Angel Broking | ARQ

Angel Top Picks – April 2019

Top Picks

Company	CMP (₹)	TP (₹)
Banking/NBFC		
Aditya Birla Capital	103	151
GIC Housing Finance	273	424
ICICI Bank	397	460
HDFC Bank	2,297	2,500
RBL Bank	681	753
Shriram Transport Finance	1,200	1,764
Consumption		
Amber Enterprises	858	910
Bata India	1,383	1,479
Blue Star	706	867
Safari Industries	733	1,000
Siyaram Silk Mills	412	549
Parag Milk Foods	261	330
TTK Prestige	8,541	9,250
Media/Automobiles/Online		
Maruti Suzuki	6,883	8,552
M&M	667	850
Music Broadcast	60	95
Ashok Leyland	89	122
Real Estate/Infra/Logistics/Power		
Jindal Steel	185	249
GMM Pfaudler	1,215	1,400
KEI Industries	420	486
Inox Wind	69	120
Pharmaceuticals		
Aurobindo Pharmaceuticals	786	890

Source: Angel Research;
Note: CMP as of 2nd April, 2019

Indian stock market saw a relief rally in the month of March as the market appeared more confident about the ruling party's second term post the surgical air strike at Pakistan amid strong FII inflows. BSE 100 index rose by 7.2% for the month of March while it saw a yearly rise of 12.9% for FY2019. Our top picks have generated a total return of 68% since inception (i.e. October 2015), an outperformance of 23% over BSE100.

Market indices at all time high, will macro support? – The broad markets indices like Sensex and Nifty 50 have recently touched all-time high majorly led by banking stocks and liquidity gush from foreign investors. FII have continued to pour in Indian markets in CY2019 with ~ ₹34,000 crore is coming in March itself (equity FII inflows in CY 2019 till March is ₹56,491 crore versus outflow of ₹ 33,000 crore in CY2018). Rupee has also strengthened in the last 1 month backed by FIIs inflow and there is another 25 bps rate cut announced in the 4th April monetary policy meeting. Monthly GST collections have touched all time high at ₹1.06 trillion in March which would reduce pressure on the centre government coffers to support states for the revenue loss. On the negative side, monsoon rains have been forecasted to be below normal as there is possibility of El Nino this year over Pacific ocean.

Next few months could offer some good investment opportunities- We continue to believe that the market would still be in watchful mode till May's centre election results. Post that since the markets are already touching high, markets would start focusing on the sectors that the new government are laying stress on and their relevant beneficiaries. Overall, in the long term, the fundamentals underlying the business drive the stock returns and they are of at most importance to the investors. We prefer select private banks and niche consumption stocks. Investors could also pick at the some of the overly corrected value stocks which offer high margin of safety. We also advise our investors to avoid bottom fishing stocks which are facing severe corporate governance/ regulatory issues.

Top picks' overview

We recommend our top picks as the good bets which are offering healthy returns in the next 1 year. All of our top picks are backed by sound business model and are likely to do well in coming years. We also remain positive on discretionary consumption theme with stocks like Safari Industries, TTK Prestige, Bata, and Blue Star.

Exhibit 1: Top-Picks Performance

	Return Since Inception (30th Oct, 2015)
Top Picks Return	68.1%
BSE 100	44.7%
Outperformance	23.4%

Source: Company, Angel Research

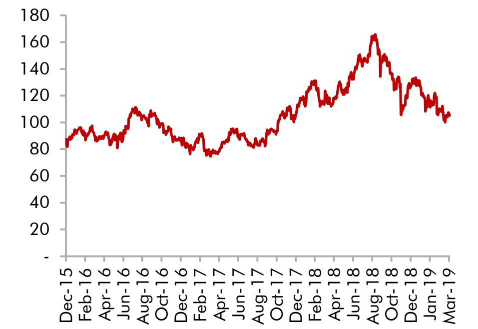
Top Picks

Ashok Leyland

Stock Info

CMP	89
TP	122
Upside	37.1%
Sector	Automobile
Market Cap (₹ cr)	26,214
Beta	1.6
52 Week High / Low	168/78

3 year-Chart



Source:, Angel Research

- During April-July 2018, Ashok Leyland has gained market share by 11bps in domestic market. Further, the company has reported ~46.4% yoy growth (against ~45% industry growth) during the same period due to strong pick up in construction and industrial activities.
- BS-VI emission norms and the vehicle scrappage policy are among the major triggers that can provide a fillip to the commercial vehicle industry over the next couple of years. Further, in our view, the change in axle load norms will not impact the CV demand scenario; hence the company will not witness any disruption in performance.
- In the recent past, the stock has corrected after the announcement of axle load norms (which will not have a significant impact on the industry). We see buying opportunity in stock.

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2019E	28,293	10.1	1,808	6.2	21.5	14.2	3.1	0.8
FY2020E	31,122	10.0	1,884	6.4	19.1	13.7	2.6	0.7

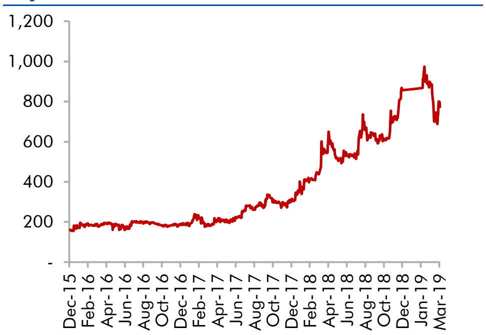
Source: Company, Angel Research

Safari Industries

Stock Info

CMP	733
TP	1,000
Upside	36.5%
Sector	Luggage
Market Cap (₹ cr)	1,636
Beta	0.3
52 Week High / Low	1005/533

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 9.8% in FY2018, 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 it to grow by a CAGR of ~37%/49% in revenue/ earnings over FY2018-20E on the back of growth in its recently introduced new products.

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2019E	581.5	10.2	32.3	14.5	16.0	53.5	8.2	2.9
FY2020E	785.1	10.4	47.0	21.1	19.1	36.7	6.8	2.2

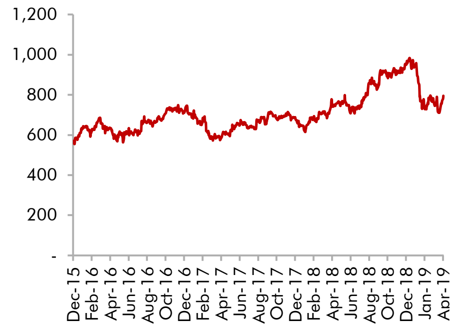
Source: Company, Angel Research

Mahindra & Mahindra Ltd.

Stock Info

CMP	667
TP	850
Upside	27.4%
Sector	Automobile
Market Cap (₹ cr)	82,940
Beta	0.8
52 Week High / Low	992/616

3 year-Chart



Source: Company, Angel Research

- Mahindra & Mahindra Ltd (M&M) is an India-based company, operating in nine segments: automotive, farm equipment, IT services, financial services, steel trading & processing, infrastructure, hospitality, Systech (comprising automotive components and other related products & services), and Others (comprising logistics, after-market, two wheelers and investment).
- In our view, strong growth in tractor industry would benefit M&M the most due to strong brand recall and leadership position in farm tractor.
- We expect Mahindra & Mahindra (M&M) to report net revenue CAGR of ~12% to ~₹60,634cr over FY2018-20E mainly due to healthy growth in automobile segment like Utility Vehicles (on the back of new launches and facelift of some models) and strong growth in Tractors segment driven by strong brand recall and improvement in rural sentiment. Further on the bottom-line front, we expect CAGR of ~16% to ₹5,429cr over the same period on the back of margin improvement. **Thus, we recommend a Buy rating on the stock.**

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	54,041	12.6	4,751	39.9	14.0	16.5	2.3	8.9	1.1
FY2020E	60,634	12.7	5,429	45.6	14.2	14.4	2.0	7.7	1.0

Source: Company, Angel Research

Blue Star

Stock Info

CMP	706
TP	867
Upside	22.8%
Sector	Cons.Durable
Market Cap (₹ cr)	6,800
Beta	0.2
52 Week High / Low	843/507

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 ~50% in FY2018 (expected to improve to ~50-55% in FY20E). 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 ~13% over FY2018-20E and margins to improve from 5.8% in FY2018 to 6.2% in FY2020E. **We recommend a Buy rating on the stock.**

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	5,178	6.1	135	14.1	15.6	49.2	7.7	21.6	1.3
FY2020E	5,871	6.3	198	20.6	20.8	33.7	7.0	18.4	1.2

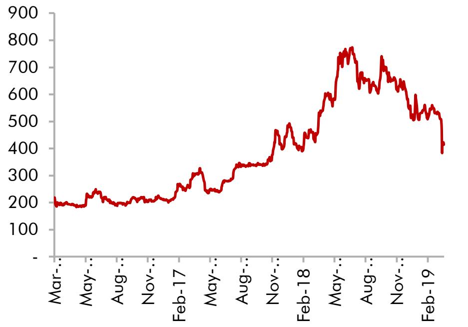
Source: Company, Angel Research

Siyaram Silk Mills

Stock Info

CMP	412
TP	549
Upside	33.2%
Sector	Textile
Market Cap (₹ cr)	1,931
Beta	0.7
52 Week High / Low	763/303

3 year-Chart



Source: Company, Angel Research

- SSML has strong brands which cater to premium as well as popular mass segments of the market. Further, SSML entered the ladies' salwar kameez and ethnic wear segment. Going forward, we believe that the company would be able to leverage its brand equity and continue to post strong performance.
- The company has a nationwide network of about 1,600 dealers and business partners. It has a retail network of 160 stores and plans to add another 300-350 stores going forward. Further, the company's brands are sold across 3,00,000 multi brand outlets in the country.
- Going forward, we expect SSML to report a net sales CAGR of ~13% to ~₹2,207cr and adj.net profit CAGR of ~13% to ₹146cr over FY2018-20E on back of market leadership in blended fabrics, strong brand building, wide distribution channel, strong presence in tier II and tier III cities and emphasis on latest designs and affordable pricing points. At the current market price, SSML trades at an inexpensive valuation. **We have a buy recommendation on the stock.**

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	1,919	13.5	115	24.6	14.8	17.4	2.6	8.0	1.3
FY2020E	2,207	14.0	146	31.2	16.1	13.7	2.2	6.7	1.1

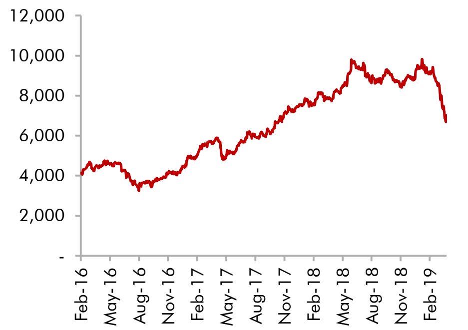
Source: Company, Angel Research

Maruti Suzuki

Stock Info

CMP	6,833
TP	8,552
Upside	25.2%
Sector	Automobile
Market Cap (₹ cr)	2,07,917
Beta	1
52 Week High / Low	9923/6324

3 year-Chart



Source: Company, Angel Research

- Maruti Suzuki India Ltd (MSIL) has been able to improve its PV market share over the last six years from 39% to 51% given its strong market understanding and unparalleled distribution (~2.6k dealer outlets i.e. 3x of Hyundai). The company captured the market share despite competition across PV/UVs from global players like VW, Renault, Nissan, Hyundai, Honda Toyota and Ford, and domestic peers like M&M & Tata.
- Maurti is coming with facelift for higher selling models like New WagonR (launched recently), Baleno, Vitara Brezza and Grand Vitara. Further, the company is coming up with two newer launches viz. future S and Jimmy. We expect high selling models (contribute significant amount in revenue) and new launches would drive the growth for Maruti in coming financial year.
- Considering the above positive factors and attractive current valuations, we recommend BUY on MSIL.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	85,396	13.5	7,504	248.5	16.0	28.5	4.5	15.1	2.0
FY2020E	94,790	14.2	8,670	287.1	16.7	24.6	4.1	12.5	1.8

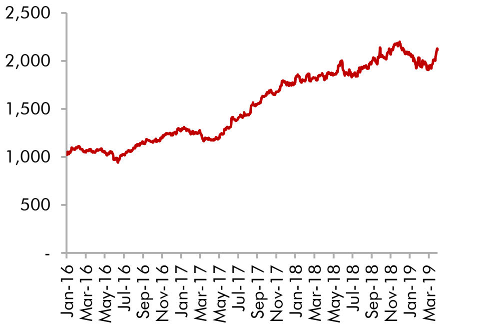
Source: Company, Angel Research

HDFC Bank

Stock Info

CMP	2,297
TP	2,500
Upside	8.8%
Sector	Banking
Market Cap (₹ cr)	6,25,666
Beta	0.8
52 Week High / Low	2332/1880

3 year-Chart



Source: Company, Angel Research

- **Capital infusion to propel growth:** Bank has to raised ₹24,000cr capital through a combination of QIP and preferential allotment. Of these, ₹8,500cr has been infused by the bank's parent company HDFC. Capital Infusion would help bank to grow advance at healthy CAGR of 22% over FY18-FY20E.
- **Asset quality has been strong:** Strong and steady NIM of 4.4% on the back of lower cost of funds and lower credit cost will ensure healthy return ratios for the company. Despite strong growth, the company has maintained stable asset quality (GNPA/NPA – 1.3%/0.4%).
- **Subsidiaries:** HDFC bank's subsidiaries, HDB Financial Services (HDBFS) and HDFC Securities continue to contribute well to the banks overall growth. Strong loan book, well-planned product line and clear customer segmentation aided this growth.
- **Outlook:** We expect the company's loan growth to remain 22% over next two years and earnings growth is likely to be more than 21%. We maintain Accumulate on the stock with a target price of ₹2,500.

Key Financials

Y/E March	NII (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2019E	47,942	4.4	20,990	78.5	537	1.8	16.7	29.3	4.3
FY2020E	58,609	4.5	25,798	96.5	616	1.8	16.6	23.8	3.7

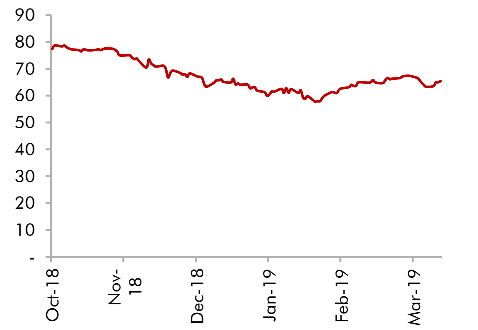
Source: Company, Angel Research

Music Broadcast

Stock Info

CMP	60
TP	95
Upside	59.4%
Sector	Media
Market Cap (₹ cr)	1,511
Beta	0.5
52 Week High / Low	82/50

3 year-Chart



Source: Company, Angel Research

- Radio Industry is protected by licenses for 15 years, thereby restricting the entry of new players. This would support the existing companies to strengthen their position and maintain a healthy growth rate.
- It has grabbed the Number 1 position in Mumbai, Bengaluru and Delhi in terms of number of listener. This is helping MBL to charge premium rate, which resulting into higher EBITDA margin (33.6%) compare to 22% of ENIL.
- MBL outperformed its closest peer with 18.4% CAGR in revenue over FY2013-17 (ENIL reported 13.2% CAGR in revenue). On the profitability front too, MBL, with 32.3% CAGR in PAT over FY2013-17, has performed much better than ENIL (-5.2% CAGR in PAT). Moreover, Radio City posted a six year CAGR of 12.1% v/s. 9.1% of industry owing to higher advertising volumes.
- Capex for 39 licenses have been done for the next 15 years, hence no heavy incremental Capex requirement would emerge. Moreover, the maintenance Capex would be as low as ₹5-10cr. This would leave sufficient cash flow to distribute as dividend. **We have a Buy recommendation on the stock.**

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	331	34.1	62	2.2	9.6	26.3	2.5	12.2	4.2
FY2020E	370	34.8	72	2.6	10.2	22.7	2.3	10.2	3.5

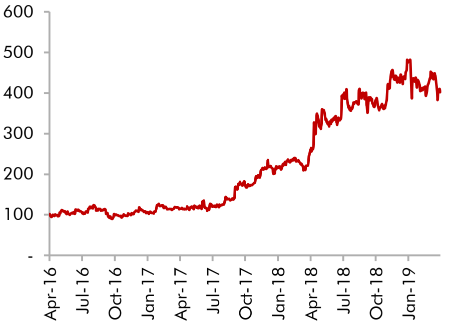
Source: Company, Angel Research

KEI Industries

Stock Info

CMP	420
TP	486
Upside	15.7%
Sector	Cables
Market Cap (₹ cr)	3,315
Beta	1.3
52 Week High / Low	495/248

3 year-Chart



Source: Company, Angel Research

- KEI's current order book (OB) stands at ₹2,570cr (segmental break-up: out which EPC is around ₹1,425cr and balance from cables, substation & EHV). Its OB grew by ~28% in the last 3 years due to strong order inflows from State Electricity Boards, Power grid, etc.
- KEI's consistent effort to increase its retail business from 30-32% of revenue in FY18 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 FY19) and higher ad spend (increased from ₹2cr in FY13 to ₹7.5cr in FY17 and expected to spend).
- KEI's export (FY18 – 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 a strong ~25% growth CAGR over FY2018-20E in exports. We expect KEI to report net revenue CAGR of ~18% to ~₹4,878cr and net profit CAGR of ~19% to ₹233cr over FY2018-20E. **Hence we have a Buy rating on the stock.**

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	4,106	10.3	178	23.1	23.1	18.1	4.2	9.2	0.9
FY2020E	4,878	10.5	233	30.2	23.7	13.8	3.3	7.5	0.8

Source: Company, Angel Research

GIC Housing Finance Ltd

Stock Info

CMP	273
TP	424
Upside	55.7%
Sector	Financials
Market Cap (₹ cr)	1,470
Beta	1.3
52 Week High / Low	436/213

3 year-Chart

Source: Company, Angel Research

- GICHFL's loan book has registered CAGR of 19.9% over five years ending FY18. The company average ticket size is of ~₹15 lakhs. The company's loan book composition stands at home loan - 87%, LAP – 12% as of Q3FY19.
- In our opinion, present liquidity issues will not impact GICHFL for raising new funds considering the strong parentage. Moreover, during Q3FY19, GICHFL has reported healthy loan book growth despite liquidity issues faced by NBFCs /HFCs.
- GICHFL's asset quality is on the higher side compared to other HFCs (as on Q3FY19, GNPA was at 3.28%). The company did not write-off any bad assets and nor did it sell any bad assets to ARC, which has aided the asset quality.
- We expect GICHFL's loan growth to register CAGR of 16% over the next two years. Present valuations are inexpensive considering strong parentage and healthy return rations. We have a Buy rating on the stock.

Key Financials

Y/E March	Op. Inc (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2019E	398	3.3	165	31	210	1.5	17	9	1.3
FY2020E	470	3.3	197	37	242	1.5	18	7	1.1

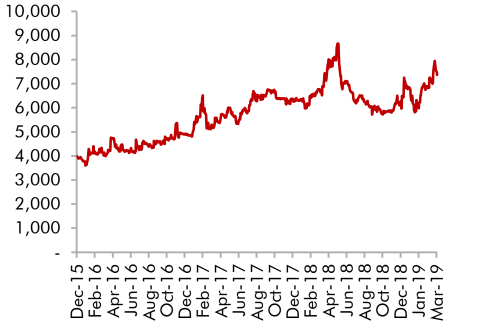
Source: Company, Angel Research

TTK Prestige

Stock Info

CMP	8,541
TP	9,250
Upside	8.3%
Sector	Houseware
Market Cap (₹ cr)	9,951
Beta	1.2
52 Week High / Low	9290/5500

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 solution.
- It expects to double its revenue in the next five years backed by revival in consumption demand, new 8 cr LPG connections under the Ujjawala Scheme, inorganic expansion and traction in exports. We expect TTK to report a CAGR of 20% + in earnings over FY2018-20E.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	2,254	14.3	204.2	176.9	17.2	43.6	5.7	11.7	4.2
FY2020E	2,649	14.3	246.3	213.4	17.7	36.1	4.9	9.1	3.6

Source: Company, Angel Research

Inox Wind Ltd.

Stock Info

CMP	69
TP	112
Upside	62%
Sector	Equipment-Wind
Market Cap (₹ cr)	1,523
Beta	0.3
52 Week High / Low	119/57

3 year-Chart

Source: Company, Angel Research

- Inox Wind is India's leading wind energy solutions provider servicing IPPs, Utilities, PSUs, Corporates and Retail Investors.
- We expect Inox Wind to report exponential growth in top-line and bottom-line over FY19-20E. The growth would be led by changing renewable energy industry dynamics in favor of wind energy segment viz. changes in auction regime from Feed-In-Tariff (FIT) to Reverse auction regime and Government's guidance for increasing wind energy capacity from 34GW current to 140GW by 2030.
- Further, being the lowest wind turbine producer globally coupled with healthy order book of 780 MW order along with low debt equity. During the quarter, IWL has received LOI of 501.6MW for current SEC IV, V, VI and upcoming auction under SECI from Adani Green Energy. We believe INOX Wind is in a sweet spot to tap the upcoming opportunity in renewable energy segments.
- At the CMP of ₹69, Inox Wind is trading at 4.4x FY20E EPS of ₹14.9. Considering the above positives, we assign a multiple of 7.5X on FY20EPS to arrive at a target price of ₹112 (potential upside of 62% over a period of the next 12-18 months).

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	1,505	15%	115	5.2	5.4	13.4	0.7	7.5	3.0
FY2020E	3,416	15%	330	14.9	13.5	4.6	0.6	1.5	1.3

Source: Company, Angel Research

RBL Bank

Stock Info	
CMP	681
TP	753
Upside	10.6%
Sector	Banking
Market Cap (₹ cr)	29,032
Beta	0.9
52 Week High / Low	692/439

3 year-Chart

Source: Company, Angel Research

- RBL Bank (RBK) has grown its loan book at a healthy CAGR of 56% over FY10-18. We expect it to grow at 30% over FY18-20E. With adequately diversified, well capitalised B/S, RBL is set to grab market share from corporate lenders (esp.PSUs)
- The retail loan portfolio grew 56% YOY to `14,644cr and now constitutes 29.4% of the loan book (18% share in 4QFY17). NIM has expanded to 4.12% (Q3FY19), up 4bps YOY, despite a challenging interest rate scenario on the back of a changing portfolio mix and lower cost of deposits. The management stated that the bank is slated to breach 4% NIM early in FY19.
- RBL Bank currently trades at 3x its FY2021E price to book value, which we believe is reasonable for a bank in a high growth phase with stable asset quality.

Key Financials

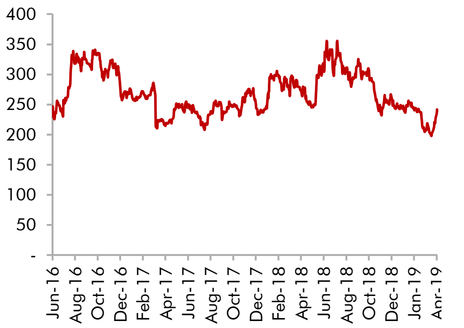
Y/E March	Op. Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2019E	2,463	3.6	882	21	173	1.2	12	32	3.9
FY2020E	3,347	3.7	1,279	30	197	1.4	16	22	3.5

Source: Company, Angel Research

Parag Milk Foods

Stock Info	
CMP	261
TP	330
Upside	26.5%
Sector	Dairy
Market Cap (₹ cr)	2,194
Beta	1.1
52 Week High / Low	415/197

3 year-Chart



Source: Company, Angel Research

- Parag Milk Foods (PARAG) is one of the leading dairy products companies in India. The company has been successful in creating strong brands like GO, Gowardhan and introducing new products like Whey Protein. It has become the 2nd player in processed cheese (after Amul) in a short span of 10 years and commands 33% market share.
- Value Added Products like cheese, whey protein enjoy higher gross margins of 25-45% versus 6-8% entailed in liquid milk. VAP forms ~66% to its revenue (the highest among the listed players versus 25-30% for others). Driven by recently launched products and higher share of VAP, its operating margins would improve in next few years.
- We expect PARAG to report net revenue/PAT CAGR of 17%/35% respectively over FY2018-20E.

Key Financials

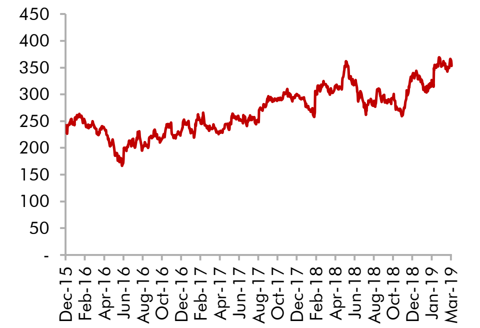
Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	2,331.0	10.4	115.9	13.8	13.5	17.5	2.4	11.7	0.9
FY2020E	2,822.9	10.6	150.7	17.9	14.9	13.5	2.1	9.1	0.8

Source: Company, Angel Research

ICICI Bank

Stock Info	
CMP	397
TP	460
Upside	15.7%
Sector	Banking
Market Cap (₹ cr)	2,56,204
Beta	1.7
52 Week High / Low	409/257

3 year-Chart



Source: Company, Angel Research

- ICICI bank has taken a slew of steps to strengthen its balance sheet. Measures such as 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 57.5% (Q3FY19) from 38% in FY12.
- ICICI bank's slippages remained high during FY18 and hence GNPA went up to 8.8% vs. 5.8% in FY16. We expect addition to stress assets to reduce further and credit costs to decline owing to incremental lending to higher rated corporate and faster resolution in Accounts referred to NCLT under IBC. For Q3FY19 fresh formation of bad loans were lowest in last 13 quarters.
- The gradual improvement in recovery of bad loans would reduce credit costs, which would help to improve return ratio. The strength of the liability franchise, shift in loan mix towards retail assets and better rated companies, and improvement in bad loans would be a key trigger for multiple expansion. We recommend a Buy rating on the stock, with a price target of `460.

Key Financials

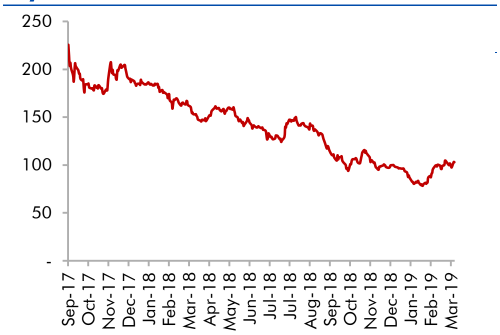
Y/E	NII	NIM	PAT	EPS	ABV	ROA	ROE	P/E	P/ABV
March	(₹ cr)	(%)	(₹ cr)	(₹)	(₹)	(%)	(%)	(x)	(x)
FY2019E	26,952	3.3	5,077	8	147	0.6	5	50	2.7
FY2020E	33,084	3.6	14,230	22	165	1.4	12	18	2.4

Source: Company, Angel Research

Aditya Birla Capital

Stock Info	
CMP	103
TP	151
Upside	46.5%
Sector	Financials
Market Cap (₹ cr)	22,685
Beta	1.6
52 Week High / Low	166/78

3 year-Chart



Source: Company, Angel Research

- Aditya Birla Capital (ABCL) is one of the most diversified financial services entities in India, operating under a single brand, with a presence in non-bank financing, housing finance, asset management, insurance.
- (NBFC) business contributes highest value in our SOTP valuation. It has recorded a strong CAGR of 42% over FY13-18. Despite aggressive growth in lending and migration to 90dpd for NPA recognition, GNPA has remained at ~1%. We believe ABFL would be able to continue to grow at 25% CAGR over FY18-FY20E.
- We expect financialization of savings, increasing penetration in Insurance & Mutual funds would ensure steady growth. Further, Banca tie-up with HDFC Bank, DBS and LVB should restore insurance business. We recommend a Buy rating on the stock, with a price target of `151.

Key Financials

Y/E	Op. Inc	PAT	EPS	ABV	ROE	P/E	P/BV
March	(₹ cr)	(₹ cr)	(₹)	(₹)	(%)	(x)	(x)
FY2019E	2,173	1,228	5.6	44.9	12	18	2.3
FY2020E	3,043	1,654	7.5	52.4	14	14	2.0

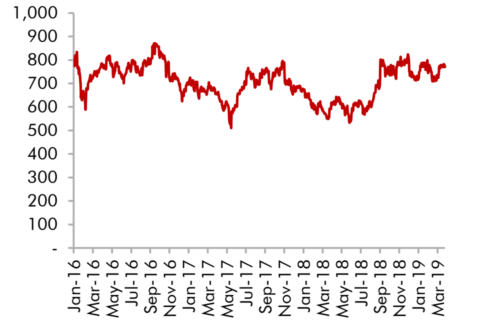
Source: Company, Angel Research

Aurobindo Pharmaceuticals

Stock Info

CMP	786
TP	890
Upside	13.3%
Sector	Pharmaceuticals
Market Cap (₹ cr)	46,023
Beta	1.2
52 Week High / Low	830/527

3 year-Chart



Source: Company, Angel Research

- Aurobindo Pharmaceuticals is an India-based leading global generic company. It's predominately formulations Export Company, with USA & Europe contributing ~80% of sales (FY2018).
- Recently it acquired dermatology and oral solids businesses from Sandoz Inc., USA. With this acquisition, Aurobindo adds sales of US$0.9bn and would become the 2nd largest generic player in the US by number of prescriptions
- Aurobindo has a robust pipeline (has filed 519 ANDA's; second highest amongst Indian companies) & is investing to enhance its foray into complex generic (mainly injectables, ophthalmic etc.) & biosimilar, which will drive its next leg of growth.
- We expect Aurobindo to report net revenue CAGR of ~22% & net profit to grow at ~19% CAGR during FY2018-20E, aided by acquisitions. Valuations of the company are cheap v/s its peers and own fair multiples of 17-18X. We recommend BUY rating.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	18,799	19.6	2,575	44.1	20.1	17.8	3.3	13.2	2.5
FY2020E	24,234	21.9	3,438	58.9	22.2	13.3	2.7	9.1	1.9

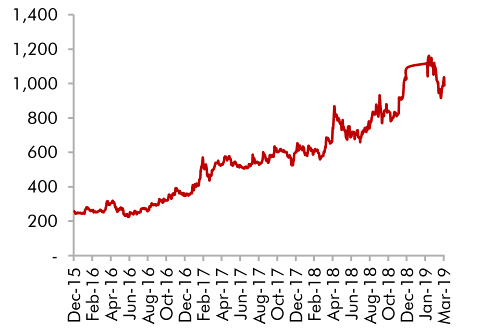
Source: Company, Angel Research

GMM Pfaudler Ltd.

Stock Info

CMP	1,215
TP	1,400
Upside	15.2%
Sector	Machinery
Market Cap (₹ cr)	1,776
Beta	0.7
52 Week High / Low	1325/700

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 to 50% by 2020.
- GMM is likely to maintain the 20%+ growth trajectory over FY18-20E 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/EBITDA (x)	EV/Sales (x)
FY2019E	503	17.1	58.7	40.2	21.0	30.2	6.3	19.2	3.3
FY2020E	592	16.9	66.1	45.3	19.7	26.8	5.3	16.2	2.7

Source: Company, Angel Research

Stock Info

CMP (₹)	185
TP (₹)	249
Upside	37%
Sector	Steel & Power
Market Cap (₹ cr)	17,902
Beta	2.6
52 Week High / Low	265/123

3 year-Chart

Source: Company, Angel Research

Jindal Steel & Power Ltd.

- The company has increased its crude steel capacity more than double in last five years from 3.6 MTPA to 8.6 MTPA and currently running at ~65% utilization.
- Owing to continuous demand of steel from infrastructure, housing and auto sectors along with limited addition of steel capacity in near term and favorable government policies augur well for companies like JSPL to perform well going forward, we expect JSPL's utilization to improve to 80-85% by FY20.
- Recently JSPL has started its 1.8MTPA Angul DRI plant and expect utilization for this plant to improve going forward which will help to improve steel business revenue.
- In power segments, During the year Jindal Power limited (JPL) has signed a 250MW PPA and it is in discussions with various utilities for another 300MW PPA, we expects JPL to generate ~ 1,700 MW units by FY19E due to increasing demand of power.
- JSPL is trading at attractive valuation to its peer, we value the stock based on asset based approach of Steel segment on EV/Tone basis and Power segment on EV/MW basis.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	38,967	22.5	844	8.7	2.7	19.3	0.52	6.2	1.40
FY2020E	42,076	24.2	1839	19	6	9	0.49	4.8	1.18

Source: Company, Angel Research

Stock Info

CMP	1,200
TP	1,764
Upside	47.0%
Sector	Financials
Market Cap (₹ cr)	27,229
Beta	0.9
52 Week High / Low	1671/904

3 year-Chart

Source: Company, Angel Research

Shriram Transport Finance

- SHTF's primary focus is on financing pre-owned commercial vehicles. CV/LCV sales grew by 20%/25% in FY18, respectively. We expect AUM to grow at healthy CAGR of 20% over FY2018-20E led by pick up in infrastructure/ construction post 2019 elections, macro revival and Ramping up in rural distribution.
- Over the last three years, SHTF's GNPA and credit costs have increased primarily due to the transition of NPA recognition from 180DPD to 90DPD (Q4FY18). Q1FY19 onwards asset quality started witnessing steady improvement, and we expect this trend to continue. Once the credit costs normalize, an improvement in return ratios will be visible.
- We expect loan book/PAT CAGR of 20%/45% respectively over FY2018-20E. At 1.8x FY20E ABV, Valuation appears reasonable.

Key Financials

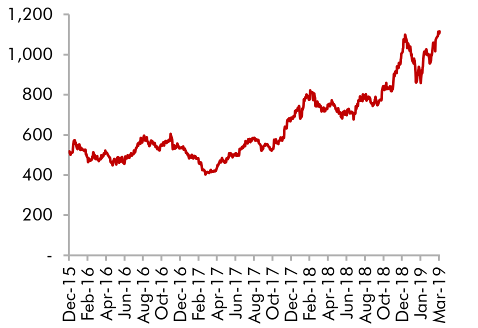
Y/E March	NII (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2019E	7,914	9.1	2,494	110	681	2.6	18	11	2.1
FY2020E	9,390	9.2	3,181	140	799	2.9	19	9	1.8

Source: Company, Angel Research

Stock Info

CMP	1,383
TP	1,479
Upside	6.9%
Sector	Footwear
Market Cap (₹ cr)	17,781
Beta	0.9
52 Week High / Low	1425/733

3 year-Chart



Source: Company, Angel Research

Bata India

- Bata India Ltd (BIL) is the largest footwear retailer in India, offering footwear, accessories and bags across brands like Bata, Hush Puppies, Naturalizer, Power, etc. BIL's ~70% revenue is derived from Men & Kids segment and balance from women's segment. BIL has over 1,400 Bata retail stores across India.
- Further, over the last 3 years, the company has added 135 stores (net addition). Going forward, the company has plans to open 500 stores (already identified 435 cities) mainly in tier-II and tier-III cities over the next 4-5 years.
- We expect BIL to report net revenue CAGR of ~16% to ~₹3,497cr over FY2018-20E mainly due increasing brand consciousness amongst Indian consumers, new product launches and focus on women's segment (high growth segment). Further, on the bottom-line front, we expect CAGR of ~19% to ₹358cr over the same period on the back of margin improvement (increasing premium product sales). s

Key Financials

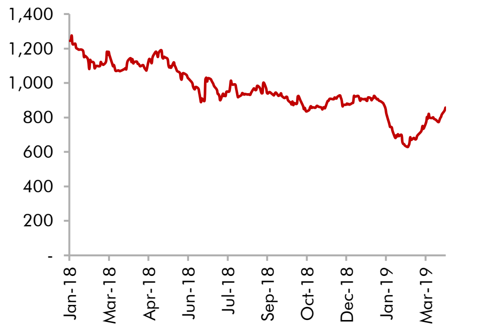
Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	3,008	16.2	306	23.8	17.5	58.6	10.3	32.9	5.7
FY2020E	3,497	16.4	358	27.9	17.6	50.0	8.8	27.7	4.9

Source: Company, Angel Research

Stock Info

CMP	858
TP	910
Upside	14.7%
Sector	Electronics
Market Cap (₹ cr)	2,698
Beta	0.9
52 Week High / Low	1200/621

3 year-Chart



Source: Company, Angel Research

Amber Enterprises

- 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 2 acquisitions in the printed circuit board (PCB) manufacturing space over the last 1 year which will boost its manufacturing capabilities. Recently, it has also entered the growing HVAC space via a acquisition in Mobile application.
- We expect Amber to report a CAGR of 35%+ in consolidated PAT over FY2018-20E. 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 (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2019E	2,778	7.0	90.0	35.9	9.3	30.0	2.8	12.9	0.9
FY2020E	3,125	7.5	114.4	45.4	10.7	23.6	2.5	10.7	0.8

Source: Company, Angel Research

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3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
		Reduce (-5% to -15%)	*Sell (< -15)*