has signed 15 net new transformational deals, led by key industry verticals including telecommunication, financial services, manufacturing, life sciences and healthcare. Its new bookings Total Contract Value (TCV) is higher compared to the same quarter last year and its renewals were also robust during the quarter Q2FY21.
- The company has delivered a stellar Q2 performance with a sequential revenue growth of 4.5% in constant currency and 21.6% EBIT margin. This growth momentum was driven by its continued leadership in Digital Transformation and Cloud businesses and a strong stability in the Products & Platforms segment, all of which continue to open diverse growth avenues for us.
- The company has revised its guidance on upward and Expect revenue to register an average growth of 1.5-2.5%QoQ in Constant Currency for Q3, Q4 and FY21. EBIT to be between 20-21% for FY21.
- With order pipeline perspective, the company has witnessed good deal creation activity across all verticals and geographies & also witnessing good momentum in the digital foundation, and the transformation opportunities. Moreover, Q2FY21 order pipeline grew by 20 per cent on q-o-q and currently it stands at an all- time high. Total headcounts increased to 1,53,085 as of September 30, 2020 against 1,47,123 in the same period last year. IT Services attrition declined to 12.2 per cent from 16.90 Per cent on YoY basis.
- During the September quarter, consolidated revenue for the quarter in rupee terms was up by 4% to Rs 18594 crore. Higher revenue for the quarter was largely due to 5% QoQ growth in revenue of ITBS (IT & business services) as well as 2% QoQ growth in revenue of P&P (Products & Platforms) as well as Engineering and R&D (ERD).

RISK

- Currency Fluctuation and Regulatory Compliance Risk
- Information and Cyber Security Risk

VALUATION

Overall performance reported by the Company is quite healthy, a well-balanced capital allocation strategy through a combination of capital expenditure, dividends and acquisitions. Margin improved a tad and the deal win momentum was healthy. The company has moved its FY21 guidance reiterating a strong outlook. The management of the company is seeing a robust demand environment and a strong pipeline which gives the company's confidence in its growth trajectory going forward. Thus, it is expected that the stock will see a price target of Rs.1006 in 8 to 10 months time frame on current P/E of 19.71x and FY21 (E) earnings of Rs.51.03.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
REVENUE	70676.00	75042.81	83764.14
EBITDA	17316.00	19334.40	21261.34
EBIT	13896.00	15610.46	17341.15
NET INCOME	11057.00	12284.91	13720.25
EPS	40.75	45.51	51.03
BVPS	208.64	223.60	255.24
RoE	23.87%	22.04%	21.47%

Source: Company's Website, Reuters & Capitaline



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AXIS BANK LIMITED

CMP: Rs. 605.90

Target: Rs. 802

Upside Potential: 32%

Recommendation: Buy

VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	765.90/285.00
M.Cap (Rs. in Cr.)	185476.23
EPS (Rs.)	11.60
P/E Ratio (times)	52.23
P/B Ratio (times)	1.87
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	54.89
Institutions	23.42
Non Promoter Corporate Holding	0.97
Promoters	14.47
Public & Others	6.25

P/B CHART



Moneywise. Be wise.

INVESTMENT RATIONALE

- The business level of the bank has increased by 12% yoy to Rs 909463 crore at end September 2020. Total deposits grew 13% yoy on quarterly average basis (QAB). Savings Account deposits grew 15% yoy, Current Account deposits grew 18% yoy and Retail Term. Deposits (RTD) were up 25% yoy on QAB basis. CASA + RTD deposits ratio improved by 536 bps yoy and 357 bps qoq to 84%.
- Net Interest Income (NII) grew by 20% yoy to Rs 7326 crore in Q2FY21 from Rs 6102 crore in Q2FY20. Net interest margin for Q2FY21 was 3.58% as against 3.51% for Q2FY20.
- The bank's gross Non-Performing Assets (NPAs) stood at Rs 26,831.64 crore as on 30 September 2020 as against Rs 29,560.15 crore as on 30 June 2020 and Rs 29,071.39 crore as on 30 June 2019. The ratio of gross NPAs to gross advances stood at 4.18% as on 30 September 2020 as against 4.72% as on 30 June 2020 and 5.03% as on 30 September 2019. The ratio of net NPAs to net advances stood at 0.98% as on 30 September 2020 as against 1.23% as on 30 June 2020 and 1.99% as on 30 September 2019.
- Provision coverage ratio has improved from 79% yoy to 88% and Capital Adequacy ratio under Basel III including profits stood at 18.92% with the Tier I of 16.06% at end September 2020.
- The Bank's wealth management business has seen strong growth and is among the largest in India with assets under management of over Rs 169969 crore as at end of September 2020. Burgundy Private that was launched in December 2019 for the high and ultra-high net worth client has scaled up rapidly to cover over 1225 families with assets of Rs 34591 Crore as at 30th September, 2020.
- The bank continues to invest heavily and make progress on Digital Banking strategy. Digital products now contribute a significant proportion of the Bank's sales with 73% of fixed deposits, 72% of saving deposits, 58% of personal loans, 52% of credit cards, and 48% of new mutual funds in H1 sourced digitally.

RISK

- Regulatory Risk
- Competitive Risk

VALUATION

With the strong operating metrics, stressed asset resolution, balanced moratorium books as compared to its peers and robust return ratios, the stock is expected to move. Retail Banking continues to be the bedrock of Bank's financial performance and strong execution, robust distribution and digital proliferation would help the Bank to gain strong market share and improve the customer experience. Thus, it is expected that the stock may see a price target of Rs.802 in 8 To 10 months time frame on target P/BV of 2.18x and FY21 (E) BVPS of Rs.367.68.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
NII	25206.20	28971.73	32925.46
EBIT	7904.23	24214.81	28229.99
PRE-TAX PROFIT	7051.83	10176.14	16957.86
NET INCOME	3774.81	7614.66	12453.67
EPS	13.85	24.96	41.18
BVPS	301.05	331.20	367.68
RoE	4.98%	8.25%	11.67%

Source: Company's Website, Reuters & Capitaline

HINDUSTAN ZINC LIMITED

CMP: Rs. 242.10

Target: Rs. 297

Upside Potential: 23%

Recommendation: Buy

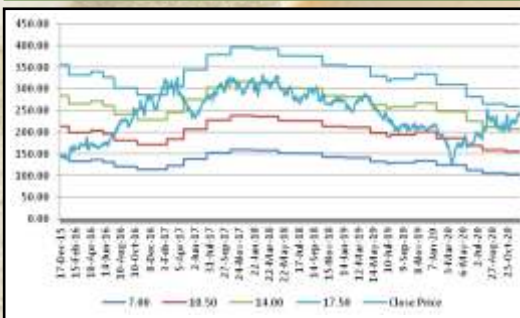
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	258.80/122.00
M.Cap (Rs. in Cr.)	102294.97
EPS (Rs.)	14.81
P/E Ratio (times)	16.35
P/B Ratio (times)	2.79
Dividend Yield (%)	6.81
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	1.11
Institutions	2.58
Non Promoter Corporate Holding	0.45
Promoters	64.92
Public & Others	30.94

P/E CHART



INVESTMENT RATIONALE

- Hindustan Zinc is one of the largest integrated producers of zinc-lead in the world with a capacity of over 1.0 million MT per annum and the 6th largest global producer of silver. The Company is self-sufficient in power with an installed base of 474 MW coal-based captive power plants. Additionally, it has green power capacity of 347 MW including 273.5 MW of wind power, 39.6 MW of solar power and 35.4 MW of waste heat power. The Company has an operating workforce of over 19,100 including contract workforce.
- The company has signed an MoU with the Gujarat government for 300 KTPA zinc smelter in Doswada, Gujarat, over an area of 415 acres with an investment of Rs.5000-10000 crore. With respect to the potential IRRs for the new project, the company indicated it has higher hurdle rates and the Gujarat smelter will be pursued if the project IRR crosses the same.
- During the quarter, mined metal production was up 9% from a year ago to 238kton account of higher ore production. Subsequently, mined metal production grew by 18%, supported by higher ore production resulting from better mine planning and effective targeting with increased use of technology. Salable silver production was 203MT, soaring 51% year-on-year and 73% sequentially due to increased operation of pyro-lead smelter, better grades at SK mine and higher concentrate inventory.
- The Company expects to achieve mined metal and finished metal production of 925-950 KT each and saleable silver production of 650 MT in FY21. It also guided zinc cost of production to remain below \$1,000 per MT and project capex between USD100 million and USD140 million for the year. The company remains on track to achieve the above guided numbers for FY21.
- According to the management of the company, low interest rates and relative weakness in dollar would further support physical demand of metals going into quarter 3 and quarter 4 driven by this fundamental support, zinc prices staged a strong recovery during the quarter and not only returned to pre-COVID levels but also touched \$2,500 per tonne mark, last seen in October 2019. Further, the company expects global warehouses stocks to remain at lower levels, providing fundamental support to prices in coming quarters.
- As on September 30, 2020, the Company's gross cash and cash equivalents was Rs 27,631 Crore as compared to Rs 20,437 Crore at the end of the first quarter (June'20). Consequently, the Company's net cash and cash equivalents as at end of September 2020 was Rs 17,833 Crore as compared to Rs 15,480 Crore at the end of the first quarter (June'20) and was invested in high quality debt instruments and fixed deposits.

RISK

- Exposure to cyclicality in the galvanised steel sector
- Exposure to regulations and concentration risk

VALUATION

Driven by its dominant position in the domestic market, high cash flow from the core business, and efficient and integrated operations, the company continues to deliver record volumes despite the challenges posed by the pandemic. The management is setting up Hindustan Zinc for its next phase of growth and is confident to deliver superior value. Thus, it is expected that the stock will see a price target of Rs.297 in 8 to 10 months time frame on a four-year average P/E of 14x and FY22 EPS of Rs.21.20.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
REVENUE	18561.00	20770.74	24296.86
EBITDA	8847.00	10451.15	12875.86
EBIT	6568.00	8075.81	10481.59
NET INCOME	6805.00	7401.92	9143.03
EPS	16.11	17.47	21.20
BVPS	95.41	74.38	79.88
RoE	18.41%	22.06%	29.45%

Source: Company's Website, Reuters & Capitaline



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BANK OF BARODA LIMITED

CMP: Rs. 66.45

Target: Rs. 80

Upside Potential: 20%

Recommendation: Buy

VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	104.85/36.05
M.Cap (Rs. in Cr.)	30703.66
EPS (Rs.)	0.00
P/E Ratio (times)	0.00
P/B Ratio (times)	0.42
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	4.40
Institutions	11.36
Non Promoter Corporate Holding	0.71
Promoters	71.60
Public & Others	11.94

P/B CHART



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INVESTMENT RATIONALE

- Global business of the bank grew at 6% yoy to Rs 1673297 crore at end September 2020. The domestic business rising 6% to Rs 1441139 crore, while overseas business moved up 32% to Rs 232158 crore at end September 2020. Global deposits increased 7% to Rs 954340 crore, while global advances moved up 5% to Rs 718957 crore at end September 2020.
- Net Interest Income (NII) of the bank increased 7% to Rs 7507.53 crore in the quarter ended September 2020. Interest income declined -7% to Rs 17917.59 crore, while interest expenses dipped -15% to Rs 10410.06 crore in Q2FY2021.
- According to the management, Collection efficiency for the bank improved to 91 per cent close to the 94 per cent reported last year with loans which were under moratorium until August reporting a 87 per cent collection efficiency.
- The bank has witnessed 31 bps qoq jump in Net Interest Margin (NIM) to 2.86% in Q2FY2021, driven by 33 bps qoq rise in domestic NIM to 2.96%. Meanwhile, the overseas NIM eased -15 bps qoq to 1.28% in Q2FY2021.
- The asset quality showed an improvement in Q2FY2021. Gross non-performing assets (NPA) ratio improved 26 bps to 9.14%, compared to 9.4% in the previous quarter. Similarly, net NPA ratio came down 62 bps to 2.51% from 3.13% in the June quarter.
- The provision coverage ratio improved 747 bps in the September quarter to 85.35%, compared to 77.88% in the year-ago period. The capital adequacy ratio as on September 30, 2020 was 13.26%.
- Its net profit for the second quarter ended September 2020 doubled to Rs1,679 crore from Rs 737 crore a year earlier led by a strong growth in retail loans, lower cost of deposits and as provisions stayed in control due to higher recoveries and write backs.

RISK

- Unidentified Asset Slippages. (Non- Identified NPA's)
- Regulatory Provisioning on assets and Corporate Governance issue

VALUATION

The management has guided for sustaining current margins and some improvement in loan growth, going ahead. The bank remains cautiously optimistic in terms of the asset quality outlook going ahead in the current year. The bank is conscious that the stresses caused by COVID is going to have an impact, but the bank believes slippage ratio will be lower than last year as bank is not exposed to many chunky potential NPAs. Thus, it is expected that the stock will see a price target of Rs.80 in 8 to 10 months' time frame on a target P/BVx of 0.55x and FY22 BVPS (Book Value per Share) of Rs.144.55.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
NII	54115.77	29034.11	31011.04
EBIT	-1802.11	20258.98	21398.01
PRE-TAX PROFIT	-1802.11	1586.93	4826.13
NET INCOME	546.18	1123.41	3711.27
EPS	1.02	2.50	8.31
BVPS	155.51	139.18	144.55
RoE	0.89%	1.58%	5.34%

Source: Company's Website, Reuters & Capitaline

MPHASIS LIMITED

CMP: Rs. 1357.05

Target: Rs. 1604

Upside Potential: 18%

Recommendation: Buy

VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	1462.90/612.05
M.Cap (Rs. in Cr.)	25337.04
EPS (Rs.)	67.90
P/E Ratio (times)	19.99
P/B Ratio (times)	7.00
Dividend Yield (%)	2.58
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	22.15
Institutions	16.18
Non Promoter Corporate Holding	0.76
Promoters	56.16
Public & Others	4.76

P/E CHART



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INVESTMENT RATIONALE

- Mphasis is an Information Technology (IT) solutions provider specialising in cloud and cognitive services. It applies next-generation technology to help enterprises transform businesses globally. Mphasis' core reference architectures and tools, speed and innovation with domain expertise and specialization are key to building strong relationships with marquee clients.
- Recently, Mphasis through its wholly owned subsidiary, Mphasis Consulting, has acquired Datalytx for consideration up to GBP 13.3 million and according to the management the acquisition is expected to provide access to strengthen company's Next-Gen Data GTM Strategy and provide higher value partnership status with Snowflake and Talend for cloud-based data services.
- The company has wins USD 360million TCV wins in Direct business, of which 73% in new-generation services; highest ever TCV win during September quarter. The deal pipeline is robust and has increased by 75% YoY. Cloud spend has been pulled forward and has grown 3x in the deal pipeline.
- During Q2FY21, Net revenue grew 6.4% QoQ and 12.8% YoY to Rs.2430 crore in Q2FY21, which was higher than the pre-Covid peak. Direct revenue grew 9.7% QoQ and 25.2% YoY in Q2FY21 and 10.9% QoQ and 18.4% YoY in Constant currency terms, while DXC revenues fell 14.9% QoQ and 23.9% YoY in Q2FY21. EBIT margin expanded by 50bps sequentially to 16.1%. Geographically, Americas and India regions has recorded growth of 7% QoQ and 16.1% QoQ whereas Europe grew 8.2% YoY in Q2FY21 in Constant Currency, while the Direct business in Europe grew 23% YoY in Constant Currency.
- According to the management of the company, the direct business in Europe is a key focus area with a strong pipeline and expects to be a growth driver for the remainder of FY21. Furthermore, the direct business has achieved an USD1b annualized run-rate. Moreover, the management of the company expects EBIT margin to be 15.5–16.5% for FY21 as it looks toward continued investments in the business.

RISK

- Currency Fluctuation and Regulatory Compliance Risk
- Information and Cyber Security Risk/fluctuation

VALUATION

The company is doing very good and good growth in deal wins since last two to three quarters and a healthy deal pipeline would drive growth for the company in coming quarters. Margin improved a tad and according to management, Insurance is expected to accelerate growth from Q3 on the back of a strong growth and focus on execution and conversion of orders in revenue. Thus, it is expected that the stock will see a price target of Rs.1604 in 8 to 10 months time frame on current P/E of 20.75x and FY22 (E) earnings of Rs.77.29.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
REVENUE	8843.54	9816.04	11087.69
EBITDA	1650.38	1815.84	2091.42
EBIT	1418.75	1576.36	1800.22
NET INCOME	1184.84	1225.46	1446.99
EPS	63.09	65.29	77.29
BVPS	312.51	326.41	363.69
RoE	21.39%	20.59%	22.49%

Source: Company's Website, Reuters & Capitaline

ALEMBIC PHARMACEUTICALS LIMITED

CMP: Rs. 1103.40

Target: Rs. 1355

Upside Potential: 23%

Recommendation: Buy

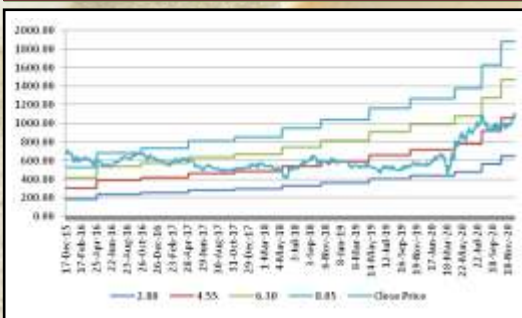
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	1128.00/436.10
M.Cap (Rs. in Cr.)	21688.78
EPS (Rs.)	56.08
P/E Ratio (times)	19.68
P/B Ratio (times)	4.74
Dividend Yield (%)	0.87
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	7.48
Institutions	9.44
Non Promoter Corporate Holding	0.48
Promoters	69.77
Public & Others	12.83

P/B CHART



INVESTMENT RATIONALE

- Alembic Pharmaceuticals is a vertically integrated research and development pharmaceutical company. Alembic's brands, marketed through a marketing team of over 5000 are well recognized by doctors and patients.
- During Q2FY21, total 75 products launched in the US (excluding seven with partner label). The company expects to launch 5+ products in the US in Q3FY21.
- It has received six abbreviated new drug application (ANDA) approvals during the quarter, taking the total to 131, while the company filed seven ANDAs during the quarter, leading to a cumulative ANDA filing tally of 198.
- The company's overall international formulations grew by 21 per cent to stand at Rs 779 crore during the quarter. However, international formulations business excluding the US grew by as much as 84 per cent to Rs 197 crore in Q2 of FY21. The US formulations business, on the other hand, grew by eight per cent to Rs 582 crore in Q2 of the current fiscal.
- The Company's India formulations business grew by six per cent to Rs 415 crore in the quarter. Its API business, on the other hand, grew by 29 per cent to Rs 263 crore during the second quarter of current fiscal 2020-21. Alembic Pharma filed two drug master files (DMF) during the quarter.
- It has registered a 35 per cent growth in its consolidated profit after tax (PAT) for the quarter ended September 30, 2020. As against a net profit of Rs 246.27 crore in Q2 of previous fiscal 2019-20, the company posted a PAT of Rs 333.37 crore in the second quarter of current fiscal 2020-21. The company's consolidated total income rose by 17.65 per cent to stand at Rs 1,460.32 crore in Q2 of FY21 as against Rs 1,241.23 crore in Q2 of FY'20.
- According to the management, it was a strong quarter for the company led by growth in the domestic business. The International as well as API Business also continued to perform well.

RISK

- Strict Operational and strategic regulation
- Currency fluctuation

VALUATION

With the strong position in the domestic formulations market, its growing presence in the international generics segment, and healthy financial performance, the company is expected to see good growth going forward. Moreover the efforts towards cost optimization and process improvement are expected to give steady growth to the financials of the company. Thus, it is expected that the stock will see a price target of Rs.1355 in 8 to 10 months' time frame on an expected P/BV of 4.74x and FY22 BVPS of Rs.285.81.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
REVENUE	4605.75	5564.74	6131.27
EBITDA	1223.01	1598.48	1480.35
EBIT	1065.69	1422.97	1238.00
NET INCOME	872.76	1142.29	960.61
EPS	46.30	58.51	49.18
BVPS	163.61	246.88	285.81
RoE	29.39%	27.37%	18.56%

Source: Company's Website, Reuters & Capitaline



Moneywise. Be wise.

PRESTIGE ESTATES PROJECTS LIMITED

CMP: Rs. 279.40

Target: Rs. 349

Upside Potential: 25%

Recommendation: Buy

VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	426.15/133.85
M.Cap (Rs. in Cr.)	11200.07
EPS (Rs.)	5.95
P/E Ratio (times)	46.96
P/B Ratio (times)	2.07
Dividend Yield (%)	0.54
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	29.66
Institutions	2.90
Non Promoter Corporate Holding	0.00
Promoters	65.48
Public & Others	1.95

P/B CHART



INVESTMENT RATIONALE

- The Company' sales bookings rose 9 per cent year-on-year to Rs 1,123.3 crore during September quarter on better demand for its residential properties despite the COVID-19 pandemic. The Bengaluru-based real estate developer had reported a sales booking of Rs 1,026.3 crore in the year-ago period.
- During April-September period, Prestige Group launched three new residential projects (Prestige Primrose Hills, Prestige Waterford and Prestige Ocean Crest) totaling to 3.95 million square foot.
- Prestige Group's net debt stood at Rs 8,667.6 crore at the end of the second quarter with an average borrowing cost of 9.65 per cent. In a bid to reduce its debt significantly, Prestige Group is selling a large portfolio of its commercial assets - office, shopping malls and hotels -- to global investment firm Blackstone for over Rs 9,160 crore.
- In the housing segment, the company has completed 118 projects and is currently developing 30 more projects. Prestige has completed 36 million sq ft of office space and 15 million sq ft area is under construction. In shopping mall segment, it has completed 7 million sq ft and is building another 3 million sq ft area. In hotel business, Prestige has 1,262 keys and is developing 1,229 keys.
- It has so far completed 247 projects covering 134 million sq ft area. During the Q2FY21, its total income stood at Rs 1,916.7 crore in the second quarter of this financial year as against Rs 1,962.7 crore in the corresponding period of the previous year.
- According to the management, the Prestige group remains bullish on the long-term growth prospect of India's commercial real estate sector despite disruption caused by the COVID-19 pandemic. The group would continue to build commercial portfolio and also monetise it at opportune time. It expects that the rest of the 2 quarters, Q3 and Q4, will also be good and better than Q2.

RISK

- Lockdown
- Working capital intensity

VALUATION

Considering its attractive valuation which is supported by a strong portfolio of operational rental assets, thereby reducing the risks associated with residential segment, and a planned increase in commercial and retail properties, it is expected that the company would see good growth going forward. Also, an encouraging quarter on collections and its plans to tap new geographies like Mumbai, Pune, NCR and Goa is expected to augur well for the company. Moreover, after the finalization of the Blackstone group deal, the Prestige group will utilise the fund raised through this monetisation to partly retire its debt and future expansion. According to the management, it expects that the rest of the 2 quarters, Q3 and Q4, will also be good and better than Q2. Thus, it is expected that the stock will see a price target of Rs.349 in 8 to 10 months time frame on a target P/BV of 2.39x and FY22 BVPS of Rs.146.23.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
REVENUE	8124.8	6098.656	7032.282
EBITDA	2356	1850.402	2271.25
EBIT	1689.3	1224.61	1459.21
NET INCOME	365.1	257.7118	443.7892
EPS	9.71	5.664	9.621
BVPS	133.72	138.94	146.23
RoE	7.62%	4.83%	7.76%

Source: Company's Website, Reuters & Capitaline



Moneywise. Be wise.

FINOLEX CABLES LIMITED

CMP: Rs. 363.25

Target: Rs. 447

Upside Potential: 23%

Recommendation: Buy

VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	429.90/165.00
M.Cap (Rs. in Cr.)	5555.52
EPS (Rs.)	20.54
P/E Ratio (times)	17.69
P/B Ratio (times)	1.81
Dividend Yield (%)	1.51
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	9.61
Institutions	18.75
Non Promoter Corporate Holding	15.40
Promoters	35.86
Public & Others	20.39

P/E CHART



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INVESTMENT RATIONALE

- Finolex Cables Ltd. is the flagship company of the Finolex group, and a leading electrical cable manufacturer in India. It has a large product portfolio of electrical, communication, and power distribution cables. The company is also in the electrical switches, light emitting diodes, fans, miniature circuit breakers, and water heaters businesses. Its products are used in the residential, commercial, infrastructure, and industrial sectors.
- The Company has planned a capex of Rs.200 crores over the next 18 to 20 months. The company has multiple ongoing projects, one of which is at Goa to manufacture electrical conduits. While plant construction has been completed, the equipment testing by experts has been delayed due to travel restrictions. In Pune, it has commenced the construction of a plant for the manufacture of solar cables.
- The company is eyeing at least Rs 500 crore revenue from its new consumer-facing electrical accessories business by the next fiscal; the company expects total revenue to sniff past Rs 3,500 crore. It has entered into the new business two years ago with a range of fans and it has launched anti-bacteria ceiling fans, claiming it be the first in the country.
- During Q2FY21, net sales of the company stood at Rs.639.4cr as against Rs. 715.7cr for the corresponding period of the previous year representing a 10% decline in value terms. Profit after taxes (PAT) for the quarter was at Rs.69 cr as compared to Rs.123.2cr in the previous year. The company further said that while volumes in Electrical Cables and Communication Cables reflected a similar trend (lower than the corresponding period of the previous year), in the newer categories of Lamps, Switches, Switchgear, Fans and Water Heaters, there was a healthy growth of upwards of 20%. The strategy to focus on better distribution is bringing rewards, though slowly.
- According to the management, if the second quarter growth is carried into the second half then the company will be able to make up the losses in the first half when it lost over 11 per cent of the revenue year-on-year.

RISK

- Economic downturn
- Fluctuations in copper prices

VALUATION

The company continues to focus on areas critical to better financial performance such as cost control, improved asset utilization, reduce debt levels, and overall improvement in productivity is expected to lead to a stronger balance sheet in the years to come. Finolex Cables Limited is well poised to take advantage of any future growth opportunity. Thus, it is expected that the stock will see a price target of Rs.447 in 8 to 10 months time frame on a current P/E of 17.69x and FY22 EPS of Rs.25.25.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
REVENUE	2877.30	2509.38	3113.45
EBITDA	369.90	311.35	407.29
EBIT	330.99	267.93	359.95
NET INCOME	402.48	283.44	384.42
EPS	26.32	18.51	25.25
BVPS	177.80	193.00	213.00
RoE	15.61%	10.18%	12.95%

Source: Company's Website, Reuters & Capitaline

KALPATARU POWER TRANSMISSION LIMITED

CMP: Rs. 319.30

Target: Rs. 387

Upside Potential: 21%

Recommendation: Buy

VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	475.65/170.00
M.Cap (Rs. in Cr.)	4754.67
EPS (Rs.)	23.26
P/E Ratio (times)	13.73
P/B Ratio (times)	1.37
Dividend Yield (%)	1.14
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	8.68
Institutions	26.37
Non Promoter Corporate Holding	1.07
Promoters	55.29
Public & Others	8.59

P/E CHART



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INVESTMENT RATIONALE

- Kalpataru Power Transmission is a global EPC player with diversified interest in power transmission and distribution, oil and gas pipeline, railways and biomass based power generation.
- The Company's current year order inflow is in excess of Rs 4,500 crore and it is favourably placed in projects of over Rs 3,000 crore. The company continues to be on track to achieve order inflows in the range of Rs 9,000-10,000 crore for the current financial year.
- The Order Book of KPTL standalone as end of Sep 30, 2020 including that of Linjemontage of Sweden stood at Rs 12292 crore. YTD FY21 order inflows at Rs 3225 crore largely driven from orders in T&D business. On a consolidated basis, management has said, it has achieved around 60% of the targeted order inflows for the current financial year, and it is confident of surpassing order inflow target for FY21.
- The company continues to target a revenue growth of 5-10% on standalone and consolidated basis. The company having bagged orders (YTD OI + L1 order book) worth about Rs 5600 crore till now is confident of meeting its FY21 order inflow guidance of Rs 9000-10000 crore. The company expects T&D business to register a growth of 5% for current fiscal with that of O&G and Railways a growth of 10-15% and 10% respectively.
- The company has fully divested its two transmission assets. Another one is sold 49 percent to Adani Group and it has received approvals to sell the balance. The fourth asset is also commissioned which is the largest of the four assets where the management of company expects enterprise value exceeding Rs 2,000 crore to come in. The money is expected to come in Q4. The process of divestment of T&D assets is also on track and expects to be net debt free in 2021.
- On a consolidated basis, the company's net profit rose 1.5% to Rs 139 crore on a 5.7% decline in net sales to Rs 3,032 crore in Q2 September 2020 over Q2 September 2019.

RISK

- Working capital-intensive operations
- Economic downturn

VALUATION

The Company's operating and financial performance has improved significantly over the previous quarter given relaxation of lockdown, improved labour availability and restored normalcy of supply chains. The Management focus on business diversification as well as profitable execution has helped in sustaining and delivering a reasonable performance in these challenging times. The company is moving swiftly on completing sale of remaining T&D assets and restructuring Road BOOT assets. It is believed that these steps will significantly help to unlock capital and reinvest in future growth and profitability. Thus, it is expected that the stock will see a price target of Rs.387 in 8 to 10 months time frame on a one year average P/E of 10.55x and FY22 EPS of Rs.36.66.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
REVENUE	7904.00	7804.55	8648.02
EBITDA	860.00	853.92	1027.42
EBIT	750.00	761.93	865.23
NET INCOME	439.00	503.10	558.30
EPS	28.46	30.09	36.66
BVPS	228.13	261.74	298.65
RoE	13.13%	12.22%	13.19%

Source: Company's Website, Reuters & Capitaline

KNR CONSTRUCTIONS LIMITED

CMP: Rs. 315.55

Target: Rs. 418

Upside Potential: 32%

Recommendation: Buy

VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	319.85/171.65
M.Cap (Rs. in Cr.)	4437.18
EPS (Rs.)	19.41
P/E Ratio (times)	16.26
P/B Ratio (times)	2.51
Dividend Yield (%)	0.16
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'20	% Of Holding
Foreign	1.97
Institutions	34.34
Non Promoter Corporate Holding	0.74
Promoters	55.03
Public & Others	7.91

P/E CHART



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INVESTMENT RATIONALE

- KNR Constructions is a multi domain infrastructure development organization and executes the construction of technically complex and high value projects across segments. The majority of clients are government agencies, including the central government, NHAI, and the public works departments of state governments. It has diversified in the past few years, with orders executed in irrigation and flyover and bridge construction segments as well.
- The order book for the company stands at Rs.8554.5 crore of which irrigation forms 45%, HAM Road projects at 31% and others Road projects at 24%. The company aims to add more business verticals to the organisation in the fields of construction of Elevated Metro Rail and Railway Projects
- The company targets to bid 10+ projects by FY21 and expects to receive further order inflow of Rs.2500-3000 crore. It will continue to focus on HAM segment. The company will start new irrigation projects from January while ongoing projects will continue.
- Infrastructure is the backbone for economic upliftment of the country. Government has announced Under Phase-I of the Bharatmala Pariyojana highway development programme in addition to various other programmes to give impetus to economy. With the strong balance sheet and execution capacity KNR is at an advantageous position to bring greater financial prospects.
- The company also has a track record for execution of projects before the scheduled timeline and receipt of early completion bonuses from the relevant authorities.
- Net profit of company rose 84.40% to Rs 158.40 crore in the quarter ended September 2020 as against Rs 85.90 crore during the previous quarter ended September 2019. Sales rose 11.72% to Rs 655.88 crore in the quarter ended September 2020 as against Rs 587.07 crore during the previous quarter ended September 2019.

RISK

- Working capital-intensive operations
- Intense competition and cyclicity in the construction industry

VALUATION

The strong balance sheet gives it a key competitive advantage v/s peers: a) in bidding for newer projects, and b) in terms of strong execution despite financing challenges in the sector as the dependency on bank financing is minimal. Thus, it is expected that the stock will see a price target of Rs.418 in 8 to 10 months time frame on a target P/E of 20x and FY22 EPS of Rs.20.89.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar. 20	FY Mar. 21	FY Mar. 22
REVENUE	2244.24	2435.62	3035.03
EBITDA	487.07	473.87	573.71
EBIT	295.22	305.88	382.41
NET INCOME	235.94	214.31	289.73
EPS	16.78	15.31	20.89
BVPS	115.48	130.02	150.12
RoE	15.53%	12.61%	14.81%

Source: Company's Website, Reuters & Capitaline



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