

SAMVAT  
2077



# DIWALI DHAMAKA

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# DIWALI DHAMAKA

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2077

Indian stock markets were highly volatile in the last one year where both domestic and global developments swayed the investor sentiment. In the past one year, market across the globe; have witnessed major events such as US-China trade talks, Brexit deal, and the deadly Corona virus pandemic, which led to a lockdown in most of the countries all over the world. Even recently, global and domestic markets were caught on the back foot on news of stringent lockdowns in Germany, France, and other parts of Europe due to rising COVID cases. The accelerating corona virus case count seemed to overshadow some positive vaccine news in the last few weeks.

Coronavirus is causing a sweeping new work-at-home culture across the globe with far-reaching global technology implications, including a stepped-up demand for solutions like virtual desktop infrastructure and Desktop as a Service, thus boosting the demand for IT companies. Across the globe, companies have embraced work-from-home as a permanent solution for their employees even if the pandemic gets over. Work-from-home culture has pushed a demand for the real estate as Work from Home Culture has led to a growing need for spacious homes with a private corner for work. Housing will always remain a need; in fact, home ownership has become more important now. The recent home sales data showed that it has recovered in the September quarter from the June quarter. Moreover RBI has relaxed LTV rules to make home loans cheaper and as interest rates are also at lower level, huge demand for the home loans is expected on the way. The green shoots seen in the real estate sector, is giving a hope that now all its allied sectors such as cement, capital goods to name a few will move in pace towards recovery. Even non allied sectors such as home appliances and FMCG as well as FMEG are also expected to see good demand going forward.

The business environment has started showing improvement through the different phases of the unlocking of the economic activities by the government. On the result front, Corporates have been posting strong and better than expected results for the September quarter. A seeming demand revival is appearing around the corner in the festive season, following economy-boosting measures by the government and the RBI. The rural areas are witnessing green shoots and are not yet a full fledged revival; however, performance in comparison to urban areas is likely to be better. Actually, a large part of the government's economic package has also supported the rural economy. The recent rising GST collection for the month of October has been the highest among the last eight months and crossed the ₹1 lakh crore marks for the first time since February 2020.

Global cues will continue to be in focus as a revival in virus cases around the world would lead to more restrictions and more pressure on economic recovery. Likewise, the news on COVID vaccine development will be on the radar. Moreover, Indian markets should not bother much about the outcome of the US election because whichever government comes to power in US is likely to continue the pro-India stance, and markets will run their courses. It is an opportune time for the investors to tweak and tighten your portfolio for the next Bull Run, by embracing buy on dips strategy in frontline quality stocks. Quality stocks with structural story will be the right recipe for a good investment and wealth creation.

S.No.	Co_Name	Sector	NSE Symbol	BSE Code	Price*	Target	Upside Potential
1	Infosys	IT - Software	INFY	500209	1072.00	1279	19%
2	ICICI Bank	Banks	ICICIBANK	532174	417.10	516	24%
3	HCL Technologies	IT - Software	HCLTECH	532281	822.20	933	13%
4	UltraTech Cem.	Cement	ULTRACEMCO	532538	4551.30	5440	20%
5	Larsen & Toubro	Infrastructure Devel. & Operators	LT	500510	929.20	1067	15%
6	Dr Reddy's Labs	Pharmaceuticals	DRREDDY	500124	4856.45	5848	20%
7	Tata Consumer	Plantation & Plantation Prod.	TATACONSUM	500800	493.35	583	18%
8	Polycab India	Cables	POLYCAB	542652	909.85	1167	28%
9	Sobha	Realty	SOBHA	532784	290.45	353	22%

\*Closing as on 3rd November, 2020

## VALUE PARAMETERS

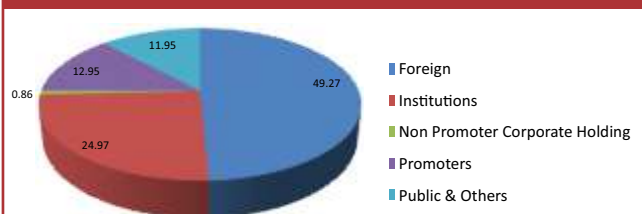
Face Value (Rs.)	5.00
52 Week High/Low	1185.00/511.10
M.Cap (Rs. in Cr.)	456608.97
EPS (Rs.)	41.92
P/E Ratio (times)	25.57
P/B Ratio (times)	6.82
Dividend Yield (%)	1.63
Stock Exchange	BSE

**CMP: 1072.00**

**Target Price: 1279**

**Upside: 19%**

## SHAREHOLDING PATTERN



## P/E CHART



## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-20	FY Mar-21	FY Mar-22
REVENUE	90791.00	98896.45	110700.69
EBITDA	22267.00	26842.31	29604.55
EBIT	19374.00	23703.86	26206.79
NET INCOME	16594.00	18827.86	21273.14
EPS	38.91	44.26	50.01
BVPS	154.34	171.15	189.13
RoE	25.45%	26.97%	27.61%

Source: Company's Website, Reuters & Capitaline

## INVESTMENT RATIONALE

- Infosys is a leading provider of consulting, technology, outsourcing and next-generation digital services, enabling clients to execute strategies for their digital transformation.
- The company has revised FY21 growth guidance upward to 2% to 3% in constant currency term. Operating margin for FY21 is also revised upward in the range of 21% to 23%.
- The company has announced large deal wins worth \$3.15 billion during the quarter. Infosys' Q2 revenue grew year-on-year by 3.2% in dollar terms and grew by 2.2% in constant currency. Digital revenues were at \$1,568 million (47.3% of total revenues), year-on-year growth of 25.4% in constant currency.
- Digital revenues at USD 1568 million (47.3% of total revenues) registered a 25.4%YoY in CC. digital and cloud capabilities combined with intense client relevance are helping the company to achieve differentiated results in the market as is visible in 2.2% year on year overall revenue growth and 25.4% growth from digital offerings.
- The company has added 25 new clients during Q1FY21 and total active clients at the end of September quarter stood at 1,487, with the company recently announcing strategic partnership with US-based investment management firm Vanguard.
- The company will roll out salary increases, promotions across all levels with effect from 1 January. The attrition rate for Q2 September 2020 declined to 7.8% against 18.3% in last fiscal. Infosys had 2,40,208 employees as of 30 September 2020 as against 2,36,486 in the same period last year.
- Recently, Infosys Nova Holdings LLC (a wholly owned subsidiary of Infosys Limited) acquired 100% of voting interests in Kaleidoscope Animations, Inc. a US based Product Design and Development firm, for a total consideration of up to \$ 42 million (approximately Rs 310 crore), comprising of cash consideration, contingent consideration and retention payouts, payable to the employees of Kaleidoscope Animations, Inc over the next three years, subject to their continuous employment with the group along with achievement of set targets for respective years.

## RISK

- Trimming of IT costs by Clients
- Margin erosion due to escalated offshore staff costs

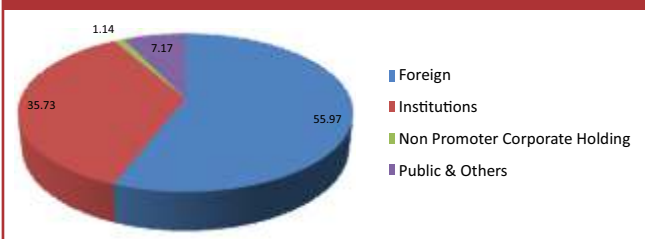
## VALUATION

The management of the company remains reasonably optimistic about growth prospects due to increase in win rate and increase in large deal pipeline. These deals will help incentivize its multi-gate servicing capabilities through digital platforms and enhance presence in Europe. Growth in retail is driven by large deal wins, and differentiation on digital deals. Strong order wins coupled with healthy order pipeline would give on visibility of revenue growth momentum. Thus it is expected that the stock will see a price target of Rs. 1279 in 8-10 months' time frame on current PE multiple of 25.57times and FY22(E) EPS of Rs. 50.01.

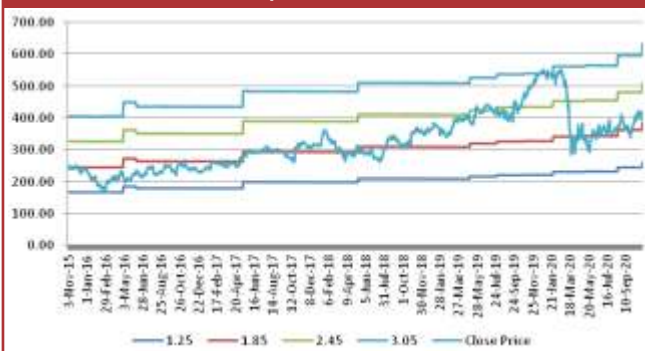
## VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	552.40/269.00
M.Cap (Rs. in Cr.)	287694.34
EPS (Rs.)	20.18
P/E Ratio (times)	20.67
P/B Ratio (times)	2.01
Stock Exchange	BSE

## SHAREHOLDING PATTERN



## P/B CHART



## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-20	FY Mar-21	FY Mar-22
NII	33267.07	37479.56	42463.41
EBIT	28101.28	30400.38	36369.62
PRE-TAX PROFIT	16773.04	17621.99	24050.13
NET INCOME	7930.81	13468.59	17853.94
EPS	12.08	19.82	26.13
BVPS	180.00	203.70	227.49
RoE	8.07%	10.62%	12.08%

Source: Company's Website, Reuters & Capitaline

**CMP: 417.10**

**Target Price: 516**

**Upside: 24%**

## INVESTMENT RATIONALE

- Business of the bank increased at steady pace of 13% yoy to Rs 1485544 crore at end September 2020, supported by loans growth of 6% at Rs 652608 crore. Meanwhile, the deposits growth was strong at 20% to Rs 832936 crore at end September 2020.
- Domestic advance book grew at improved pace of 10% yoy to Rs 610279 crore which was led by corporate book rising 3% yoy to Rs 157357 crore. SME loan book growth also accelerated to 22% yoy at Rs 23341 crore at end September 2020.
- Further, the retail loan book continued to expand at strong pace of 13% yoy to Rs 429581 crore at end September 2020. With the healthy growth, the share of retail book in the overall advance book was stable on sequential basis at 66% at end September 2020, while improved from 62.10% at end September 2019.
- Net NPA ratio decreased from 1.23% at June 30, 2020 to 1.00% at Sep 30, 2020, -the lowest in the last 12 quarters. Bank has exhibited healthy improvement in the asset quality with the sharp dip in fresh slippages of advances in Q2FY2021.
- Provision coverage ratio (excluding technical write-offs) increased from 78.6% end June 2020 to 81.50% end Sep 2020.
- The bank's total capital adequacy at 30 September 2020, including profits for H1-2021, was 19.33% and Tier-1 capital adequacy was 17.89% compared to the minimum regulatory requirements of 11.08% and 9.08% respectively. During the quarter, the bank raised equity capital of Rs 15,000 crore.
- Net interest income (NII) increased by 16% year-on-year to Rs 9,366 crore in Q2FY21 from Rs 8,057 crore in Q2FY20. The net interest margin was 3.57% in Q2FY21 compared to 3.69% in the quarter ended 30 June 2020 (Q1FY21) and 3.64% in Q2FY20, reflecting surplus liquidity with the bank.

## RISK

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

## VALUATION

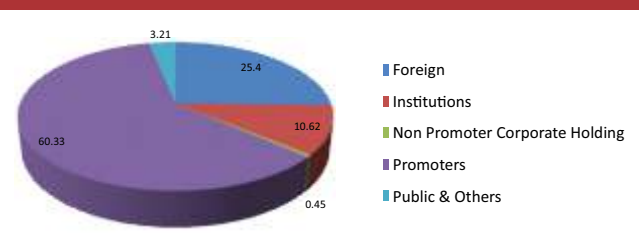
The bank is focusing on growing the core operating profit in a risk calibrated manner instead of loan growth. The bank aims to improve share of profitable market opportunities by making delivery to the customer more seamless and frictionless through digitization and process improvements. Business performance of the bank such as domestic loan growth, overall corporate advances, retail loan growth, CASA ratio are continuously improving. Thus, it is expected that the stock will see a price target of Rs.516 in 8 to 10 months time frame on 1 year average P/Bvx of 2.27x and FY22(E) BVPS (Book Value Per Share) of Rs.227.49.



## VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	910.75/375.50
M.Cap (Rs. in Cr.)	223117.55
EPS (Rs.)	44.92
P/E Ratio (times)	18.30
P/B Ratio (times)	3.94
Dividend Yield (%)	1.22
Stock Exchange	BSE

## SHAREHOLDING PATTERN



## P/E CHART



## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-20	FY Mar-21	FY Mar-22
REVENUE	70676.00	75042.67	83943.29
EBITDA	17316.00	19312.43	21276.39
EBIT	13896.00	15584.52	17388.57
NET INCOME	11057.00	12270.42	13761.65
EPS	40.75	45.42	50.97
BVPS	208.64	223.05	254.18
RoE	23.87%	21.97%	21.51%

Source: Company's Website, Reuters & Capitaline

**CMP: 822.20**

**Target Price: 933**

**Upside: 13%**

## INVESTMENT RATIONALE

- HCL Technologies (HCL) is a leading global technology company that helps global enterprises re-imagines and transforms its businesses through digital technology transformation. HCL operates out of 32 countries.
- It 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 Digital Transformation and Cloud businesses and a strong stability in the Products & Platforms segment, all of which continue to open diverse growth avenues. Its investments over the last few years in next-gen technologies have held the company in good stead and position strongly to leverage the emerging market opportunities.
- 5 new clients each were added in the \$100 million client buckets taking the total count to 15 sequentially.
- Recently, it has announced its intention to acquire DWS, a leading Australian IT, business and management consulting group. The acquisition of DWS will strongly enhance HCL's contribution to Digital initiatives in Australia and New Zealand while strengthening HCL's client portfolio across key industries. The transaction is expected to close in December 2020, subject to closing conditions, including regulatory approvals.
- It has launched a dedicated Google Cloud Business Unit to accelerate enterprise cloud adoption. The new extensive and strategic partnership between HCL and Google Cloud will help organizations advance their digital transformation agendas powered by Google Cloud Platform and Google Cloud solutions.
- HCL Tech has seen a surge in deal wins and the management of the company expects fourth quarter would be a stronger quarter owing to strong deal wins with increasing TCVs, accelerated pace of new customer additions and strong efforts in increasing the share from client's wallet. Further expects revenue to register an average growth of 1.5-2.5%QoQ in Constant Currency for Q3, Q4 and FY21 and EBIT to be between 20-21% for FY21. Moreover, it has signed 15 transformational deals, led by key industry verticals including life sciences and healthcare, public services (energy & utilities) and manufacturing.

## RISK

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

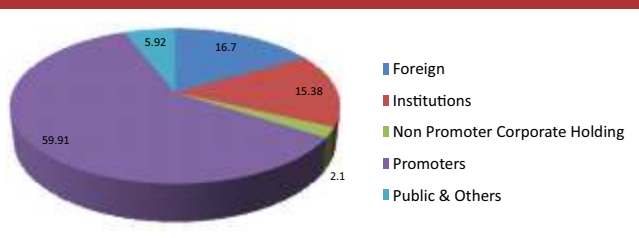
## VALUATION

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 maintained its FY20 guidance reiterating a strong outlook. Thus, it is expected that the stock will see a price target of Rs.933 in 8 to 10 months time frame on current P/E of 18.3x and FY22 (E) earnings of Rs.50.97.

## VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	4753.35/2913.15
M.Cap (Rs. in Cr.)	131363.98
EPS (Rs.)	218.30
P/E Ratio (times)	20.85
P/B Ratio (times)	3.22
Dividend Yield (%)	0.29
Stock Exchange	BSE

## SHAREHOLDING PATTERN



## P/B CHART



## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-20	FY Mar-21	FY Mar-22
REVENUE	42124.83	41615.69	46876.46
EBITDA	9283.57	10177.27	11423.06
EBIT	6581.41	7366.20	8436.25
NET INCOME	5814.84	4670.01	5814.07
EPS	201.55	164.36	204.16
BVPS	1356.22	1508.69	1689.30
RoE	15.96%	11.52%	12.67%

Source: Company's Website, Reuters & Capitaline

**CMP: 4551.30**

**Target Price: 5440**

**Upside: 20%**

## INVESTMENT RATIONALE

- UltraTech Cement manufactures a range of products that cater to construction needs from foundation to finish, including Ordinary Portland Cement (OPC), Portland Blast Furnace Slag Cement (PSC), Portland Pozzolana Cement (PPC), white cement including white cement-based products and ready-mix concrete.
- The Company 14.6 mtpa cement plants acquired during the quarter ended September 2020 the previous financial year have been integrated and now the company is investing in improving operations further.
- The Company's Capex guidance for FY21 has been reduced to Rs 1200-1300 crore from Rs1500 crore given in Q1FY21. Out of which, the Company has spent Rs 450 crore till now. The Company expects Bara grinding unit will be completed in Q4FY21, while the Dalla Super clinker plant will be commissioned by FY22-end. Grinding units in West Bengal and Bihar will be commissioned by Q3FY22, while Cuttack grinding unit will come in Q4FY22. Pali, Rajasthan, greenfield plant has to be commissioned by Q3FY23.
- The Company has reduced net debt substantially for the second quarter in a row. With prudent working capital management, and overall efficient operations, the Company has shaved off Rs 4,728 crores of net debt in the first-half of this fiscal year.
- On the Waste heat recovery systems (WHRS) Capex Plans front, currently, the company has WHRS capacity of 125MW, which will increase to 185MW and 245MW by FY22 and mid-FY24, respectively. - By FY22, the company expects to complete its 350MW solar plant, out of which 115-120MW has already been commissioned. This along with WHRS plans will take care of 30% of energy requirement of the company.
- The company's strong Q2FY21 quarterly performance is on the back of operational efficiencies and its ability to serve all India markets. UltraTech reported robust operating margins at 27% driven by both revenue growth and tight cost management.

## RISK

- Economy slowdown
- Taxation and environmental risks

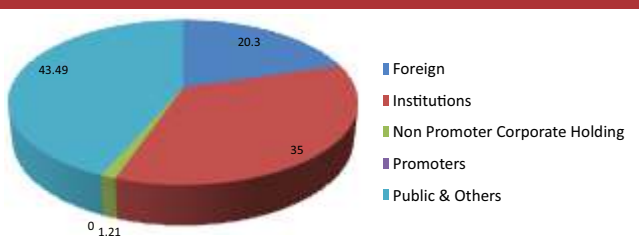
## VALUATION

The company expects demand for cement to grow on the back of Governments thrust on infrastructure and the expanding rural economy. The recent policy measures announced by the Reserve Bank of India to support the real estate sector will also aid demand. Given its Pan-India presence, UltraTech is well positioned to benefit from demand recovery across the markets. UltraTech continues to remain committed to all its business associates. Thus, it is expected that the stock will see a price target of Rs.5440 in 8 to 10 months time frame on a current P/BVx of 3.22x and FY22 (E) BVPS of Rs.1689.3.

## VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	1486.60/661.05
M.Cap (Rs. in Cr.)	130483.53
EPS (Rs.)	100.95
P/E Ratio (times)	9.20
P/B Ratio (times)	1.80
Dividend Yield (%)	1.94
Stock Exchange	BSE

## SHAREHOLDING PATTERN



## P/E CHART



## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-20	FY Mar-21	FY Mar-22
REVENUE	145452.36	138773.55	164653.88
EBITDA	16328.98	14680.59	19146.86
EBIT	13866.71	12832.75	16830.98
NET INCOME	9642.58	6998.37	9975.03
EPS	68.62	49.90	71.14
BVPS	475.27	546.37	596.08
RoE	14.94%	9.44%	12.40%

Source: Company's Website, Reuters & Capitaline

**CMP: 929.20**

**Target Price: 1067**

**Upside: 15%**

## INVESTMENT RATIONALE

- L&T is an Indian technology, engineering, construction, manufacturing and financial services conglomerate, with global operations.
- Consolidated Order Book of the L&T Group as at September 30, 2020 stood at Rs 298856 crore and of which international Order Book constitute 24%. As at Sep 30, 2020, the Order Book of Infrastructure segment stood at Rs 220430 crore (of which 22% is international order book) and that of power segment was Rs 14695 crore (of which international constitute 6%) as at September 30, 2020. The order book of Heavy Engineering was Rs 3377 crore (45% is international), defence engineering was Rs 9132 crore (16% international) and hydrocarbon was Rs 37780 crore (of which 49% of the order book).
- Recently, it has emerged the lowest bidder for the C6 package of the National High-Speed Rail Corporation's (NHSRCL) bullet train project, at Rs 7,289 crore. This is the second contract for the company in the mega project. The company last month won one of the largest infrastructure tenders the country for design and construction of civil works for 47 per cent of the total alignment of the Mumbai-Ahmedabad High-Speed Rail corridor.
- According to the management, the company has continued its order inflow traction majorly from Water, Heavy Engineering, Power T&D & Transportation infra through market share gain in difficult times by leveraging its strong balance sheet. Hence, there is a potential for L&T to surprise on the upside on order inflows.
- Government focus on key sectors of Water, Power T&D, Metro/RRTS, Railways, Roads and Expressways augurs well even though private sector falls short. Large part of the orders in the water and power T&D are from states but that in metro, roads, expressways are largely from central sector.
- It has posted a consolidated profit of Rs.5,230.3 crore, a sharp jump of 118% year-on-year, for the quarter ended 30 September. The L&T board has approved special dividend of Rs.18 per equity share i.e. 900% on face value of Rs.2 each, for the financial year 2020-21. The company recorded consolidated gross revenues of Rs. 31,035 crore for the September quarter, a 12% year-on-year decline due to "due to the lingering impact of the pandemic during the quarter under review.

## RISK

- Economy slowdown
- Capital intensity of operations

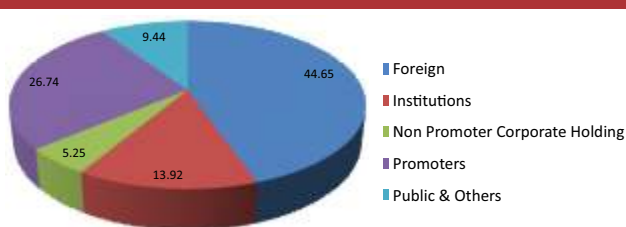
## VALUATION

The company will maintain leadership in the E&C segment in India, and is positioned to benefit from the large infrastructure spending in India, over the medium term. Moreover, the company is likely to maintain its healthy cash accrual despite the challenging market conditions for the E&C segment. Thus, it is expected that the stock will see a price target of Rs. 1067 in 8 to 10 months time frame on a target P/Ex of 15x and FY22(E) EPS of Rs.71.14.

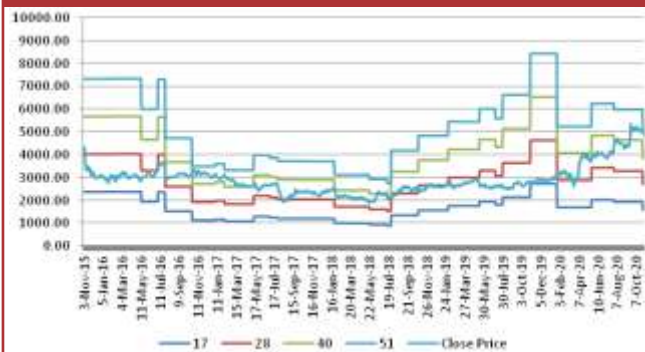
## VALUE PARAMETERS

Face Value (Rs.)	5.00
52 Week High/Low	5514.65/2497.60
M.Cap (Rs. in Cr.)	80755.57
EPS (Rs.)	96.77
P/E Ratio (times)	50.19
P/B Ratio (times)	4.85
Dividend Yield (%)	0.51
Stock Exchange	BSE

## SHAREHOLDING PATTERN



## P/E CHART



## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-20	FY Mar-21	FY Mar-22
REVENUE	17460.00	19264.03	21618.00
EBITDA	4147.10	4753.48	5518.93
EBIT	3276.00	3434.64	4103.72
NET INCOME	3626.50	2754.64	3254.89
EPS	218.36	165.92	196.03
BVPS	940.95	1066.13	1232.17
RoE	24.48%	16.62%	17.02%

Source: Company's Website, Reuters & Capitaline

**CMP: 4856.45**

**Target Price: 5848**

**Upside: 20%**

## INVESTMENT RATIONALE

- Dr. Reddy's operates through three key core business segments: a) Global Generics (GG), which includes branded and unbranded prescription medicine as well as over-the-counter (OTC) pharmaceutical products. It also includes the biosimilars business; b) Pharmaceutical Services & Active Ingredients (PSAI), which comprises Active Pharmaceutical Ingredients (APIs) and Custom Pharmaceutical Services (CPS); and c) Proprietary Products (PP), focused on dermatology and neurology.
- During the Q2FY21, the global generics business registered a 21% YoY growth, with North America rising 28%, Europe 36% and India 21% driven by primarily on account of new product launches, volume traction in the base business and integration of the acquired business from Wockhardt in India.
- Research & Development (R&D) expenses stood at Rs. 440 crore and according to the management its focus continues on building a healthy pipeline of new products across our markets including development of products pertaining to COVID-19 treatment.
- As of September, the company's 94 generic filings are awaiting approval. These include 92 ANDAs (abbreviated new drug application) and two NDAs (new drug application). Out of the pending ANDAs, 50 are Para IVs and the management believes that 26 have "First to File" status. In general, approvals under Para IV and 'First to File' status should help in having a better market share and margins.
- For the current fiscal, the company plans to launch up to 25 products. While more than 50 per cent of the filings are in complex opportunities – biologics, complex drug delivery system (injectables), new products are also expected to contribute in a similar manner. The company launched nine new products, including Ciprofloxacin and Dexamethasone otic suspension (ear infection), Fulvestrant Injection (oncology) and Olapatadine (eye infection). So far during this fiscal, the company has launched 15 products.

## RISK

- Strict Operational and strategic regulation
- Currency fluctuation

## VALUATION

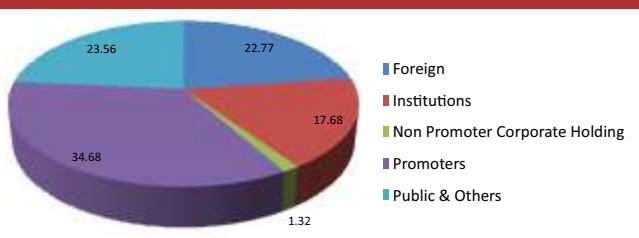
The company has reported strong results of the current quarter in terms of sales growth, improvement in EBITDA margin and healthy cash generation. According to the management of the company, it continues to work towards mitigating the risk through focus on increasing market share, launch of new products and improvement in productivity. In the medium to long-term, management of the company wants to focus on ramping up of biosimilars through internal and partnered assets and building differentiated products in relevant therapies, accompanied by a further ramping up of the base business. Thus, it is expected that the stock will see a price target of Rs.5848 in 8 to 10 months' time frame on 3 year average P/E of 29.83x and FY22(E) EPS of Rs. 196.03.



## VALUE PARAMETERS

Face Value (Rs.)	1.00
52 Week High/Low	591.75/214.00
M.Cap (Rs. in Cr.)	45464.75
EPS (Rs.)	8.05
P/E Ratio (times)	61.29
P/B Ratio (times)	3.30
Dividend Yield (%)	0.55
Stock Exchange	BSE

## SHAREHOLDING PATTERN



## P/B CHART



## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-20	FY Mar-21	FY Mar-22
REVENUE	9637.42	10813.78	11660.13
EBITDA	1292.15	1577.83	1741.41
EBIT	1050.44	1362.70	1523.17
NET INCOME	734.55	853.69	1033.33
EPS	7.97	9.36	11.20
BVPS	149.91	163.22	170.61
RoE	6.95%	5.96%	6.84%

Source: Company's Website, Reuters & Capitaline

**CMP: 493.35**

**Target Price: 583**

**Upside: 18%**

## INVESTMENT RATIONALE

- Tata Consumer Products, a subsidiary of the Tata Group, is a consumer products company. The company's portfolio of products includes tea, coffee, water, salt, pulses, spices, and ready-to-cook offerings. It is the world's second-largest manufacturer and distributor of tea and a major producer of coffee.
- During Q1FY21, in the branded business segment, India Beverages revenue was at Rs 1,000 crore (up 11% YoY), India Foods revenue was at Rs 589 (up 19% YoY) and International Beverages revenue was at Rs 867 crore (up 15% YoY) while non-branded business revenue rose 9% on a year-on-year (YoY) basis to Rs 264 during the quarter.
- According to the management, the company along with its subsidiaries and affiliates continues to manufacture and supply essential food and beverage items in domestic and international markets in the current COVID-19 environment. The demand for the food and beverage products for in home consumption was buoyant, whereas segments in out of home consumption were adversely impacted.
- On the development front, Tata Consumer Products has acquired the entire stake of PepsiCo in NourishCo (50%), consequently terminating the joint-venture and making NourishCo a wholly-owned subsidiary of the company as well as transfer of rights over the 'Gluco Plus / Gluco+' brand from PepsiCo. This move is consistent with the company's focus on widening its portfolio in the food and beverages space and the above acquisition would be providing an established platform to the company for further expansion in the ready-to-drink beverage segment.
- During Q1FY21, EBITDA increased by 37% to Rs 486 crore in the June quarter (from Rs 354 crore reported in the corresponding period last year) as a result of higher sales, gross margin improvement and rationalization of discretionary expenditure. EBITDA margin stood at 17.9% as on 30 June 2020 as against 14.8% as on 30 June 2019.

## RISK

- Economic risk
- Highly competitive

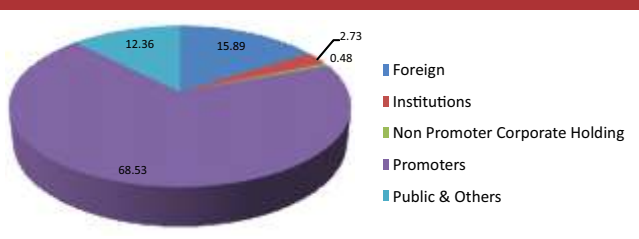
## VALUATION

The company has recorded good revenue and profit growth in Q1FY21 due to increased demand in some categories, strong marketing campaigns and adopting new routes to reach the end consumer effectively. According to the management, the integration of foods and beverages businesses in India is progressing well and would unlock significant synergy benefits. In its international markets, the company is investing behind its core brands and driving innovations in the tea and coffee segment. Moreover, the company is also strengthening key processes across the organization to scale up capability and build a future ready organization. Thus, it is expected that the stock will see a price target of Rs.583 in 8 to 10 months' time frame on an expected P/BV of 3.42x and FY22(E) BVPS of Rs. 170.61.

## VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	1180.00/571.70
M.Cap (Rs. in Cr.)	13561.30
EPS (Rs.)	51.07
P/E Ratio (times)	17.82
P/B Ratio (times)	3.22
Dividend Yield (%)	0.77
Stock Exchange	BSE

## SHAREHOLDING PATTERN



## P/E CHART



## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-20	FY Mar-21	FY Mar-22
Revenue	8829.96	7942.57	9602.52
EBITDA	1135.03	1009.27	1259.16
EBIT	974.14	838.75	1076.55
Net Income	759.06	723.40	835.77
EPS	50.97	48.05	55.56
BVPS	257.69	298.26	345.15
RoE	22.71%	16.89%	17.03%

Source: Company's Website, Reuters & Capitaline

**CMP: 909.85**

**Target Price: 1167**

**Upside: 28%**

## INVESTMENT RATIONALE

- Polycab India is one of the largest manufacturers of various types of cables and wires. The Company is also in the business of Engineering, Procurement and Construction projects, Manufacturing and trading of Electrical Wiring Accessories, Electrical Appliances and Agro Pipe and pumps.
- About 14 new products and over 40 new SKUs were launched in past six months. Relatively stable price environment in Lighting business aided value growth. Pumps sales more than doubled on YoY basis. Switchgears saw a revival however switches remained muted due to operational issues.
- The company has achieved healthy underlying performance with improved profitability in FY20. It has maintained its dominant position in Wires and Cables and continues to expand its presence in the 'Electricals' ecosystem. The year was marked with strong business momentum despite significant headwinds however the outbreak of COVID-19 pandemic and its severe economic implications partly tapered growth. The company has been focusing on deleveraging and plans to repay in FY21 and Fy22.
- The company is tightening its belts with cost cutting initiatives, to improve profitability without bargaining on long term brand development and innovation initiatives. The company remains focused on augmenting brand positioning in the Electricals space and creating long term shareholder value.
- According to the management, the company is refining its strategy to capture emerging trends and succeed in the transforming world. Government reforms and initiatives will certainly help the broader economy and people. The company being a true example of made in India brand will continue to contribute to nation's growth and governments vision to make India a self-reliant economy.
- With strong recovery in the business during Q2FY21 post easing of lockdown restrictions; it reported 14% increase in consolidated net profit to Rs 221.6 crore on 6% decline in revenue to Rs 2,113.7 crore in Q2 FY21 over Q2 FY20. The management has indicated at continuous demand improvement QoQ post opening up of the economy.

## RISK

- Intense Competition
- Low Capex Execution Risks

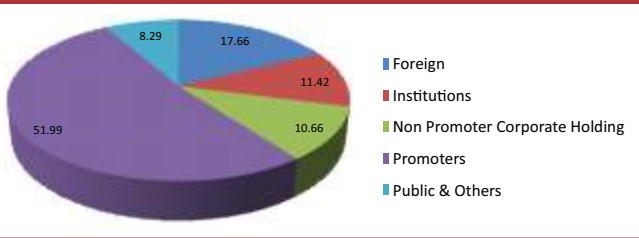
## VALUATION

The company would be able to gain market share in the FMEG segment as it keeps on investing into increasing reach, brand visibility and into new products. Recently, it has reported stronger than expected numbers led by healthy revival in domestic B2C segment and exports. Thus, it is expected that the stock will see a price target of Rs.1167 in 8 to 10 months time frame on a target P/E of 21x and FY22(E) EPS of Rs.55.56.

## VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	468.00/117.90
M.Cap (Rs. in Cr.)	2754.80
EPS (Rs.)	20.82
P/E Ratio (times)	13.95
P/B Ratio (times)	1.13
Dividend Yield (%)	2.41
Stock Exchange	BSE

## SHAREHOLDING PATTERN



## P/B CHART



## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-20	FY Mar-21	FY Mar-22
REVENUE	3750.13	3207.39	3826.41
EBITDA	1158.10	799.42	972.90
EBIT	1085.80	641.81	790.85
NET INCOME	281.50	236.04	342.80
EPS	29.69	23.39	34.52
BVPS	256.46	274.89	299.40
RoE	12.08%	10.20%	12.35%

Source: Company's Website, Reuters & Capitaline

**CMP: 290.45**

**Target Price: 353**

**Upside: 22%**

## INVESTMENT RATIONALE

- Sobha is a real estate player primarily focused on residential and contractual projects. Currently, it has ongoing real estate projects aggregating to 38.52 million square feet of developable area and 26.81 million square feet of saleable area, and ongoing contractual projects aggregating to 9.48 million square feet under various stages of construction.
- As on 30 June 2020, it has delivered about 109.74 million square feet of developable area and has a real estate presence in 10 cities, viz. Bengaluru, Gurugram, Chennai, Pune, Coimbatore, Thrissur, Kozhikode, Kochi, Gujarat (Gift City) and Mysore. Overall, Sobha has footprint in 27 cities in 14 states across India.
- It has achieved total sales volume of 0.65 million square feet valued at Rs 488 crore during Q1 FY21. Total average price realisation showed upward trend compared with Q1 FY20, amid good sales traction for luxury and super luxury projects across cities. The level of inquiries from customers are now almost back to pre-COVID levels.
- According to the management of the company, it has achieved total cash inflow of Rs 547 crore during the quarter despite various operational challenges. The company's average borrowing cost also came down during the quarter and stands at 9.64% as of 30 June 2020. Moreover, it continues to enjoy sufficient liquidity from banks/financial institutions at a much lower cost than industry average.
- According to the management of the company, Bangalore market has least impact of COVID-19 amongst the metros and is expected to perform better. Good cash inflow from ongoing and completed projects, focus on cost optimisation and efficient cash flow management would help keep the company's debt levels under control in these uncertain times which would further improve the overall performance of the company.
- The Company has reported a better than industry average sales performance during Q1FY21 and it was backed by increased use of digital platforms and technology along with already existing self-reliant model of construction operations. Further, it was also able to use various augmented reality and virtual reality tools to enhance customer experience.
- The company reported strong sales for the second quarter of FY21, Its volume and total sales value witnessed an increase of 37 per cent and 41 per cent QoQ for the quarter ended September 30. New sales of the company increased to 8,91,700 square feet in Q2FY21 against 6,50,400 square feet in the preceding quarter ended June 30. However, the figure stood at 10,36,340 square feet in the corresponding quarter last year. Total average price per square feet also increased to Rs 7,737 from Rs 7,498 on QoQ basis. The figure stood at Rs 6,584 in the corresponding quarter last year.

## RISK

- Economy slowdown
- Regulatory, taxation and environmental risks

## VALUATION

The company is doing well and Q1FY20 has been a good quarter for the company due to adoption of innovative technological tools, self-reliant model, strong brand, on time delivery, robust balance sheet, presence in major cities, availability of sufficient liquidity and huge land bank for future growth. The management of the company strongly feels that the company is well equipped to face the recent challenges. Moreover, Real estate sector is expected to perform better due to all time low housing loan interest rates, inherent demand for housing, various tax exemptions under income tax, CLSS (Credit linked subsidy scheme) scheme & other government benefits. Thus, it is expected that the stock will see a price target of Rs.353 in 8 to 10 months time frame on an expected P/BVx of 1.18x and FY22(E) BVPS of Rs.299.40.



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