Angel Broking®

Presents

TOP PICKS REPORT

Diwali Special - October 2019

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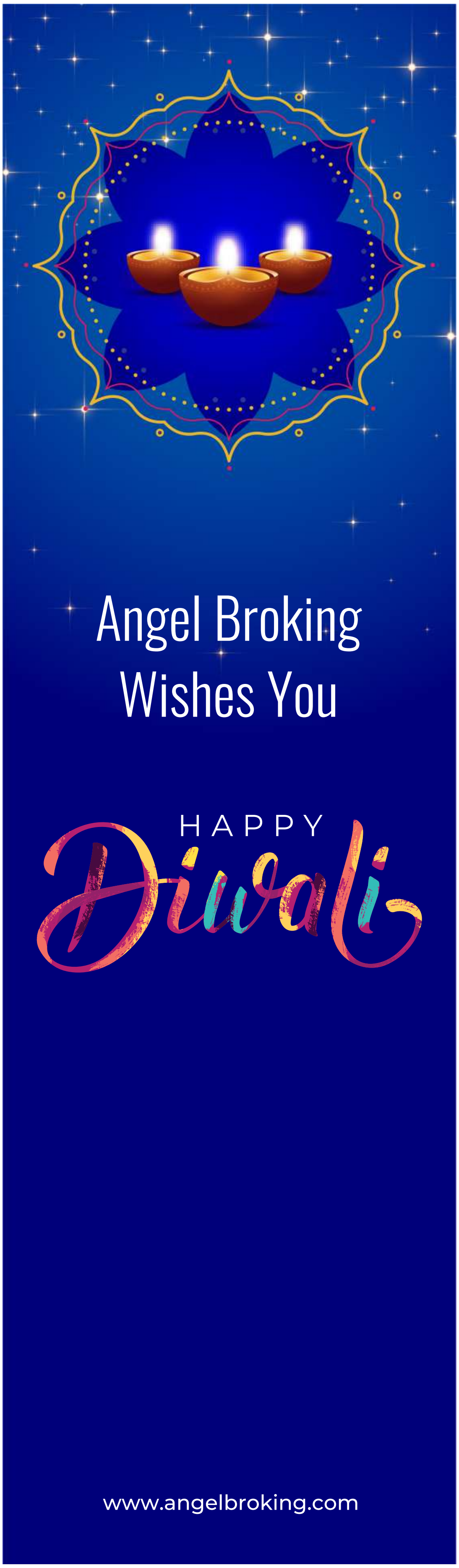
Research Team



Dear Friends,

Let me wish you all a very Happy Diwali and a Prosperous New Year!

This has been a very eventful year for the markets with sentiment swinging between extreme optimism and pessimism due to news flows on both global and local front which culminated recently with the game changing announcement by the Government to cut corporate tax rate from 30% to 22%.

Market sentiments were adversely impacted during the second half of FY19 on account of the NBFC crisis and also due to political uncertainty as the incumbent Government was not expected to do as well at it did in 2014. However election results surprised everyone with the incumbent NDA Government improving upon their previous tally of 336 seats and getting a thumping majority with 353 seats which resulted in the benchmark Nifty touching levels of 12,000 for the very first time.

The new Government used the Union Budget to highlight its thrust on infrastructure and declared its intent to invest ₹100 lakh Cr. over the next 5 years. Government also reemphasized its focus on affordable housing with 1.95 cr. houses to be provided to eligible beneficiaries by 2022. While the Government stuck to its Fiscal deficit target for FY19 and aimed for a lower deficit target for FY20 there was hike in surcharge for individuals and trusts earning above ₹2 Cr. The hike in surcharge for equity was however rolled back subsequently as it had an adverse impact on FPI taxation.

The trade war between US and China is already causing global growth rates to slow down. The OECD recently cut its GDP growth estimate for 2019 from 3.2% to 2.9%, while growth rate for 2020 have been cut to 3.0% from 3.4%. However there is unlikely to be too much of an impact on India as we are not an export led economy unlike other emerging markets.

Major central banks are cognizant of slowing global growth and are taking preemptive action. The US Fed has now cut rates by 50bps while the ECB has restarted it's QE program again. With major central banks printing money global liquidity should improve from here on and India should be able to get a disproportionate share of the flows going to emerging markets, given the latest move by the Government to cut corporate tax.

Despite recent volatility in markets retail investors have continued their faith in Indian equities. Though MF inflows this year have slowed down somewhat to ₹35,000Cr as of end August 2019, I am very confident that MF inflows will pick up from here on, as market sentiments improve. I am very confident that the worst is either already behind us or will be very soon and markets would scale new highs by next Diwali.

So, this Diwali, let's continue this exciting journey while celebrating the auspicious occasion. Happy Diwali once again!

Regards

Top Picks

Company	CMP (₹)	TP (₹)
Banking/NBFC		
ICICI Bank	427	510
HDFC Bank	1,223	1,390
RBL Bank	312	410
Shriram Transport Finance	1,032	1,385
Consumption		
Amber Enterprises	875	964
Blue Star	795	867
Safari Industries	588	646
TTK Prestige	6,087	7,708
Media/Automobiles		
Maruti Suzuki	6,752	8,552
Real Estate/Infra/Logistics/Power		
GMM Pfaudler	1,495	1,740
Larsen & Tourbo	1,458	1,850
KEI Industries	527	612
Ultratech Cement	4,147	4,982

Source: Angel Research;
Note: CMP as of 03 Oct , 2019

Corporate tax cut – A game changer policy for India

The Government has announced a major fiscal stimulus by reducing corporate tax rates across the board through an ordinance. The changes made to the income tax are listed below.

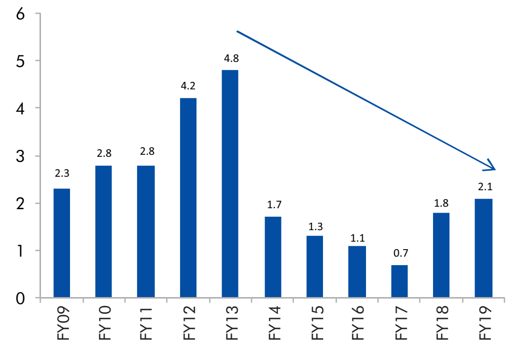
- Corporate tax rates have reduced from 30% to 22% for companies that are not availing any exemption/incentive. The effective tax rate for these companies shall be 25.17% inclusive of surcharge & cess.
- Tax rates for any new domestic company incorporated on or after 1st October 2019 making fresh investment in manufacturing, to 15% from 25%. This is conditional upon the companies not availing any exemption/ incentive and commences their production on or before 31stMar'23. Effective tax rate works out to be 17.01% inclusive of surcharge & cess.
- MAT rates for companies who are paying tax at concessional rates or zero rate have been reduced to 15% from 18.5%.

Fiscal slippage a necessity to boost growth given low inflation

Tight fiscal and monetary policy over the past few years coupled with major structural changes have taken a toll on growth. Given current growth inflation dynamics, some amount of fiscal slippage is unlikely to stoke inflation. On the contrary we believe that fiscal slippage is necessary and will go a long way in boosting growth given that India doesn't have a twin balance sheet problem like 2013. As per Government estimates the tax break will cost the exchequer ₹1.45 lakh Cr. of which ~60-65% will be borne by the states. Therefore the tax cut will cost the central Government ~55-60 thousand Cr. which has already been financed by the RBI which transferred ₹148,000Cr. to the Govt as compared to budgeted estimates of ₹90,000Cr.

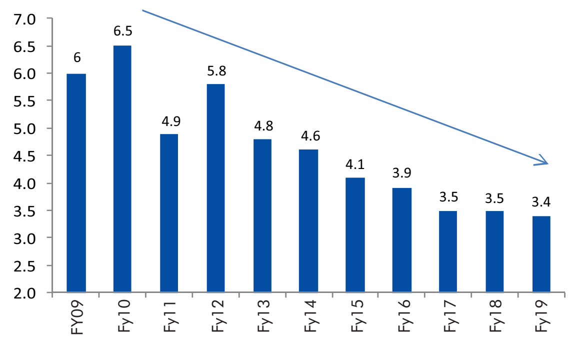
The tax cuts would increase profitability for companies at the highest tax bracket by ~14% which would be used by the companies to stimulate growth through price cuts and by increased investments in new capacities. Increased investments would boost growth over a period of time which would in turn lead to higher tax collections and thus lower fiscal deficit in the long run.

Exhibit 1: India Current account deficit (%)



Source: Company, Angel Research

Exhibit 2: India Fiscal deficit (%)



Source: Company, Angel Research

RBI has room to cut rates further as inflation is expected to remain low

Monsoon situation has improved significantly and is at a 9% surplus as of 28th Sep'19. Improving monsoon situation would keep food inflation in check while falling commodity prices would lead to lower manufacturing inflation. As a result we expect inflation to remain below the RBI's target of 4% which would allow the RBI to cut rates further despite fiscal slippage.

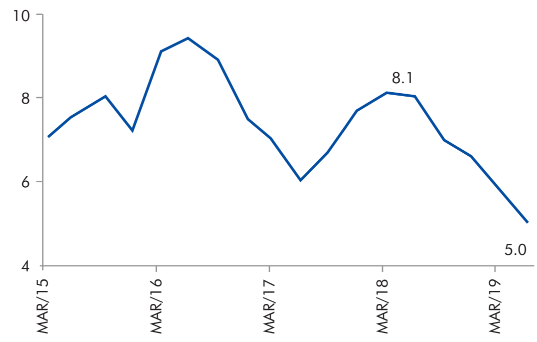
G Sec yields have moved up lately from ~6.3% to ~6.7% despite a 35bps rate cut by the RBI in it's August MPC meeting as markets are concerned about significant additional Government borrowings due to revenue shortfall on account of economic slowdown and tax cuts. However we believe that the RBI would step in at some point of time in the near future and push down yields through Open market operations (OMO).

We believe that accommodative monetary and fiscal policy is the need of the hour to bolster growth as inflation rates are unlikely to pick up given significant spare capacity in the economy. Low crude prices and relatively stable food prices would also go a long way in helping contain inflation. We expect the RBI to cut rates by 40-65bps from here on over and above the 110bps of cuts so far.

Q1FY20 GDP number of 5.0% probably the bottom in terms of growth rate

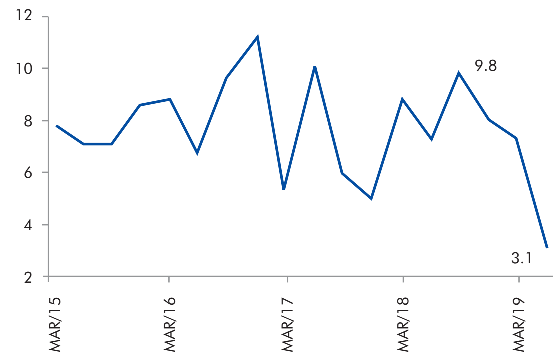
Rate cuts and large transfer by the RBI, Improving monsoon situation, relief for FPI's from additional surcharge and tax cuts announced by the Government should help in reversing sentiments going forward. The Q1FY20 GDP growth number at 5.0% probably marks the bottom in terms of growth rate. Hence we believe that the worst is over and growth rates should start improving from Q2 onwards driven by Government spending while private spending is expected to pick up from the second half of FY20.

Exhibit 3: GDP growth at multi quarter low



Source: Bloomberg, Angel Research

Exhibit 4: Consumption growth lowest since Dec 2014



Source: RBI, Angel Research

US-China trade war throws up opportunity for India

The trade war between US and China has already caused global growth rates to slow. The OECD has recently cut its GDP growth estimate for FY19 from 3.2% to 2.9% while growth rate for 2020 have been cut to 3.0% from it's earlier forecast of 3.4%.

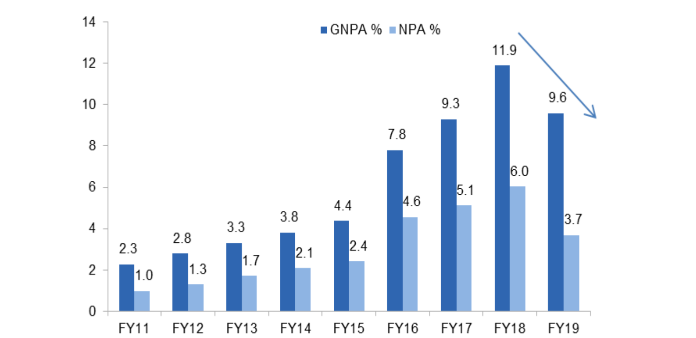
While the US China trade war is having an adverse impact on global growth India is relatively immune given low share of exports to GDP as compared to some of the other Asian countries. The US China trade war however is an opportunity for India as some manufacturing capacities would be moving out of China in order to de-risk their supply chain. With tax rates in India now comparable to some of the other emerging economies we would be in a better position to capture the opportunities thrown up by the disruption caused by the trade war.

IBC has forced out the Stress in Corporate India...

Indian banking sector had been under severe stress as NPA levels had spiked from 3.8% in FY2014 to 11.9% by the end of FY2018. This was largelydriven by stress from few key sectors like Iron & steel, Infrastructure and Power and Textiles. NPA recognition was accelerated on account of the Insolvency and Bankruptcy Code which was introduced by the Government in 2016. It replaced earlier laws like the SICA which were antiquated and were ineffective in dealing with stressed assets.

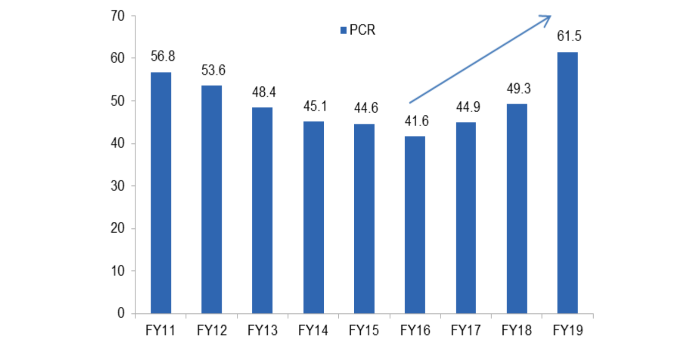
Under the IBC inefficient promoters and management were forced out of their companies which were sold out to more efficient players. One of the key highlights of the IBC was resolution of some very large Iron & steel accounts, wherein the banks were able to recover a significant portion of their loans which would have been unthinkable under the previous acts. We believe that the worst of the NPA cycle is behind us now and credit costs for the banking sector is expected to normalize over the next few quarters.

Exhibit 5: NPA's down sharply since peak in FY18



Source: Bloomberg, Angel Research

Exhibit 6: Provisioning coverage improved significantly



Source: RBI, Angel Research

Central banks easing to reverse liquidity outflow from India

Major central banks are cognizant of slowing global growth and have taken preemptive action. The US fed has now cut rates by 50bps and has also stopped unwinding it's balance sheet while the ECB has cut it's deposit rate by 10bps to -50bps and has restarted it's QE program at EUR 20bn per month.

With major central banks printing money global liquidity should improve from here on and India should be able to get a disproportionate share of the liquidity going to emerging markets given the latest move by the Government which indicates that growth is of paramount importance to them and that they are willing to foster and reward a compliant culture.

Earnings upgrades post corporate tax cuts keeps valuations attractive

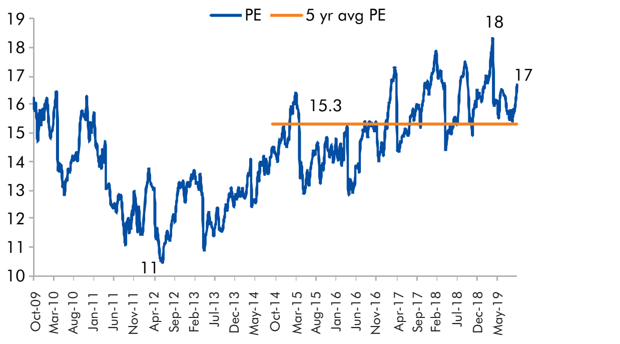
The tax cuts would increase profitability for companies at the highest tax bracket by ~14%. Post the tax cuts Nifty earnings are expected to be revised upwards by 8-10% led banks and consumer companies which are paying taxes at the highest rate.

Most analysts on street are incorporating only the direct impact of tax cuts in their Nifty earnings estimates. We believe that there would be a second round of impact on growth as the increased profits would be used by the companies to stimulate demand through price cuts and by investments in new capacities. This will help boost growth over a period of time which would in turn lead to higher tax collections and thus lower fiscal deficit in the long run.

Over the past 18 months midcaps have borne the brunt of the correction and are currently trading at levels last seen in 2013, when India was staring at a twin balance sheet problem which subsequently led to a major currency crisis. We believe that valuations have become attractive especially with the recent round of historical reforms. We believe that one should use any corrections in the markets to build a well diversified portfolio consisting of high quality stocks.

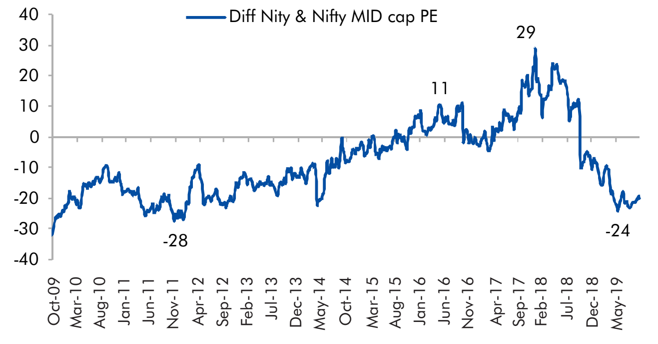
While we are very constructive on the markets from a 12-18 months perspective we believe that one should focus only on quality businesses with strong moats and avoid companies which either don't have very strong moats or are highly leveraged or where management integrity is questionable.

Exhibit 7: Historical Nifty one year forward chart



Source: Bloomberg, Angel Research

Exhibit 8: Historical difference Nifty & Nifty Midcap PE



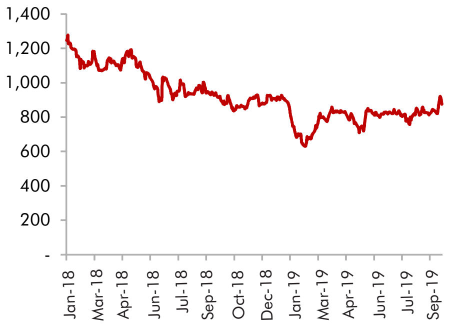
Source: Bloomberg, Angel Research

Diwali Picks

Amber Enterprise

Stock Info	
CMP	875
TP	964
Upside	10.2%
Sector	Electronics
Market Cap (₹ cr)	2,750
Beta	0.88
52 Week High / Low	1012/622

2 year-Chart



Source: Company, Angel Research

- Amber Enterprises India Ltd. (Amber) is the market leader in the room air conditioners (RAC) outsourced manufacturing space in India. It is a one-stop solutions provider for the major brands in the RAC industry and currently serves eight out of the ten top RAC brands in India.
- In line with its strategy to capture more wallet share, it has made few acquisitions in the printed circuit board (PCB) manufacturing space which would boost its manufacturing capabilities.
- We expect Amber to report consolidated revenue/PAT CAGR of 20%/32% respectively over FY2019-21E. Its growing manufacturing capabilities and scale put it in a sweet spot to capture the underpenetrated RAC market in India.

Key Financials

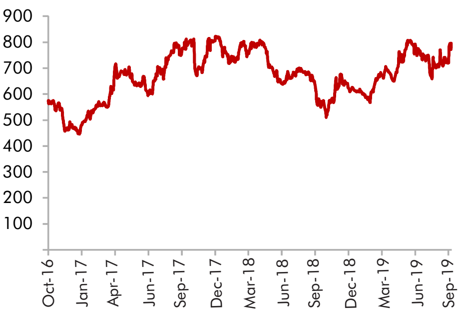
Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROA (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2020E	3,434	8.5	133	42.2	12.1	20.7	2.5	0.8
FY2021E	3,988	8.5	163	52.0	13.2	16.8	2.2	0.7

Source: Company, Angel Research

Blue Star

Stock Info	
CMP	795
TP	867
Upside	9.0%
Sector	Cons.Durable
Market Cap (₹ cr)	7,659
Beta	0.85
52 Week High / Low	834/508

3 year-Chart



Source: Company, Angel Research

- BSL is one of the largest air-conditioning companies in India. With a mere 3% penetration level of ACs vs 25% in China, the overall outlook for the room air-conditioner (RAC) market in India is favorable.
- BSL's RAC business has been outgrowing the industry by ~10% points over the last few quarters, resulting in the company consistently increasing its market share. This has resulted in the Cooling Products Division (CPD)'s share in overall revenues increasing from~23% in FY2010 to ~43% in FY2019 (expected to improve further). With strong brand equity and higher share in split ACs, we expect the CPD to continue to drive growth.
- Aided by increasing contribution from the Unitary Products, we expect the overall top-line to post revenue CAGR of ~11% over FY2019-21E and margins to improve from 5.7% in FY2018 to 6.8% in FY2021E.

Key Financials

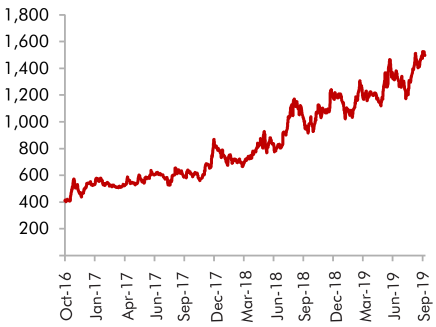
Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2020E	5,711	6.5	215	22.4	23.1	35.6	8.2	1.5
FY2021E	6,397	6.8	255	26.5	24.6	30.0	7.4	1.4

Source: Company, Angel Research

GMM Pfaudler

Stock Info	
CMP	1,495
TP	1,740
Upside	16.4%
Sector	Machinery
Market Cap (₹ cr)	2,185
Beta	0.57
52 Week High / Low	1558/900

3 year-Chart



Source: Company, Angel Research

- GMM Pfaudler Limited (GMM) is the Indian market leader in glass-lined (GL) steel equipment used in corrosive chemical processes of agrochemicals, specialty chemical and pharma sector. The company is seeing strong order inflow from the user industries which is likely to provide 20%+ growth outlook for next couple of years.
- GMM has also increased focus on the non-GL business, which includes mixing equipment, filtration and drying equipment for the chemical processing industry. It is expecting to increase its share of non-GL business gradually over the medium term.
- GMM is likely to maintain the 20%+ growth trajectory over FY19-21 backed by capacity expansion and cross selling of non-GL products to its clients.

Key Financials

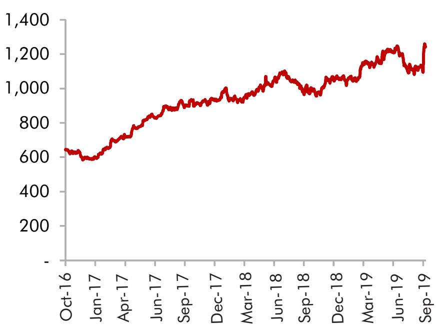
Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2020E	665	18	77	52.9	22.2	28.7	6.4	3.1
FY2021E	767	18	99	67.8	22.9	22.4	5.1	2.6

Source: Company, Angel Research

HDFC Bank

Stock Info	
CMP	1,223
TP	1,390
Upside	13.7%
Sector	Banking
Market Cap (₹ cr)	6,69,101
Beta	0.93
52 Week High / Low	1285/945

3 year-Chart



Source: Company, Angel Research

- HDFC Bank has planned to improve business with digital platforms and is engaging with mid market clients. Its next leg of growth road map includes (1) increasing branch opening number from 300 current to 600 annually in non urban area, (2) increase point of sale (POS) 4x to 4mn by FY2021 and double the virtual relationship manager clients in 3 years.
- The bank registered NIM of 4.4% on the back of lower cost of funds, while healthy asset quality kept the provision cost lower. Consistency in both the parameters helped the bank to report healthy return ratio. Despite strong advance growth, the bank has maintained stable asset quality (GNPA/NPA –1.3%/0.4%).
- HDFC Bank's subsidiary, HDB Financial Services (HDBFS) continue to contribute well to the banks overall growth. Strong loan book, well-planned product line and clear customer segmentation aided this growth.
- We expect the bank's loan growth to remain 20% over next two years and earnings growth is likely to be more than 20%.

Key Financials

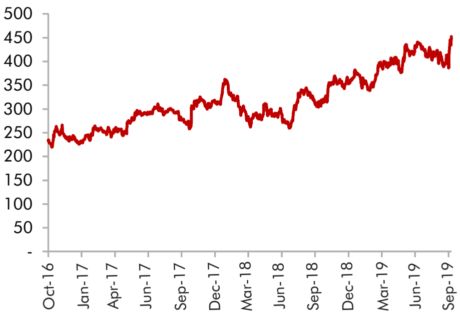
Y/E March	NII (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2020E	57,795	4.4	27,176	49.7	312	2.0	17.2	24.6	3.9
FY2021E	68,500	4.4	33,673	61.6	362	2.1	18.2	19.8	3.4

Source: Company, Angel Research

ICICI Bank

Stock Info	
CMP	427
TP	510
Upside	19.4%
Sector	Banking
Market Cap (₹ cr)	276,108
Beta	1.37
52 Week High / Low	458/295

3 year-Chart



Source: Company, Angel Research

- ICICI Bank has taken a slew of steps to strengthen its balance sheet viz. measures like incremental lending to higher rated corporate, reducing concentration in few stressed sectors and building up the retail loan book. The share of retail loans in overall loans increased to 61.4% (Q1FY2020) from 38% in FY2012.
- ICICI Bank's slippages remained high during FY2018, and hence, GNPA went up to 8.8% vs. 5.8% in FY2016. We expect addition to stress assets to reduce and credit costs to further decline owing to incremental lending to higher rated corporate and faster resolution in accounts referred to NCLT under IBC.
- The gradual improvement in recovery of bad loans would reduce credit costs which would help to improve return ratio. At the current market price, the bank's core banking business (after adjusting the value of subsidiaries) is trading at 1.7x FY2021E ABV, which is inexpensive considering retail Mix and strong capitalization (tier I of 14.6%).

Key Financials

Y/E March	NII (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2020E	31,732	3.4	12,250	19	169	1.2	11	22	2.5
FY2021E	37,135	3.5	16,518	26	189	1.4	13	17	2.3

Source: Company, Angel Research

KEI Industries

Stock Info	
CMP	527
TP	612
Upside	16.2%
Sector	Cable
Market Cap (₹ cr)	4,156
Beta	1.31
52 Week High / Low	559/249

3 year-Chart

Source: Company, Angel Research

- KEI's current order book (OB) stands at ₹4,414cr (segmental break-up: EPC is around ₹2,210cr and balance from cables, substation & EHV). Its OB grew strongly in the last 3 years due to strong order inflows from State Electricity Boards, Power grid, etc.
- KEI's focus is to increase its retail business from 30-32% of revenue in FY19 to 40-45% of revenue in the next 2-3 years on the back of strengthening distribution network (currently 926 which is expect to increase ~1,500 by FY20) and higher ad spend.
- KEI's export (FY19 – 16% of revenue) is expected to reach a level 20% in next two years with higher order execution from current OB and participation in various international tenders. We expect KEI to report net revenue CAGR of ~15% to ~₹5,632cr and net profit CAGR of ~29% to ₹300cr over FY2019-21E

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2020E	4,897	10.5	249	32.2	24.8	16.3	4.0	0.9
FY2021E	5,632	10.5	301	38.9	23.5	13.5	3.2	0.7

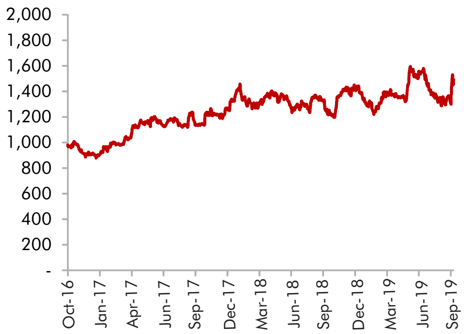
Source: Company, Angel Research

Larsen & Tourbo

Stock Info

CMP	1,458
TP	1,850
Upside	26.9%
Sector	Infrastructure
Market Cap (₹ cr)	204,645
Beta	1.21
52 Week High / Low	1607/1183

3 year-Chart



Source: Company, Angel Research

- L&T is India's largest EPC company with strong presence across various verticals including Infra, Hydrocarbon and services segment. The company also has a very strong presence in the IT services and NBFC space through it's various subsidiary companies which are also growth drivers for the company.
- L&T continued to report strong order flows during Q1FY20 despite the quarter being hampered by the general elections. Company reported order flow of ₹387bn and retained it's guidance of a 10-12% order inflow for the year and 12-15% revenue growth guidance.
- Management had indicated a very strong pipeline for FY20 of ₹9lakh Cr. which includes both domestic as well international orders. The company has a strong order backlog of ~ ₹ 3lakh Cr. and the pipeline provides strong visibility for new order flows for the rest of the year.
- We are positive on the prospects of the Company given the Government's thrust on Infrastructure with over 100lakh cr. of investments lined up over the next 5 years. Reduction in tax rate for domestic companies to 22% from 30% will improve profitability by ~15% for the company.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROA (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2020E	1,58,646	12	9,876	70.5	14.8	20.7	2.9	2.0
FY2021E	1,80,137	12	11,622	82.6	15.6	17.7	2.5	1.8

Source: Company, Angel Research

Maruti Suzuki

Stock Info

CMP	6,752
TP	8,552
Upside	26.7%
Sector	Automobile
Market Cap (₹ cr)	203,971
Beta	1.38
52 Week High / Low	7929/5447

3 year-Chart

Source: Company, Angel Research

- Maruti Suzuki continues to maintain ~52% market share in the passenger vehicles space. The launch of exciting new models has helped the company to ride on the premiumization wave that is happening in the country. In the last two years, company has seen improvement in the business mix with increasing share from utility vehicles.
- Company is well placed to capture any revival in industry due to overall refreshment of portfolio (Already more than 50% of portfolio launched based on BS6 compliance like Alto, Wagon, Baleno, Dzire, Swift. Recent new launches in August 2019 also has the potential to contribute significantly to the Top-line (MPV - XL6 and S-Presso).

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2020E	84,277	11.9	6,806	225.4	13.5	30.0	4.0	1.9
FY2021E	90,201	12.6	7,527	249.2	14.0	27.1	3.8	1.8

Source: Company, Angel Research

RBL Bank

Stock Info

CMP	312
TP	410
Upside	31.4%
Sector	Banking
Market Cap (₹ cr)	13,428
Beta	1.7
52 Week High / Low	717/256

Source: Company, Angel Research

3 year-Chart

Source: Company, Angel Research

- RBL Bank (RBK) has grown its loan book at healthy CAGR of 53% over FY2010-19. We expect it to grow at 27% over FY2019-21E. With an adequately diversified, well capitalised balance sheet, RBK is set to grab market share from corporate lenders (mainly PSUs).
- During Q1FY20 the retail loan portfolio grew 62% yoy to ₹18,391cr and now constitutes 32% of the loan book (from 18% share in 4QFY2017). NIM has expanded to 4.23%, up 19bps yoy despite a challenging interest rate scenario on the back of a changing portfolio mix. However, the management disclosed stressed asset worth ₹1,000cr, which will increase GNPA to 2.25%. Management is confident that it would normalize by Q1FY2021.
- RBL Bank currently trading at 1.4x its FY2021E book value per share, which we believe is reasonable for a bank in a high growth phase with stable asset quality.

Key Financials

Y/E March	NII (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2020E	3,270	3.7	1,154	27	193	1.3	14	12	1.6
FY2021E	4,226	3.8	1,704	40	223	1.4	18	8	1.4

Source: Company, Angel Research

Safari Industries

Stock Info

CMP	588
TP	646
Upside	9.8%
Sector	Luggage
Market Cap (` cr)	1,314
Beta	0.58
52 Week High / Low	839/481

3 year-Chart

Source: Company, Angel Research

- Safari Industries Ltd (Safari) is the third largest branded player in the Indian luggage industry. Post the management change in 2012, Safari has grown its revenue by 6x in the last 7 years. This has been achieved by foraying in many new categories like back pack, school bags (via acquisition of Genius and Genie) and improvement in distribution networks.
- Its margins have more than doubled from 4.1% in FY2014 to 9.1% in FY2019, driven by launch of new product categories and business. We expect it to maintain 9%+ margins from FY2018 onwards led by regular price hikes, shift towards organized player and favorable industry dynamics.
- We expect its revenue to grow by a CAGR of ~23%/23.5% in revenue/ earnings over FY2019-21E on the back of growth in its recently introduced new products.

Key Financials

YY/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2020E	730	9.1	28	12.6	12.5	46.7	7.5	1.9
FY2021E	882	10.0	42	18.7	15.9	31.5	6.4	1.6

Source: Company, Angel Research

Shriram Transport

Stock Info	
CMP	1,032
TP	1,385
Upside	34.1%
Sector	Financials
Market Cap (₹ cr)	23,417
Beta	1.45
52 Week High / Low	1297/904

3 year-Chart

Source: Company, Angel Research

- SHTF's primary focus is on financing pre-owned commercial vehicles. We expect AUM growth to improve going ahead led by (1) good monsoon which will improve rural economic activity, (2) pick-up in infra/construction, which was subdued since 2019 elections, (3) ramping up in rural distribution.
- SHTF gradually expanded its offering to existing borrower with good track record. New offering includes business loan and working capital which cover overall truck business owner requirement (payment at petrol pump/ tyre dealers, insurance premium).We expect asset quality to remain stable owing to lower LTVs since 3QFY2019 and stable collateral value as used CV prices to improve or remain stable in a BS6 regime.
- We expect SHTF to report RoA/RoE of 3.1%/18.8% in FY2021E respectively. At CMP, the stock is trading at 1.3x FY2021E ABV and 6x FY2021E EPS, which we believe is reasonable for differentiated business model with return ratios.

Key Financials

Y/E March	NII (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2020E	8,681	8.1	3,251	143	827	2.9	18.8	7	1.4
FY2021E	9,946	8.3	3,861	170	980	3.1	18.8	6	1.2

Source: Company, Angel Research

TTK Prestige

Stock Info	
CMP	6,087
TP	7,708
Upside	26.6%
Sector	Houseware
Market Cap (₹ cr)	8,437
Beta	0.66
52 Week High / Low	7739/4581

3 year-Chart

Source: Company, Angel Research

- TTK Prestige (TTK) is the leading brands in kitchen appliances with 40%+ market share in organized market. It has successfully transformed from a single product company to a multi product company offering an entire gamut of kitchen and home appliances (600+ products).
- It has also launched a economy range – 'Judge Cookware' to capture the untapped demand especially at the bottom end of the pyramid. It is expecting good growth in cleaning solutions.
- Management expects to double its revenue in the next five years backed by revival in consumption demand, inorganic expansion and traction in exports.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2020E	2,307	13.9	235	170.6	17.4	39.6	6.0	3.5
FY2021E	2,557	13.9	262	190.1	16.8	35.5	5.2	3.2

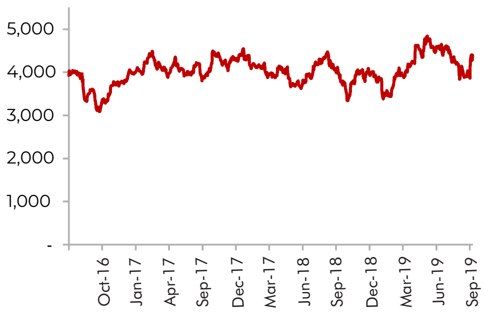
Source: Company, Angel Research

Ultratech Cement

Stock Info	
CMP	4,147
TP	4,982
Upside	20.1%
Sector	Cement
Market Cap (₹ cr)	1,13,909
Beta	1.26
52 Week High / Low	4,903/3263

- Ultratech Cement is India's largest cement manufacturer with ~100mn TPA of capacity spread across the country with a strong presence in Central, North, and West India.
- The company has added capacity by taking over stressed assets of over ~30mn TPA since 2017. Company would also be taking over Century textile's cement capacity of 13.4mn TPA from H2FY20 which will give it 40% plus market share in West and Central India which are amongst the best regions.
- Increased costs due to high energy prices had adversely impacted margins in 1HFY19. However strong pricing discipline due to consolidation allowed cement companies to hike prices in Q4FY19. Energy prices (coal and pet coke) have come off significantly since the beginning of 2019 which along with benign freight costs would allow cement companies to protect margins despite any marginal dip in realizations.
- We are positive on the long term prospects of the Company given ramp up from acquired capacities, pricing discipline in the industry and benign energy & freight costs. Reduction in tax rate for domestic companies to 22% from 30% will improve profitability by ~15% for the company.

3 year-Chart



Source: Company, Angel Research

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROA (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2020E	42,967	19	3,280	113.7	10.5	36.5	3.8	3.3
FY2021E	50,305	21	4,783	165.7	13.4	25.0	3.4	2.7

Source: Company, Angel Research

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3. Served as an officer, director or employee of the company covered under Research	No
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Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15)

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