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Ke Saath!

Presents

DIWALI PICKS REPORT

Diwali Special - November 2020

HAPPY Diwali

Angel Broking

Dear Friends,

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

As we head into the auspicious occasion of Diwali the Nifty is trading in the green as compared to a year ago and has staged a sharp recovery from its March lows. Looking at the markets it is hard to believe that a few months ago we were dealing with an unprecedented crisis due to outbreak of the Covid-19 virus globally.

The rapid spread of Covid-19 earlier this year risked overwhelming healthcare in various countries and required implementation of strict social distancing measures including lockdowns. However such measures brought the world to a virtual standstill and hurt the global economy substantially. Central banks and governments announced monetary and fiscal measures bigger than the ones announced during the peak of the global financial crisis which has led to near zero rates in developed economies. This led to a surge in global liquidity resulting in large FII flows into emerging markets including India as we received flows of over ₹95,000Cr in the first seven months of FY2021.

One of the key highlights of the market recovery has been the significant increase in retail participation as investors took advantage of cheap valuations to enter the markets. Lower interest rates on fixed income and increased ease of trading due to proliferation of mobile apps and online tools also contributed to higher retail flows.

The Covid-19 crisis has had an unprecedented impact on all of us. However humanity has once again risen to the challenge and adapted to the new environment. While rapid adoption of digital technologies has helped us overcome the current crisis, it has also challenged traditional business models. Companies and sectors which adopt or facilitate in adoption of digital technologies are going to be market share gainers and winners of this mega trend.

We at Angel Broking have been great believers and one of the early adopters of digital technologies. This has helped us capitalize on new opportunities leading to record monthly customer additions despite the crisis. Our company has also achieved many other milestones during this period including the successful listing of our shares on major exchanges. I would like to take this opportunity to thank our customers and investors for making our business and IPO a success.

Gradual reopening of the economy has led to strong bounce back in growth without allowing the Covid-19 situation to go out of hand. High frequency indicators reflect significant improvement in the economy while recovery rate of 92% point to improvement in the Covid-19 situation. Looking at the current environment I am confident that the worst is behind us and we can look forward to a better and brighter Diwali next year.

So, this Diwali, let's look forward to a better new year while celebrating the auspicious occasion.

Happy Diwali once again!

Top Picks

Company	CMP (₹)	TP (₹)
Auto		
Endurance Technologies	1,052	1,297
Swaraj Engines	1,382	1,891
Banking/NBFC		
Cholamandalam Inv.	307	362
IDFC First Bank	31	36
Chemicals		
Atul Ltd.	6,100	7,339
Galaxy Surfactants	1,785	2,075
IT		
Persistent Systems	1,147	1,531
Pharma & Healthcare		
Metropolis Healthcare	1,968	2,360
Others		
Hawkins cooker	5,124	5,992
Inox Leisure	276	350
JK Lakshmi cement	292	355
VIP Industries	286	375

Source: Company, Angel Research
Note: Closing price as on 5th November, 2020

Economic recovery expected to continue

While India's recovery from the pandemic lows was slow to begin with relative to other developed economies, we have witnessed a strong acceleration over the past few months led by manufacturing with the PMI reading of 58.9 for October being the highest since mid 2008. Similarly cement and steel production data also point to improvement in the core industrial sectors. While manufacturing has led the rebound growth in the services sector has been relatively muted so far. However services PMI reading of 54.1 for the month of October is the first reading above 50 since March and points to green shoots of recovery for the services sector. We expect the economic recovery to continue from here on led by continued acceleration in the services sector. While we see continued momentum in cyclical sectors like auto and cement we also expect that sectors with strong revenue visibility like agrochemical, IT and pharmaceuticals will continue to do well.

Improvement in Covid situation since mid September is positive

There has been a significant improvement in the Covid situation in India despite opening up of the economy. New Covid cases have halved since mid September while the number of active cases have declined from above 10 Lakh to below 5.5 Lakh. As a result there has been a sharp increase in recovery rate to over 92% which is expected to improve further. Moreover the news flow on the vaccine front have mostly been positive with five promising vaccine at advanced stages of development which has led to markets building in the possibility that vaccination could start in early 2021.

Expectations of second US stimulus package post elections to provide support

In the US elections the Democratic Party candidate Joe Biden looks all set to win the presidential elections though the results are likely to be challenged by the incumbent president in the US Supreme Court. However markets have already factored in the likelihood of a challenge by the incumbent president. Post the US elections focus will shift to progress on the second US stimulus package and it is expected that the democrats will come to an agreement with the republicans regarding the size of the package soon.

Sectors with revenue visibility will continue to outperform markets

Though the rural, essential and digital theme have played out along expected lines since the beginning of the crisis we believe that there are is a clear case for further upsides in most of these sectors given revenue visibility and strong growth prospects. We expect sectors like Agrochemicals, two wheelers and tractors along with IT and Pharma will continue to do well given strong demand dynamics.

Select cyclical sectors should also continue to do well

Market rally has become broader based due to positive news flow on vaccine and expectations of continued economic recovery. However we expect the recovery to be uneven with different sectors charting out different recovery path. Within cyclical sectors we are positive on cement and low ticket consumer durable as demand has rebound at a much faster rate and is expected to remain strong. Similarly we are positive on the multiplex sector which is expected to benefit from reopening of theaters across India including key areas like the NCR and MMR regions.

Key risks for the markets are 1) Surge in infections as the economy is opened up further 2) Delay in vaccine production as compared to timelines expected by markets 3) Any delay in second US stimulus package.

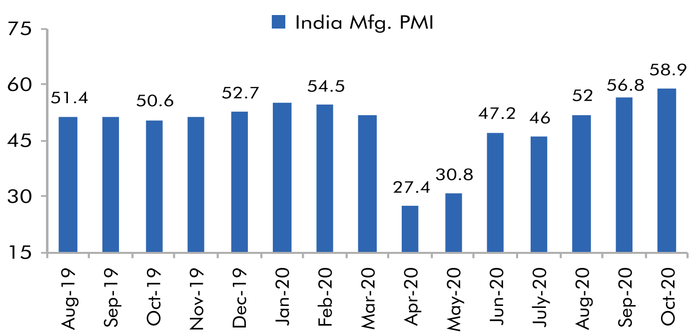
India in the midst of a strong economic recovery

India which had implemented one of the strictest lockdowns globally was amongst the last to be impacted and recover from the Covid crisis. Once the unlock process was started the economy started gaining traction from the second half of June as supply chain issues were sorted out. However state Governments imposing localized lockdowns in July had adverse impact on supply chains thus impacting the pace of economic recovery.

Manufacturing PMI at 58.9 for October 2020 is the highest since mid 2008.

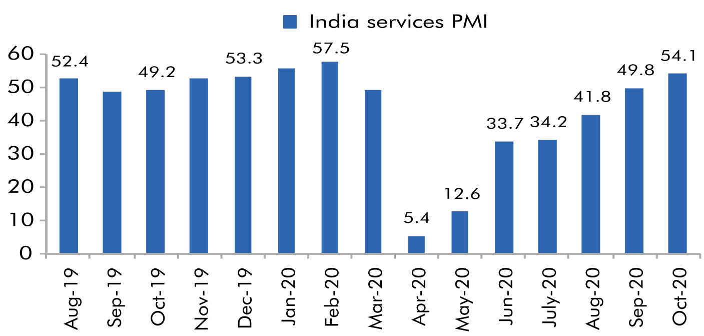
However the Center's decision prohibiting localized lockdowns by state Governments outside of containment zones without consulting the central Government led to stability in supply chains leading to resumption of growth from August. Improvement in the Covid situation from September onwards has also provided further impetus to the economy which has led to led to strong rebound in growth led by the manufacturing sector. The rebound is reflected in high frequency indicators like auto sales and the PMI numbers. Manufacturing PMI for October has improved sharply to 58.9 and is the highest since mid 2008.

Exhibit 1: Manufacturing has rebounded strongly



Source: Company, Angel Research, Bloomberg, IHS Markit

Exhibit 2: Services growth accelerated in October



Source: Company, Angel Research, Bloomberg, IHS Markit

We expect services sector to rebound over the next few months

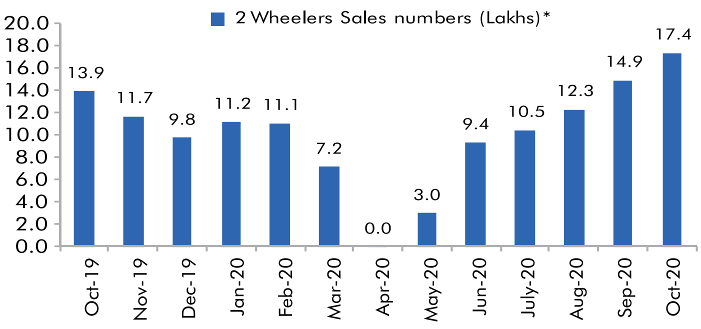
While the manufacturing sector has led the rebound in growth the services sector which accounts for ~60% of the economy is still lagging. Within services sub sectors like aviation, hotel, multiplex and retail are the worst impacted and are still operating below pre Covid levels. However the services PMI reading of 54.1 for the month of October is the first reading above 50 since March and points to green shoot of recovery in the services sector.

We expect growth in the service sector to accelerate from here on due to unlocking of significant portion of the economy along with positive sentiments due to the ongoing festive season.

Auto sales, cement and steel numbers also pointing to strong rebound

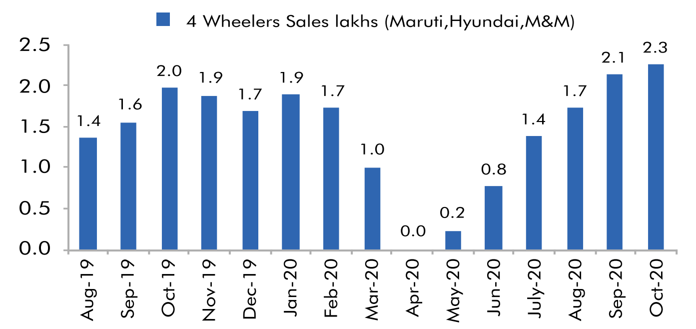
Auto companies continue to report strong sequential growth with sales numbers back to pre Covid levels. Most companies have been reporting strong growth in sales numbers not only sequentially but also on a year on year basis. Maruti Suzuki reported a 17.6% YoY increase in October domestic sales as compared to zero sales in April. Similarly Hero Motocorp also reported a 34.6% YoY growth in growth in monthly sales for October 2020.

Exhibit 3: 2 wheeler sales registering strong growth



*Source: Company, Angel Research, SIAM * Hero, Bajaj & Eicher motors*

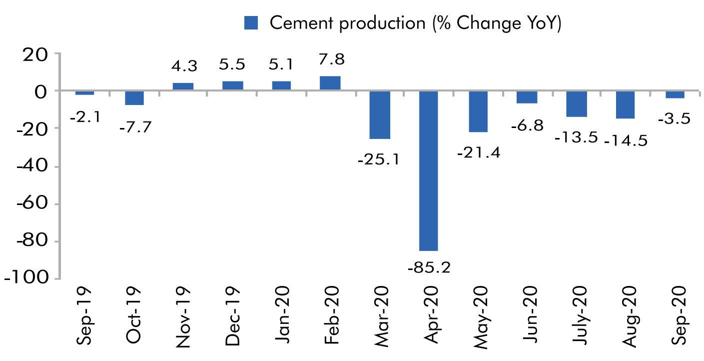
Exhibit 4: PV sales also above pre Covid levels



Source: Company, Angel Research, SIAM

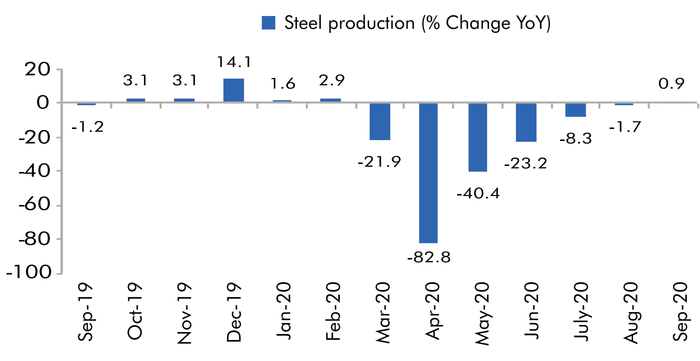
Cement and steel production data also point to continued improvement sequentially. Cement demand has rebounded strongly led by pent up demand and was down by just 3.5% YoY in Sep'20. Steel production too has improved gradually and has registered a positive growth of 0.9% YoY in Sep'20.

Exhibit 5: Cement production has improved sharply



Source: Company, Angel Research, Bloomberg. MOSPI

Exhibit 6: Steel production back to positive territory



Source: Company, Angel Research, Bloomberg, MOSPI

Pent up demand and further opening of economy will provide further impetus to economy

We believe that post unlock 4.0 & 5.0 significant portion of the services sector has now been opened up and should lead to acceleration in the services sector over the next few months. Due to lockdowns in April and May there is pent up demand which along with improved sentiment due to the festive season and continued opening up of the economy should lead to improvement in economic activities over the next couple of months.

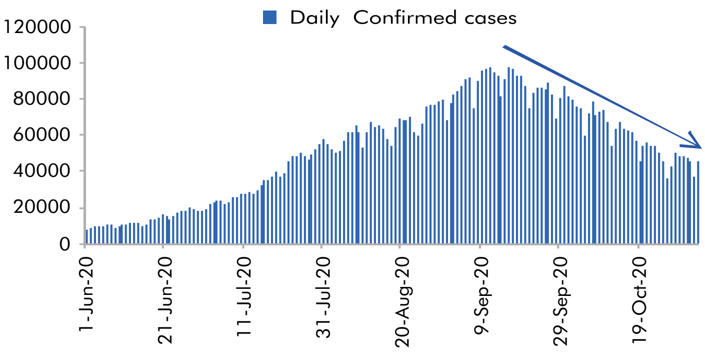
Decrease in new cases along with improved visibility on vaccine is providing confidence to markets

With the Government easing restrictions in a phased manner since Unlock 1.0 in June there was a surge in new Covid-19 cases in India. While part of the surge was on account of the virus spreading from urban cities to rural areas it was also partially attributable to increased testing which led to more of the asymptotic cases being recognized which were probably not being counted before. This was reflected in higher recovery rates and lower death rates in India despite the surge in new Covid-19 cases.

Daily new cases have halved while recovery rate has improved to 92%

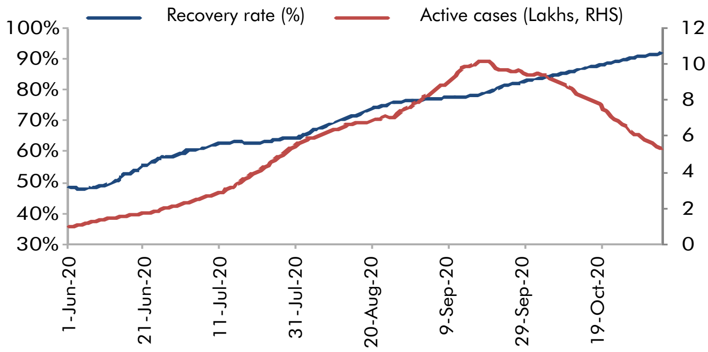
However the Covid-19 situation in India is well under control now with the daily new cases count peaking out at in the middle of September near the one Lakh mark. Since then the daily new cases have come down significantly to below 50,000 new cases despite further opening of the economy. The numbers of active cases too have come down sharply from over 10 Lakh in the middle of September to below 5.5 Lakh while recovery rate has improved to over 92% as on the 2nd of Nov'20.

Exhibit 7: Decline in new cases despite unlocking



Source: Company, Angel Research, GOI

Exhibit 8: High recovery rate also extremely positive



Source: Company, Angel Research, GOI

Promising news flow on vaccine development is encouraging

Moreover there has been positive news flow on the vaccine front as there are now five promising vaccine which are at advanced stages of development and there is a very high possibility that production could start by the end of the year while vaccination could start in the beginning of 2021.

Exhibit 9: Promising vaccines in advanced stages of development

Sno	Country	Company / Institute	Name of Vaccine	Current Status	Expected Timelines
1	USA	Moderna	mRNA-1273	Phase 3 Human trials	Result of Phase 3 expected soon
2	UK	University of Oxford	Adenovirus vaccine vector	Phase 3 Human trials	Result of Phase 3 expected soon
3	Russia	Gamaleya Research Inst.	Gam-Covid-Vac Lyo	Phase 3 Human trials	Start of Production by end of year
4	UK	Novavax	Recombinant nanoparticle vaccine	Phase 3 Human trials	100 mn dosage in Q1 FY2021 in USA
5	USA	Johnson & Johnson	Adenovirus vaccine vector	Phase 3 Human trials	Results by end of the year

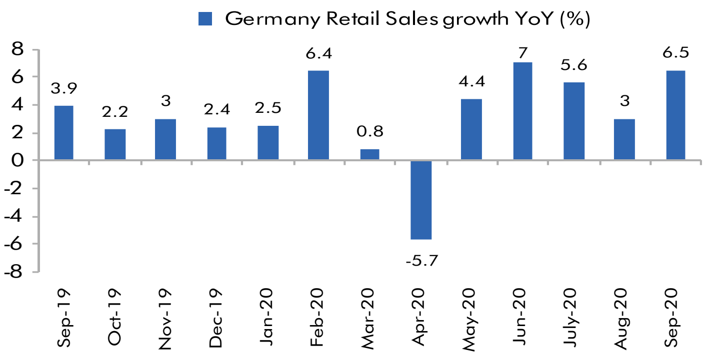
Source: Company, Angel Research, Bloomberg

Global economy recovery too has been strong

Global economy has improved significantly since bottoming out in April

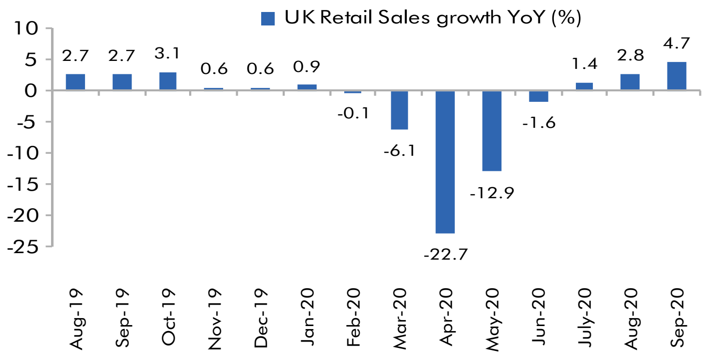
The global economy too has recovered very sharply led by Europe initially which was amongst the first of the developed countries which reopened their economy. Most European countries had gradually eased social distancing norms from May which led to a rebound in the economy led by pent up demand.

Exhibit 10: German retail sales above pre Covid levels



Source: Company, Angel Research, Bloomberg

Exhibit 11: UK retail sales also above pre Covid levels

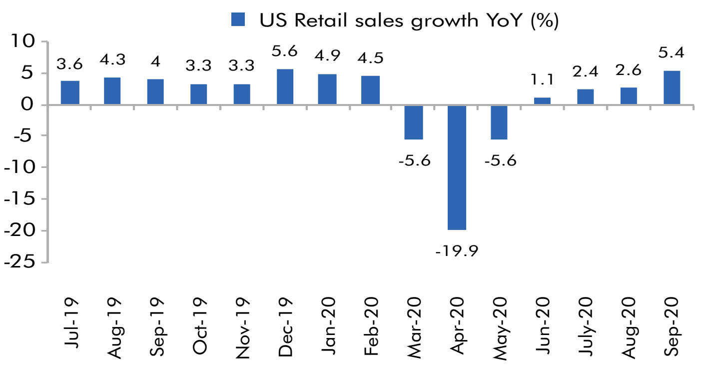


Source: Company, Angel Research, Bloomberg

US economy continued to improve from pandemic lows

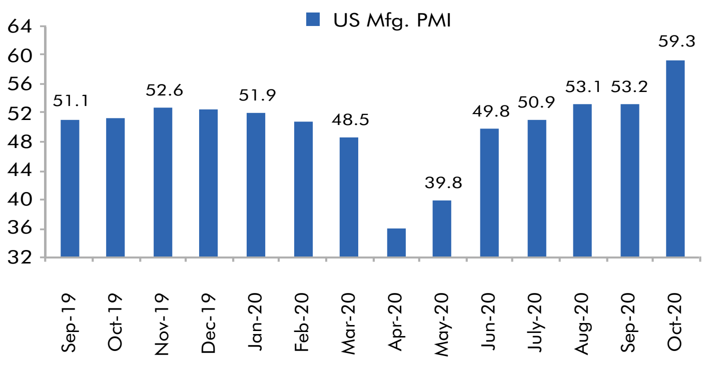
The US economy has been reporting very strong improvement in the underlying economy despite increase in new Covid-19 cases in the US. This is reflected in better PMI and retail sales numbers.

Exhibit 12: US Retail sales accelerated in September



Source: Company, Angel Research, Bloomberg

Exhibit 13: US PMI points to rebound in manufacturing



Source: Company, Angel Research, Bloomberg

However there has been a surge in Covid-19 infections in Europe from end of August which had led to many countries reintroduce some form of social distancing norms from mid of October. Given the recent surge in infections in the US there is likelihood that social distancing measures could be introduced in the US at some point of time which may lead to some slowdown in the global recovery especially in the services sector. However the manufacturing sector is unlikely to be impacted significantly and should do reasonably well despite the lockdowns.

Outcome of US Elections along expected lines though race was tighter than expected

Win by democrat candidate Joe Biden along expected lines

In the US elections the Democratic Party candidate Joe Biden is all set to win the presidential elections while the democrats are likely to retain the house. Though the results are mostly along expected lines it was much tighter than expected contrary to opinion polls prediction of a clean sweep by the democrats. The Republicans are likely to retain a slim majority in the senate which is also along expected lines.

Expectations of a second stimulus package will provide support to markets

While the blue wave which predicted a clean sweep for the democrats would have been the most preferred outcome of the US elections we believe that the current outcome is still acceptable as it would give the new president enough room to implement his policies. The focus will now shift to passing the second stimulus bill where the democrats will have to reach an agreement with the Republicans in order to pass the bill.

We expect significant shift in US stance on bilateral relations with other countries

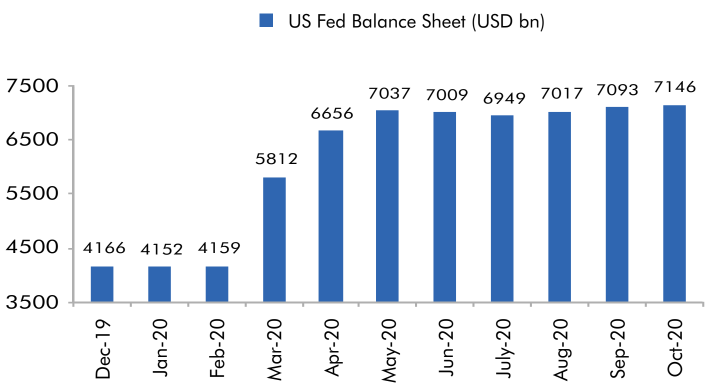
There is also expected to be a significant shift in foreign policy with the US taking a less combative tone under the new president which will be good for global trade. Though the US may maintain a relatively tough stance on China we expect significant improvement in relationship with the rest of the world which would be good for global equities.

However the results are likely to be challenged by the incumbent president in the US Supreme Court. However markets have already factored in the likelihood of a challenge by the incumbent president.

Liquidity flow driven by global central banks to provide support

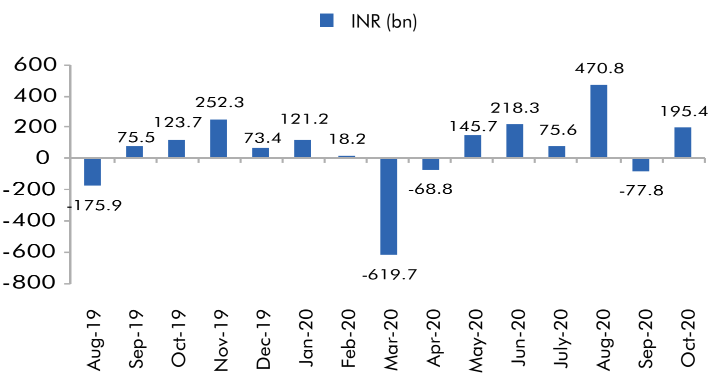
In the likely scenario of the incumbent president challenging the win by Joe Biden there could be some short term volatility as it may lead a delay in the second US stimulus package. However we expect the US Fed to step in with more quantitative easing in order to prevent the situation from getting out of hand. This will lead to a surge in global liquidity which will result in large FII flows into emerging markets down the line including India.

Exhibit 14: US Fed stimulus helped drive global flows



Source: Company, Angel Research, Bloomberg

Exhibit 15: FII flows to India have followed Fed QE



Source: Company, Angel Research, Bloomberg

Sectors with revenue visibility will continue to do well

We expect agrochemicals, two wheeler, IT, telecom and tractors will continue to do well

During the peak of the pandemic significant portion of the economy barring a few were adversely impacted. Therefore sector specific investment strategy was the key in such unprecedented times with a clear focus on sectors which were either rural focused, essential in nature or benefitted from greater adoption of digital technologies.

While the rural, essential and digital theme have played out along expected lines since the beginning of the crisis we believe that there are is a clear case for further upsides in most sectors given revenue visibility and strong growth prospects. Continues strength in the rural economy on the back of a good monsoon along with pent up demand bodes well for Agrochemicals, two wheelers and tractors. Chemicals sector should also continue doing well given that it will be one of the biggest beneficiaries of accelerated shift in supply chains from China by global companies.

Likely removal of restrictions on H1B visas by Democrats will be positive for IT sector

Similarly we expect IT sector will continue to do well as demand environment continues to remain robust due to greater adoption of digital technologies. Moreover a Joe Biden victory is also positive for the IT sector as the restrictions placed on H1B visas by the trump administration are likely to be reversed. Telecom is also expected to continue doing well given increased demand for data and gradual increase in ARPUs due to consolidation in the industry.

Select cyclical sectors should also continue to do well

Expectations of improvement in economic activities due to easing of restrictions along with the possibility of a vaccine sometimes by the end of 2020 or early 2021 has led to the rally becoming more broad based recently. We are seeing continued participation from cyclical sectors like Auto, cement and consumer durables while beaten down sectors like aviation, hotels, multiplexes and real estate have also participated in the rally.

We expect cyclical sectors like PV and cement along with multiplexes to do well

While we expect the rural, essential and digital theme will continue to do well, we also expect the rally in cyclical sectors will continue for some more time. However we expect the recovery to be uneven with different sectors charting out different recovery path. While we expect demand for PV and low ticket consumer durable will rebound at a much faster rate given pent up demand, it may take some time for demand to come back for few sectors like Aviation and retail.

Cement is another sector which is expected to witness strong growth due to pent up demand and the Government's focus on infrastructure and rural housing. Similarly we are positive on the multiplex sector which is expected to benefit from reopening of theaters across India including key areas like the NCR and MMR regions.

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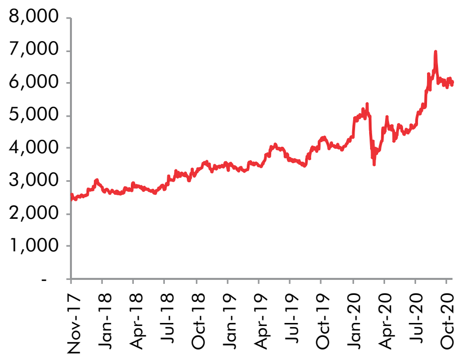
Atul

Stock Info

CMP	6,100
TP	7,339
Upside	20.3%
Sector	Chemicals
Market Cap (₹ cr)	18,093
Beta	0.8
52 Week High / Low	7,021/3,256

3 year-Chart



Source: Company, Angel Research

- Atul Ltd is one of India's oldest and largest specialty chemical companies with diversified presence across various industries like Agrochemicals, Pharmaceuticals, dyes & pigments etc.
- The company has got one of the strongest chemistry skill sets in the Indian chemical space and has got very strong relationship with global chemical companies with exports accounting for 55-60% of the company's revenues.
- The company's business has almost normalized in Q2FY21 with the company posting 4.2% degrowth in revenues to Rs. ₹1,002 crore as compared to our expectation of a 10% degrowth. The life science division which accounts for ~35% of the company's revenue has reported a 5.3% YoY growth in sales.
- We expect company to post Revenue/EBIDTA/PAT growth of 10.3%/14.8%/11.8% for FY20-22 led by growth in life science division.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2021E	3,946	25.4	697	235.1	0.2	25.9	4.6	4.2
FY2022E	4,981	23.9	837	282.3	0.2	21.6	3.9	3.3

Source: Company, Angel Research

Cholamandalam Inv. Fin. Com.

Stock Info

CMP	307
TP	362
Upside	17.9%
Sector	Financials
Market Cap (₹ cr)	25,163
Beta	1.6
52 Week High / Low	349/117

3 year-Chart

Source: Company, Angel Research

- The CIFC has one of the most diversified AUMs in terms of product mix and geographical presence. None of its product segments account for over 26% of overall AUM. The maximum geographic zonal exposure in terms of AUM is 27% (south).
- Management has a stress-tested book and guided for lower incremental provision requirement. The final provision for FY21 would be similar to FY20. Hence, we believe existing COVID provision is adequate.
- A diversified product mix will help capture growth in the LCV, tractor, and 2W segment. Adequate capital adequacy (20%+) and declined trend in The cost of funds and strong parentage provide comfort. The company will benefit significantly from stabilization in the operating environment.

Key Financials

Y/E March	Op. Inc (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2021E	4,126	6.0	1,164	14.2	102	1.7	13	22	3.0
FY2022E	4,941	6.3	1,860	22.7	121	2.4	19	14	2.5

Source: Company, Angel Research

Endurance Tech.

Stock Info	
CMP	1,052
TP	1,297
Upside	23.3%
Sector	Auto
Market Cap (₹ cr)	14,795
Beta	0.6
52 Week High / Low	1,202/562

3 year-Chart

Source: Company, Angel Research

- It mainly caters to two and three-wheeler OEMs in India and supplies aluminum casting products to four-wheeler OEMs in Europe.
- Post Covid-19, evolving consumer preference for lower ticket priced means of private transport amid pressurized incomes & awareness around social distancing are expected to act as tailwinds for domestic 2-Ws in India, 4-Ws across developed nations.
- The company operates 17 plants in India, 9 plants overseas and 4 R&D sites
- Going ahead, given the company's ability to gain new businesses & market share across categories; we recommend a buy for Endurance.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2021E	5884	13.2	281	20.0	8.5	52.7	4.6	2.5
FY2022E	7465	16.4	608	43.2	15.6	24.5	3.7	1.9

Source: Company, Angel Research

Galaxy Surfactants

Stock Info	
CMP	1,785
TP	2,075
Upside	16.2%
Sector	Chemicals
Market Cap (₹ cr)	6,328
Beta	0.6
52 Week High / Low	2,036/975

3 year-Chart

Source: Company, Angel Research

- Galaxy Surfactants is a market leader in oleochemical-based surfactants, which is used in personal and home care products including skin care, oral care, hair care, cosmetics, toiletries and detergent products.
- The company has been increasing it's share of high margin specialty care products in it's portfolio which now accounts for ~ 40% of it's revenues while the balance is accounted for by the performance surfactant business.
- Company has very strong relationship with MNC clients like Unilever, P&G, Henkel, Colgate-Palmolive and supplies raw materials to them not only in India but also in US, EU and MENA region.
- Though the company's operations had been impacted due to the Covid-19 outbreak in Q1FY21 we expect revenues to bounce back strongly given the company's exposure to the personal and home care segment and recovery in the specialty segment.

Key Financials

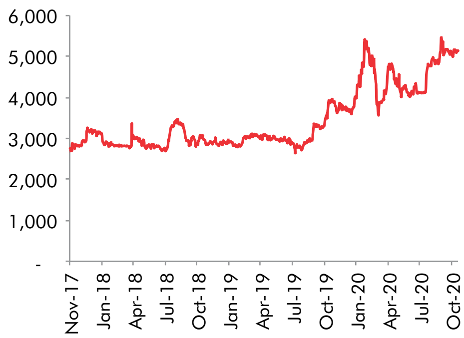
Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2021E	2,636	14.3	224	63.1	0.2	28.3	5.2	2.4
FY2022E	3,169	14.0	272	76.8	0.2	23.2	4.4	2.0

Source: Company, Angel Research

Hawkins Cooker

Stock Info	
CMP	5,124
TP	5,992
Upside	16.9%
Sector	Durable
Market Cap (₹ cr)	2,709
Beta	0.6
52 Week High / Low	5,540/3,111

3 year-Chart



Source: Company, Angel Research

- HCL operates in two segments i.e. Pressure Cookers and Cookware. Over the FY17-20, the company has outperformed TTK Prestige (market leader) in terms of sales growth ~9.6% vs ~0.4% in Cookers & Cookware segment.
- Cooking gas (LPG) penetration has increased from 56% in FY2014 to 97% in FY2020, which would drive higher growth for Cookers & Cookware compared to past.
- Increase demand for Kitchen product post Covid-19.
- Strong balance sheet along with free cash flow and higher profitability.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (x)	P/E (%)	P/BV (%)	EV/Sales (x)
FY2021E	575	13.0	51	96.7	32.5	53.0	17.2	4.6
FY2022E	728	15.1	77	145.7	42.4	35.2	14.9	3.6

Source: Company, Angel Research

IDFC First Bank

Stock Info	
CMP	31
TP	36
Upside	16.1%
Sector	Financials
Market Cap (₹ cr)	17,669
Beta	1.3
52 Week High / Low	48/18

3 year-Chart

Source: Company, Angel Research

- The Ability to raise sufficient liquidity at Low cost would be the Key criteria for banks to navigate the current situation, as asset side inflow would be limited. IDFC Fist Bank, Post management change has clearly outperformed in building liability franchise and retail lending.
- Since new management took charge, every qtr. liability franchise has been strengthened. CASA ratio improved from 10.4% in Q3FY19 to 40.4% In Q2FY21. NIM has improved to 4.57% in Q2FY21 from 4.53% in Q1FY21 and 2.89% in Q3FY19.
- The Bank had raised Rs. 2,000 crores of fresh equity capital during Q1FY21. Post the capital raise, the company has a very strong Capital Adequacy Ratio of 14.7% with CET-1 Ratio of 14.3% at the end of Q2FY21.
- We believe efforts to build a liability franchise, fresh capital infusion, and provision taken on the wholesale books will help to tide over this difficult time. The IDFC First Bank is trading (1.0x FY22ABV) at a significant discount to historical average valuations.

Key Financials

Y/E March	NII (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2021E	7,138	4.9	76	0.1	29	0.0	0	233	1.1
FY2022E	9,139	5.7	1,793	3.2	32	1.0	10	10	1.0

Source: Company, Angel Research

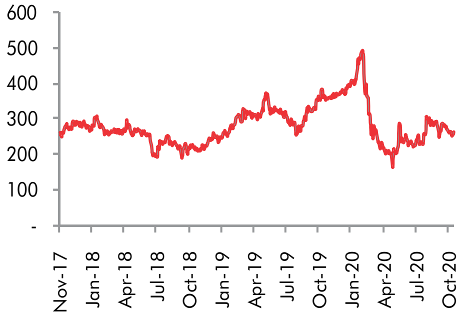
Inox Leisure

- Inox Leisure is the second largest multiplex company in India after PVR and operates more than 600 screens across India.
- Multiplex screens are gaining ground in India at the expense of single screens. According to FICCI, multiplex screens share have increased from ~26% in CY16 to ~33.5% in CY19, which will continue to increase.
- Share prices have corrected ~40% as all theatres were closed down for ~7 long months due to Covid-19. Although, long term fundamentals are intact. Covid-19 will lead to further consolidation in the industry.
- We are positive on the prospects of the company given that it has strong balance sheet, increasing market share of multiplexes and also increasing appetite for Hollywood and smaller budget movies which is expected to reduce volatility in earnings due to lower dependency on big bollywood movies.

Stock Info

CMP	276
TP	350
Upside	26.8%
Sector	Media & Entertainment
Market Cap (₹ cr)	2,836
Beta	0.8
52 Week High / Low	511/158

3 year-Chart



Source: Company, Angel Research

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2021E	628	-8.6	-146	-14.2	NA	NA	4.5	4.6
FY2022E	2153	17.0	162	15.8	14.5	17.5	2.5	1.4

Source: Company, Angel Research (Ex Ind AS 116)

JK Lakshmi Cement

- JK Lakshmi promoted by Singhania group is a predominantly north India cement company with capacity of 13.3 Mn Mt.
- Currently, north India is favorable location for the cement industry as it is consolidated to a large extent as well as demand and supply outlook is better compared to other locations. Power & fuel are important line items of cost for cement companies. Fall in crude prices will help to reduce cost/tonne for the company. The stock is also trading at a significant discount as compared to other north based cement company such as JK Cement as well its historical valuation and offers value at current levels.

Stock Info

CMP	292
TP	355
Upside	21.6%
Sector	Cement
Market Cap (₹ cr)	3,433
Beta	0.7
52 Week High / Low	389/180

3 year-Chart

Source: Company, Angel Research

Key Financials

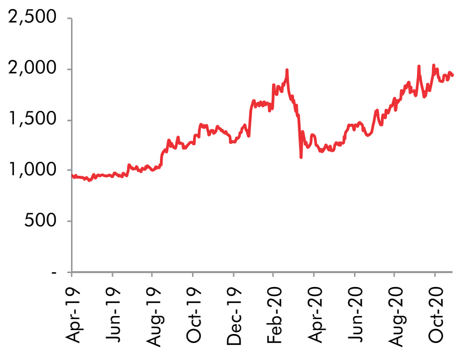
Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2021E	4270	17.6	298	25.3	16.1	11.5	1.7	1.0
FY2022E	4460	16.4	334	28.4	15.6	10.3	1.5	0.8

Source: Company, Angel Research

Metropolis Healthcare

Stock Info	
CMP	1,968
TP	2,360
Upside	19.9%
Sector	Healthcare
Market Cap (₹ cr)	10,022
Beta	0.8
52 Week High / Low	2,146/993

3 year-Chart



Source: Company, Angel Research

- Metropolis is a leading Pathology centre in India. Company has an asset light model with a strong Balance sheet having cash and cash equivalents to the tune of ₹235cr as on 30st June, 2020.
- nCurrently, the diagnostic industry is dominated by standalone centers (~48%) followed by hospital based labs (~37%) and diagnostic chains (~15%)
- nFrom 62.6% revenue de-growth (including covid testing) YoY in Apr'20, the company has registered 40% revenue growth in Sep''20 as covid revenue is an additional source of revenue for the company. Non-covid business is almost back to the normal.
- We are positive on the long term prospects of the company given expected long term growth rates of ~15% CAGR, stable margins profile and moderating competitive intensity.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2021E	1025	28.2	189	37.4	28.2	52.6	14.8	9.4
FY2022E	1242	28.3	239	47.3	27.8	41.6	11.6	7.7

Source: Company, Angel Research

Persistent System

Stock Info	
CMP	1,147
TP	1,531
Upside	33.5%
Sector	IT
Market Cap (₹ cr)	8,762
Beta	0.5
52 Week High / Low	1,389/420

3 year-Chart

Source: Company, Angel Research

- Persistent Systems has a very strong presence in Hi tech, manufacturing and life science segments which ware amongst the least impacted sectors due to Covid-19.
- Company has posted a very strong set of numbers for Q2FY21 with dollar revenue growth of 3.9% qoq while margins have also improved sequentially. Management has indicated that ramp up of existing deals and alliance business would drive growth in H2FY21. The new management's focus on annuity deals is expected to lead to stable growth going forward.
- We expect the company to post revenue/EBITDA/PAT growth of 14.1%/24.2%/22.7% between FY20-FY22 given negligible impact of Covid-19 on FY21 numbers, strong deal wins, ramp up of existing projects along with margin expansion.

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2021E	4,077	15.7	408	53.4	15.2	21.5	3.3	1.7
FY2022E	4,645	16.4	513	67.1	16.7	17.1	2.8	1.5

Source: Company, Angel Research

Swaraj Engines

Stock Info	
CMP	1,382
TP	1,891
Upside	36.8%
Sector	Auto
Market Cap (₹ cr)	1,677
Beta	0.5
52 Week High / Low	1,708/807

- Swaraj Engines is engaged in the business of manufacturing diesel engines and hi-tech engine components. Diesel Engines are specifically designed for tractor application.
- Going forward, we expect recovery in tractor industry (due to robust Rabi crop production, hike in MSP & the forecast of a normal monsoon) will benefit player like Swaraj Engines
- The company has healthy balance sheet along with free cash flow and higher profitability. The company is trading at reasonably lower valuations.

3 year-Chart

Source: Company, Angel Research

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (x)	P/E (%)	P/BV (%)	EV/Sales (x)
FY2021E	774	16.7	66	54.6	16.7	27.0	4.3	2.2
FY2022E	899	17.0	86	71.2	17.1	20.7	3.4	1.9

Source: Company, Angel Research

VIP Industries

Stock Info	
CMP	286
TP	375
Upside	31.1%
Sector	Luggage
Market Cap (₹ cr)	4,036
Beta	0.8
52 Week High / Low	520/188

- VIP Industries Ltd (VIP) is engaged in the manufacturing of hard and soft luggage both. VIP's brands include Carlton, VIP Bags, Skybags, Aristocrat, Alfa and Caprese.
- Shift in trend towards the organized sector to propel growth. Substantial brand visibility with a wide distribution network. VIP has a well diversified product bouquet, which caters to consumers from all income groups.
- The recent correction has given the investors an opportunity to invest in a market leader with a strong brand & wide distribution network.

3 year-Chart

Source: Company, Angel Research

Key Financials

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (x)	P/E (%)	P/BV (%)	EV/Sales (x)
FY2021E	808	-0.3	-102	-7.2	NA	NA	7.8	4.6
FY2022E	1454	10.3	36	2.6	8.0	112.1	6.9	2.3

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%) Neutral (-5 to 5%) Reduce (-5% to -15%) Sell (< -15%) Hold (Fresh purchase not recommended)

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