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Ke Saath!

Diwali Picks Report

Diwali Special - November 2021

Research Team | www.angelone.in

Happy Diwali

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 continues to hit new lifetime highs and even the second Covid wave in Q1FY2022 did not have any significant impact on the markets. While the second Covid wave briefly interrupted the recovery process, the impact was smaller than the first wave and high-frequency indicators already point to a V-shaped recovery in the economy.

Markets were also supported by continued monetary and fiscal stimulus in developed economies. This resulted in large FII flows into emerging markets including India as we received record flows of ₹2.7 lakh Cr in FY2021 including ₹2 lakh Cr in H2FY2021. While FII flows were robust last year, mutual funds witnessed outflows of ₹39,327Cr.

However, the mutual fund outflows were compensated by an increase in direct retail participation. This was reflected in 2.9Cr new demat account additions between Mar '20 and Sep '21 and has led to an increase in demat penetration from 3.1% to 5.1%. I expect direct retail participation to increase significantly in the years to come driven by new-age digital brokers like us who are leveraging technology to penetrate previously un-served markets of Tier-II cities and beyond.

The US Fed in its latest FOMC meeting has announced that it will start with the tapering of bond purchases from the end of 2021. This is leading to concerns that we may see FII outflows which will lead to a correction in the markets like 2013. However, this time around India's fundamentals are much better as compared to 2013 and therefore it is unlikely that there will be any major pullout by FIIs though there will be a slowdown in inflows.

While we are already witnessing moderation in FII flows as compared to FY2021, mutual fund flows have turned positive at over ₹53,325Cr in the first half of FY2022. Going forward I expect mutual fund flows will remain robust which along with a continued increase in direct retail participation will more than make up for a slowdown in FII flows and keep driving markets.

What is also giving me confidence is the significant increase in the pace of vaccination over the past few months with India having achieved the landmark of administering over 100Cr doses. At the current rate, the entire eligible population will be partially vaccinated by Dec '21 which will limit the impact of any possible third Covid wave on the economy. Therefore looking at the current environment I am confident that the economy will continue to improve from here on and we can look forward to an even brighter Diwali next year.

So, let's continue the exciting journey while celebrating this auspicious occasion.

Happy Diwali once again!

Dinesh Thakkar

Dinesh Thakkar
CMD, Angel One Limited

Top Picks

Company	CMP (₹)	TP (₹)
Auto		
Ashok Leyland	143	175
Sona BLW Precis.	640	775
Ramkrishna Forg.	1,192	1,545
Suprajit Engg.	368	425
Banking		
AU Small Finance	1,261	1,520
Federal Bank	102	135
HDFC Bank	1,653	1,859
Shri.City Union.	2,215	3,002
Chemical		
P I Industries	3,000	3,950
Others		
Carborundum Uni.	868	1,010
Stove Kraft	980	1,288
Safari Inds.	853	979
Sobha	765	950
Whirlpool India	2,230	2,760
Lemon Tree Hotel	53	64
Amber Enterp.	3,450	4,150

Source: Company, Angel Research
Note: Closing price as on 26th Oct, 2021

Strong economic recovery to support markets

The Indian economy has rebounded strongly post the second Covid wave with high-frequency indicators pointing to a V-shaped recovery to pre-second wave levels. While manufacturing had led in the initial phase of the rebound, gradual withdrawal in restrictions has led to a strong rebound in the services sector since Aug '21. We expect the economic recovery process to continue led by strong festive demand and continued acceleration in the services sector. Significant progress on the vaccination front will restrict the fallout from any possible third Covid wave. Going ahead, we expect banking and consumer-facing sectors to drive the markets given an expected rebound in earnings in H2FY2022. We also remain positive on the IT sector given the structural up-shift in the medium-term growth trajectory for the sector. Although on a P/E basis the Nifty is trading above its five-year average, ex of IT and RIL, the Nifty is still near its five-year average which provides comfort.

Improvement in Covid situation and progress on vaccination are key positives

The Covid situation in India has improved significantly as the new cases on a 7-day rolling average are now at ~15,000 per day from the peak of ~4 lakh per day in May '21 despite the withdrawal of restrictions. Significant progress has been made on the vaccination front with over 75% of the eligible population being partially vaccinated. Going by the current pace of vaccination it is estimated that the entire eligible population will be fully vaccinated by the end of Dec '21 which will limit the impact of any possible third wave on the economy.

Domestic flows to make up for any slowdown in FII flows due to tapering

Given the strong rebound in the US economy and high level of inflation due to supply chain issues, the US Fed has indicated that they will start with the tapering gradually from the end of CY2021. Considering the gradual pace of tapering, it is unlikely that there will be any major pullout by FIIs though there will be a slowdown in inflows. However robust mutual fund flows along with a continued increase in direct retail participation will more than make up for a slowdown in FII flows.

Banking, consumption, and select cyclical sectors to do well along with IT

We expect the banking sector to lead the markets from here on given the strong rebound in earnings in H2FY2022 due to the pick up in AUM growth and decline in provisioning. We also expect sectors like aviation, consumer durables, hotels, multiplexes, and real estate to do well on the back of strong earnings growth in H2FY2022 due to further reopening of the economy and pent-up demand. We expect that the IT sector will also continue to do well going forward despite significant rerating over the past year due to structural upshift in the medium-term growth trajectory.

Key risks for the markets are 1) A bigger than expected third Covid wave in India which impacts the recovery process 2) Further increase in global inflation from current levels forcing central banks to tighten earlier than expected.

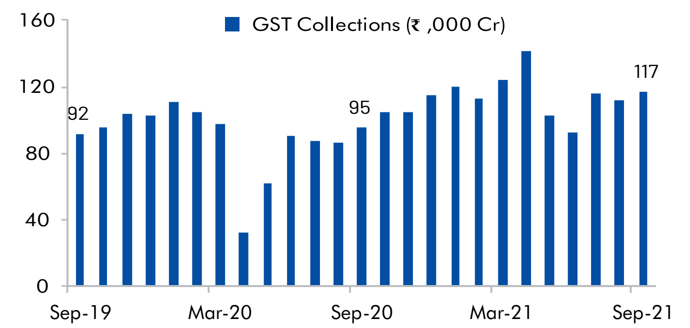
High frequency indicators like GST and E-Way bills are above pre pandemic levels

The Indian economy has staged a V-shaped recovery post-second wave

Since the past Diwali, India's recovery was set back by a quarter owing to the second wave during Q1FY2022. However, the recovery was equally fast with the Indian economy staging a V-shaped recovery. The mobility trends are reverting to pre-covid levels as per the google mobility index where the retail & recreation indicator has reached 96% of baseline level, public transport is up 3% from the baseline and the workplaces indicator suggests that the "back to the office" theme is picking up.

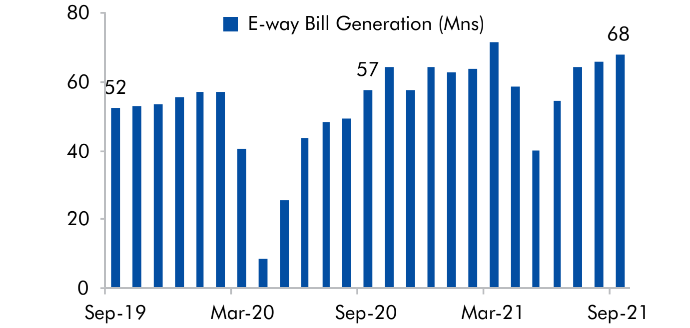
As for other leading indicators, the GST collections have also rebounded post the second lockdown and are now above the pre-pandemic levels of 2019. E-Way bill generation has been at the highest level since the start of FY2022 and the momentum is likely to pick up which will get reflected in GST numbers to come.

Exhibit 1: GST Collections above pre-pandemic levels



Source: GST Council, Angel Research

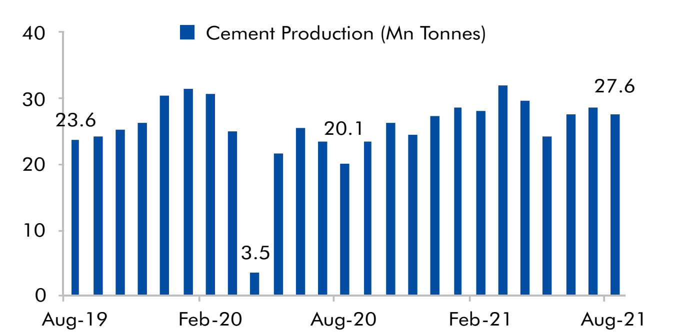
Exhibit 2: Sep E-way Bill Generation highest for FY22



Source: GSTN, Angel Research

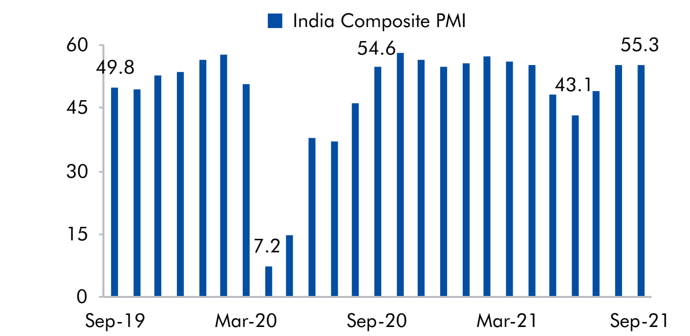
Cement demand is expected to bounce back strongly post the monsoon months led by higher government spending on infra projects and other construction activity. The PMI numbers also point to a very strong recovery from the second wave lows in Q1FY2022.

Exhibit 3: Recent volumes higher than 2019 levels



Source: Bloomberg, MOSPI, Angel Research

Exhibit 4: PMI points to strong recovery from 2nd wave

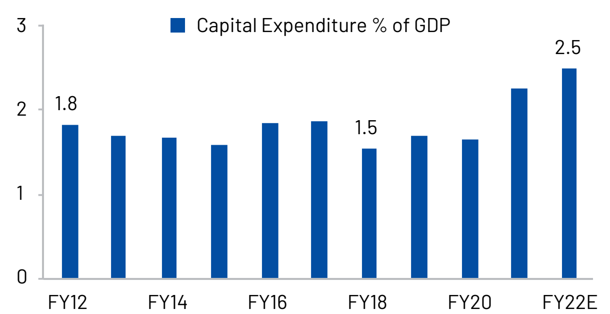


Source: IHS Markit, Angel Research

Increase in Government Capex will also help drive GDP growth over the long run

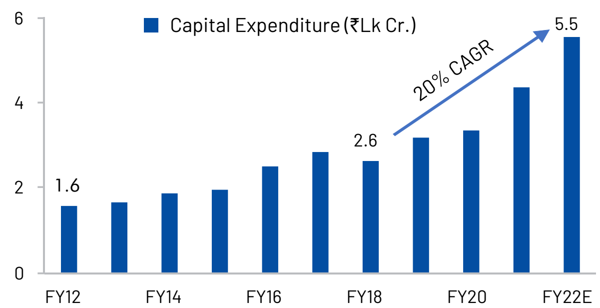
As for investing for future growth, the intent is visible from Government's Capex figures. Central Government's Capital Expenditure as a percentage of Nominal GDP has improved from 1.5% in FY2018 to 2.5% of FY2022 budgeted Estimates. Private sector Capex in cement and steel sectors is already visible owing to strong demand and improving profitability. Additionally, the PLI scheme is expected to boost private sector participation where the environment is conducive with ample liquidity and low-interest rates.

Exhibit 5: Increased Govt. allocation to Capex...



Source: Budget Documents, RBI, Angel Research

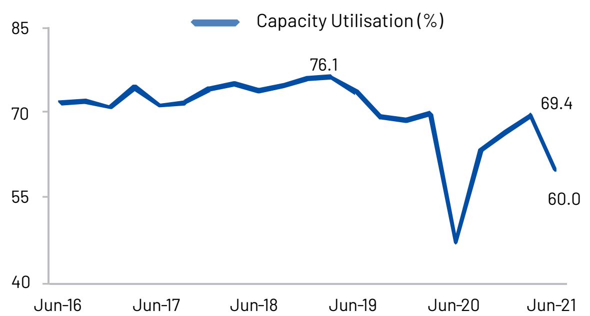
Exhibit 6: ...is also meaningful in absolute terms



Source: Budget Documents, RBI, Angel Research

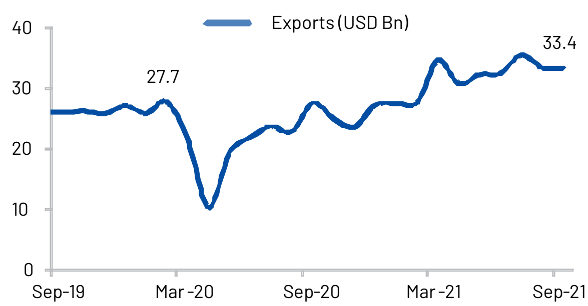
Near-term threats are emerging from rising inflation and tapering by the US Fed. The pace of inflation has been alarming due to global supply chain bottlenecks and a rise in input and energy prices but the same is expected to cool off by Q4FY2022. As far as India is concerned, the OBICUS survey suggests that the capacity utilizations have enough headroom to improve to meet the broad-based improvement in demand which in turn should help mitigate the impact on gross margins for corporate India due to higher input costs.

Exhibit 7: CUs low; can address any uptick in demand



Source: RBI OBICUS Survey, Angel Research

Exhibit 8: Exports can become a growth driver for India



Source: GOI, Angel Research

Additionally, given the supply side and other issues faced by China, India is in a good position to act as a substitute player and can benefit from the buoyant global demand scenario. We therefore believe that Exports will be another growth engine for India going forward.

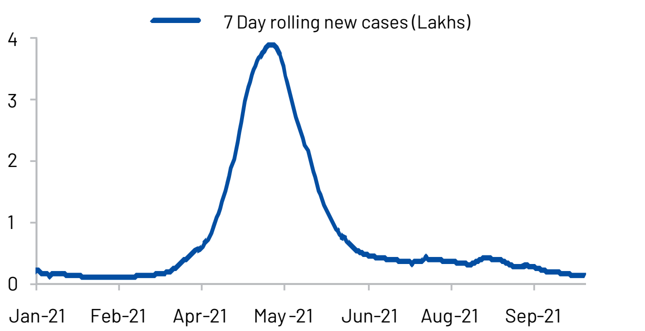
Decrease in new cases, lower positivity rates, and progress on vaccination will help to fully open up the economy

Positivity rate at 1.3% is below pre second wave levels of 1.6%

The covid situation in India has improved significantly over the last three months. From the peak of ~4 lakh per day cases as seen during the peak of the second wave in May'21, the new cases on a 7-day rolling average came down to ~24,000 by the end of Sep'21 and are now averaging ~15,000 per day.

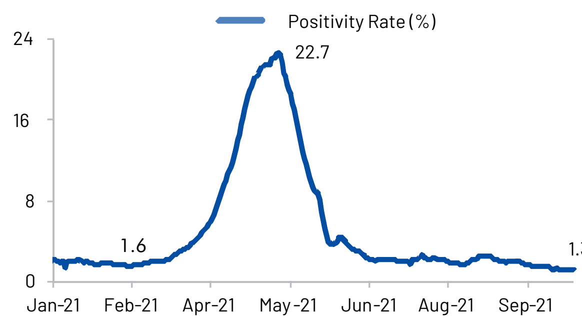
Although the contribution of key states like Maharashtra, Kerala, Tamil Nadu, Karnataka, and Andhra Pradesh (AP) makes up for most of the new cases, the active cases in Maharashtra, Karnataka, and AP continues to decline. More importantly, the positivity rates have come down significantly in these states and India's overall positivity rate at 1.3% is below pre-second wave levels while the 15 day lag Mortality rate is currently at less than 2%.

Exhibit 9: Decline in new cases despite unlocking



Source: GOI, Angel Research

Exhibit 10: Positivity rates are lower than Feb'21 levels

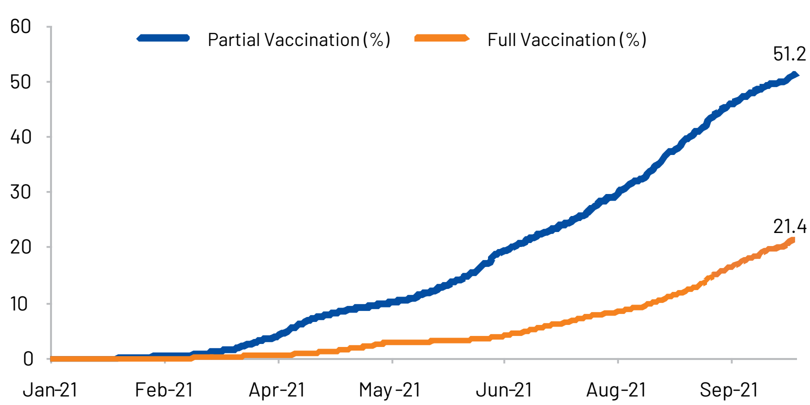


Source: GOI, Angel Research

Significant progress on vaccination reduces the risk of a third wave

While India was slow to start with the vaccination process there has been a significant step up in the pace of vaccination since August as a result of which 51.2%/75% of the total/eligible population has already received one dose as of 23rd of Oct'21. At the current pace, India is expected to partially vaccinate its entire eligible population by Dec'21 which would mitigate the impact of any possible third wave.

Exhibit 11: Over half of India's population has been partially vaccinated



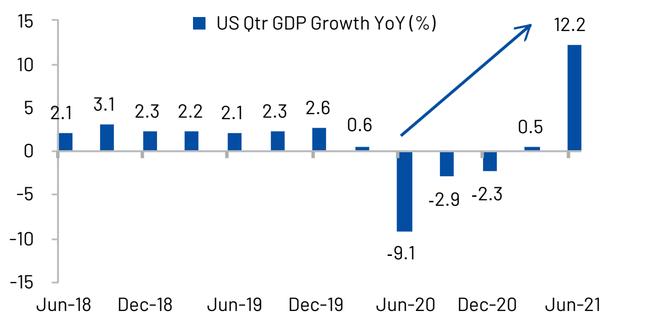
Source: GOI, Angel Research

US economy has rebounded to pre pandemic levels led by consumption

Strong US growth & high inflation trigger tapering by the US Fed

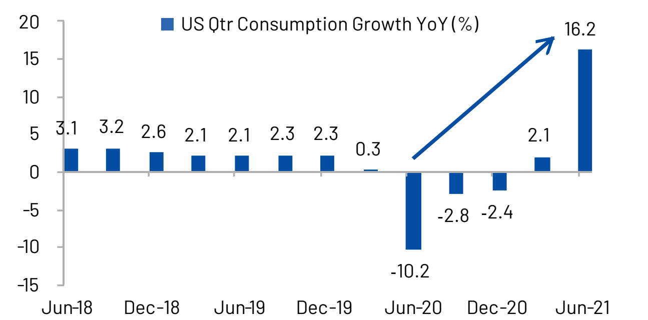
With restrictions being eased at the start of the calendar year, the US economy has seen its sharpest rebound thanks to the USD1.9 trillion stimulus package in Mar '21. This led to a sharp increase in demand for goods while services rebound started with the easing of norms. As a result, the US GDP has now recovered to pre-pandemic levels led by consumption.

Exhibit 12: US GDP is back to pre Covid levels



Source: Bloomberg, FED, Angel Research

Exhibit 13: Driven by strong consumption growth



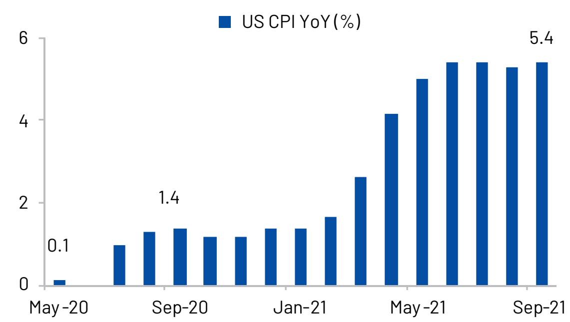
Source: Bloomberg, FRED, Angel Research

An increase in private wages and factors like Child Tax Credit payments starting in Jul'21 have also boosted income levels. As a result, Personal Consumption Expenditure has sustained at recent highs which is reflected in the retail sales numbers; up ~16% higher than the pre-Covid levels. Based on the current trends, the retail sales are showing resilience but some of the rise in retail spending is also attributed to inflation.

Exhibit 14: Retail Sales continue to remain strong

Source: Bloomberg, Angel Research

Exhibit 15: Inflation at highest levels in last 13 years



Source: US BLS, Angel Research

It is evident that the US growth has bounced back strongly, and the demand is expected to sustain. This along with the effects of higher energy price and supply chain related issues have lifted inflation to its highest levels seen in the past 13 years. Given the high growth rates and inflation, the US fed has indicated that they will start with the tapering of their bond purchases from the end of 2021.

However, tapering will be gradual and unlikely to disrupt markets

The US fed likely to announce tapering in the Nov'21 FOMC meet

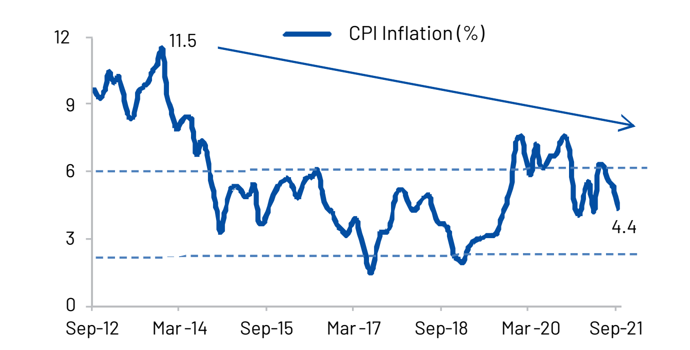
The minutes of the Oct Fed meeting indicate that the US Fed is most likely to announce the start of the tapering in the Nov '21 FOMC meeting given the continued high level of inflation and strong consumer demand.

This is leading to concerns that we are likely to see a repeat of 2013 when talks of tapering led to a correction in Indian markets. However, the correction in Indian equities in 2013 was more due to the twin balance sheet problem in India along with very high levels of Inflation. India had a current account deficit of 4.8% in FY13 while CPI inflation too was well over 10%.

India's external situation is significantly better as compared to 2013

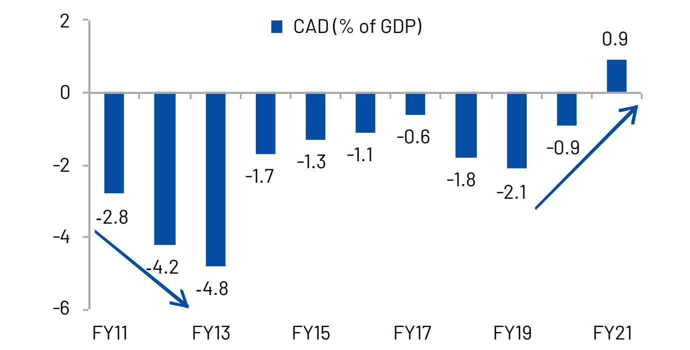
However, this time around India's fundamentals are much better as compared to FY13 as we had a current account surplus of 0.9% in FY2021 as compared to a large deficit in FY2013. Inflation is also significantly lower and has been below the 6.0% levels as compared to double-digit inflation in 2013.

Exhibit 16: India Inflation has come down structurally



Source: Angel Research, Bloomberg, RBI

Exhibit 17: First CAD surplus for India in 17 years



Source: Angel Research, Bloomberg, RBI

Given the significant improvement in external position, we believe that India is in a much better position to withstand any external shock arising from tapering as compared to 2013.

Moreover, the Fed has indicated that they will taper gradually and reduce their bond purchases by USD 15bn from current levels of USD 120bn per month. The Fed has also indicated that rate hikes are only going to start happening from the second half of the calendar year 2022 once the tapering process is over.

Gradual tapering will allow markets to get accustomed to lower liquidity

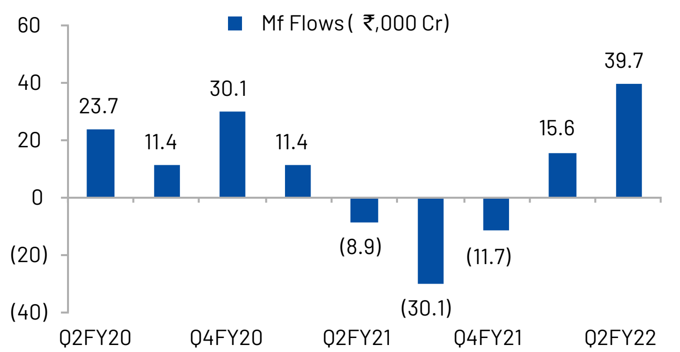
Therefore, the tightening process is going to be a gradual one and will allow the markets to get accustomed to lower liquidity gradually thus ensuring that there is no abrupt sell-off in global markets. Hence global liquidity is expected to remain reasonably strong in FY2022 and will ensure that we keep getting some amount of FII flows for the rest of FY2022.

Domestic liquidity will make up for any slowdown in FII flows

Mutual Fund flows have turned positive in 1HFY2022

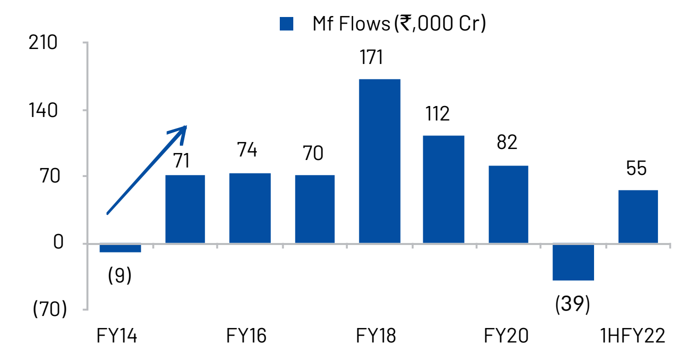
While we expect FII flows to be stable for the rest of FY2022 and moderate from the ₹2.7 lakh Cr. inflows in FY2021 we expect domestic flows will be robust. Mutual fund flows that had turned negative in FY2021 have bounced back strongly in the first half of FY2022. We expect Mutual fund flows to remain strong going forward which will make up for any possible slowdown in FII flows.

Exhibit 18: MF flows have turned positive in 1HY22



Source: Angel Research, AMFI, SEBI

Exhibit 19: MF Flows to drive markets going forward



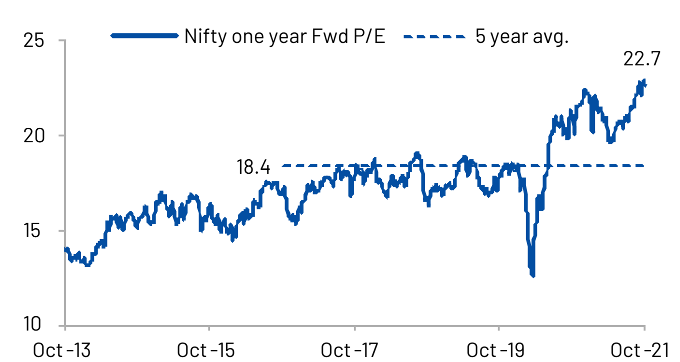
Source: Angel Research, AMFI, SEBI

Valuations optically higher due to rerating in few sectors and low corporate profit to GDP ratio

At current levels, the Nifty is trading at a P/E multiple of 22.7x on rolling one-year consensus earnings which is well above the past five-year average of 18.4x. This is largely on account of sharp rerating in the IT sector and Reliance Industries which have a combined weight of ~28% in the Nifty.

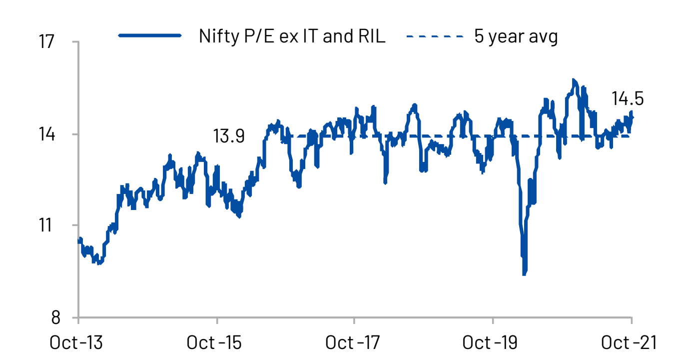
The IT sector and RIL have witnessed a rerating over the past year due to structural changes in underlying fundamentals which will put them on a higher growth trajectory in the medium term.

Exhibit 20: Nifty trading at premium to 5 year average



Source: Angel Research, Bloomberg

Exhibit 21: Nifty Ex IT & RIL is still inexpensive



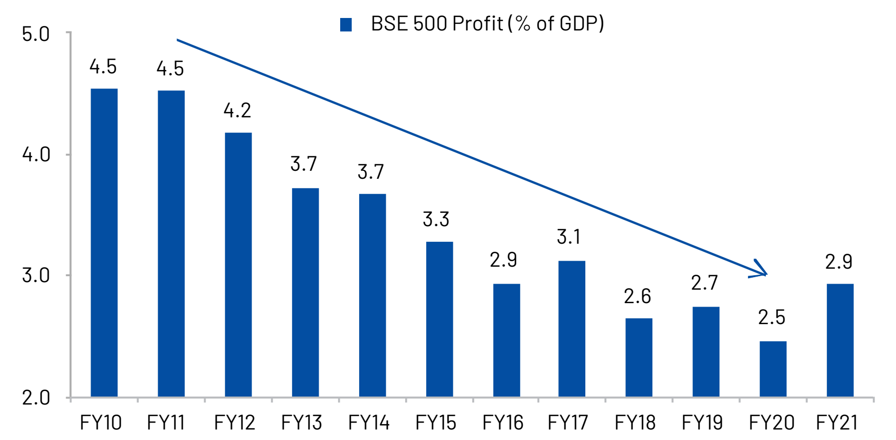
Source: Angel Research, Bloomberg

Excluding IT and Reliance Nifty is still inexpensive

Excluding RIL and the IT sector, the Nifty is trading at a P/E multiple of 14.7x. This is near its last 5-year historical average of 13.9x, which looks reasonable and provides comfort. Therefore we believe that the Nifty will continue to trade at a premium to historical averages.

Another reason why the markets appear to be expensive on a P/E basis is due to the significant drop in corporate profit to GDP ratio between FY10-FY20. India's corporate profitability growth at 5.8% CAGR during the period was significantly below the nominal GDP growth of 12.4% CAGR during the same period.

Exhibit 22: Corporate profit to GDP ratio has bottomed out



Source: Angel Research, Bloomberg, Capitaline

While high inflation and interest rates impacted profitability growth between FY10-FY15, multiple structural reforms like Demonization, GST, RERA, and clean-up of banking sector NPAs impacted profitability growth between FY15-FY20.

This resulted in corporate profitability to GDP falling from 4.5% in FY2011 to 2.5% in FY2020. However, with all the reforms related issues behind us, corporate profitability has started to improve. Profits for BSE 500 companies have grown by 15.4% in FY2021 despite the Covid crisis which has resulted in corporate profit (BSE 500) to GDP ratio improving to 2.9%.

Earnings growth to catch up over next 2-3 years

Strong acceleration in GDP growth over the next 2-3 years along with improving corporate profitability should lead to a further increase in corporate profit to GDP ratio. Therefore as earnings growth catches up over the next few years valuations will start to appear more reasonable.

Continued economic recovery and liquidity will support markets

The pace of recovery of the Indian economy has surprised everyone with high-frequency indicators indicating that economic activities are already above the pre-second wave levels. Festive demand is also expected to be strong which should provide further impetus to the recovery process.

Low interest rates to help the economic recovery process

Inflation is expected to remain below the 6.0% levels well into Q1FY2023 which will allow the RBI to continue with its accommodative stance. Hence we expect that the RBI will keep the repo rate at the current 4.0% levels for the rest of FY2022 thus helping the economic recovery process. Therefore we expect India to achieve 8.5% to 9.5% GDP growth in line with consensus estimates.

We expect earnings recovery to continue in H2FY2022 led by banking, consumption, and service oriented sectors due to continued improvement in the underlying economy which along with strong domestic liquidity will support markets.

Banking, consumption, and select cyclical sectors to do well along with IT

We expect the banking sector to post strong growth in H2FY2022

The Banking sector had been one of the worst impacted sectors due to the second Covid wave which had led to another round of spike in NPAs and credit costs in Q1FY2022. However going by the initial trend in the Q2FY2022 results, it seems like the worst is over for the sector with larger banks reporting improvement in asset quality. We expect a pick-up in AUM growth along with significant improvement in asset quality and decline in credit costs in H2FY2022, which should lead to a rerating for the sector.

We expect sectors like aviation, consumer durables, hotels, and real estate to do well going forward

While we expect the banking sector to lead the markets from here on, we also expect sectors like aviation, consumer durables, hotels, multiplexes, and real estate will also do well going forward due to the reopening of the economy and pent up demand. We are also positive on CVs, cement, and building materials given that they will be the biggest beneficiaries of the Government's focus on infrastructure and housing.

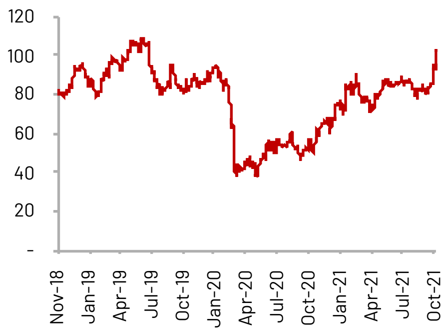
We also believe that the IT sector will continue to do well going forward despite significant rerating over the past one year given the structural upshift in growth trajectory over the next 3-5 years.

Diwali Picks

Federal Bank

Stock Info	
CMP	102
TP	135
Upside	32%
Sector	Banking
Market Cap (₹cr)	21,867
Beta	1.5
52 Week High / Low	106/50

3 year-Chart



Source: Company, Angel Research

- Federal Bank is one of India's largest old generation private sector banks. At the end of H2FY2022 the bank had total assets of ₹2.06 lakh Cr with deposits of ₹1.72 lakh Cr and a loan book of ₹1.34 lakh Cr
- Federal Bank has posted a good set of numbers for Q2FY2022 as NII / advances increased by 7.2%/9.5% YoY. Provisioning for the quarter was down by 58.6% YoY as a result of which PAT was up by 49.6% YoY. GNPA and NNPA ratio improved to 3.25% and 1.12% while restructuring went up by ~75bps qoq to 2.6% of advances
- Overall asset quality for the quarter improved in Q2FY2022 which was better than our expectations. We expect asset quality to improve further in H2FY2022 given continued opening up of the economy. We expect the Federal bank to post NII/PPOP/PAT CAGR of 22.8%/23.7%/23.2% between FY2020-23 and remain positive on the bank

Key Financials

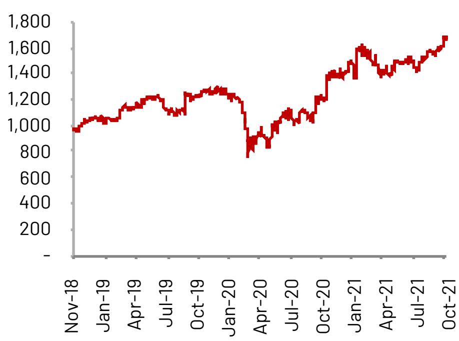
Y/E March	NII (₹cr)	NIM (%)	PAT (₹cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2022E	6,604	3.1	2,107	10.6	84.3	1.0	12.3	9.6	1.2
FY2023E	8,612	3.4	2,884	14.5	97.7	1.1	14.7	7.0	1.1

Source: Company, Angel Research

HDFC Bank

Stock Info	
CMP	1,653
TP	1,859
Upside	12%
Sector	Banking
Market Cap (₹cr)	9,31,372
Beta	1.2
52 Week High / Low	1,724/1,177

3 year-Chart



Source: Company, Angel Research

- HDFC Bank is India's largest private sector bank with a loan book of ₹12 lakh Cr in H2FY2022 and deposit base of ₹14 lakh Cr. The bank has a very well spread-out book with wholesale constituting ~54% of the asset book while retail accounted for the remaining 46% of the loan book
- Q2FY2022 numbers were better than expected as GNPA/ NNPA reduced by 12/8bps QoQ to 1.35% and 0.40% of advances. Restructured advances at the end of the quarter stood at 1.5% of advances. The bank posted NII/PPOP/PAT growth of 12.5%/14.4%/17.6% for the quarter on the back of strong loan growth of 15.5% YoY. NIMs for the quarter were stable sequentially at 4.1%
- The management has indicated that there will be maximum impact of 10-20bps on asset quality from the restructured pool. Given best in class asset quality and expected rebound in growth from H2FY2022 we are positive on the bank given reasonable valuations at 3.2x FY23 adjusted book which is at a discount to historical averages

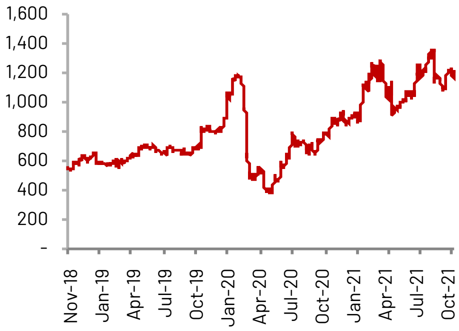
Key Financials

Y/E March	NII (₹cr)	NIM (%)	PAT (₹cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2022E	73,930	4.0	36,213	65.5	419	1.9	16.8	25.2	3.8
FY2023E	86,972	4.1	43,037	77.9	496	2.0	16.9	21.2	3.2

Source: Company, Angel Research

Stock Info	
CMP	1,261
TP	1,520
Upside	20%
Sector	Banking
Market Cap (₹cr)	38,074
Beta	1.4
52 Week High / Low	1,389/722

3 year-Chart



Source: Company, Angel Research

AU Small Finance

- AU Small Finance Bank is one of the leading small finance banks with AUM of ~₹34,688 Cr. at the end of Q1FY2022. It has a well-diversified geographical presence across India. Wheels (auto) and SBL-MSME segment accounting for 37% and 39% of the AUM respectively
- Collection efficiency remained strong during Jul/Aug/Sep at 110%/107%/109%. Given stable asset quality, we expect loan growth to pick up in H2FY22 which should lead to a rerating for the bank
- We expect AU SFB to post robust NII/PPOP/ PAT CAGR of 21.7%/25.1%/26.4% between FY2020-23 on the back of AUM CAGR of 23.6%. Reducing cost of funds will also help NIM expansion going forward. We believe that the worst is over for the bank in terms of asset quality and expect significant improvement in asset quality in H2FY2022 which should lead to a rerating

Key Financials

Y/E March	NII (₹cr)	NIM (%)	PAT (₹cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2022E	3,004	5.3	1,344	30.5	209.0	1.7	14.1	41.3	5.6
FY2023E	3,635	5.1	1,582	43.4	253.0	1.9	17.1	29.1	4.6

Source: Company, Angel Research

Stock Info	
CMP	2,215
TP	3,002
Upside	35%
Sector	Banking
Market Cap (₹cr)	14,316
Beta	1.3
52 Week High / Low	2,600/766

3 year-Chart

Source: Company, Angel Research

Shriram City Union

- Shriram City Union Finance is part of the shriram group and is in the high margin business of lending to small businesses which account for 57.3% of the loan book as of end FY2021. The company also provides auto, 2-wheeler, gold, and personal loans
- We expect Shriram City Union to post robust NII/PPOP/ PAT CAGR of 18.3%/19.0%/30.8% between FY2021-23 on the back of AUM CAGR of 14.5%. Reducing cost of funds will also help NIM expansion going forward. We believe that asset quality has held up well despite the covid crisis and expect significant improvement in asset quality in H2FY2022
- We are positive on the company as we believe that the worst is over in terms of asset quality which along with positive growth momentum should lead to a rerating for the company

Key Financials

Y/E March	NII (₹cr)	NIM (%)	PAT (₹cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
FY2022E	4,312	12.1	1,372	207.9	1,320.0	3.8	15.6	10.7	1.7
FY2023E	5,036	12.6	1,730	262.2	1,564.2	4.3	16.7	8.1	1.4

Source: Company, Angel Research

Suprajit Engg.

Stock Info	
CMP	368
TP	425
Upside	15%
Sector	Auto
Market Cap (₹cr)	4,758
Beta	0.9
52 Week High / Low	399/175

3 year-Chart

Source: Company, Angel Research

- Suprajit Engineering (SEL), is the largest supplier of automotive cables to the domestic OEMs with a presence across both 2Ws and PVs. Over the years, SEL has evolved from a single product/client company in India to have a diversified exposure which coupled with its proposition of low-cost player has enabled it to gain market share and more business from existing customers
- SEL has outperformed the Indian Auto industry in recent years (posting positive growth vs low double-digit declines for the domestic 2W and PV industry in FY21). The company believes that consolidation of vendors and new client additions would help in maintaining the trend of market/wallet share gains
- SEL has grown profitably over the years and as a result, it boasts a strong balance sheet (net cash). We believe SEL is a prime beneficiary of a ramp-up in production by OEMs across the globe and is well insulated from the threat of EV (is developing new products). Its premium valuations are justified in our opinion owing to its strong outlook and top-grade quality of earnings

Key Financials

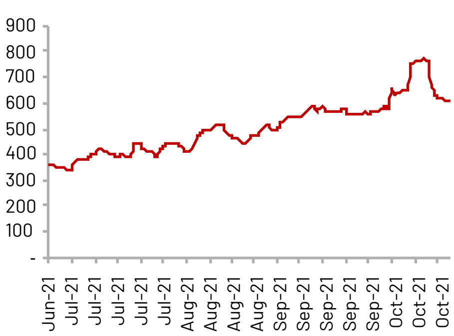
Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	1,840	14.9	174	12.6	16.7	29.2	4.7	2.8
FY2023E	2,179	15.7	225	16.3	19.4	22.6	4.1	2.4

Source: Company, Angel Research

Sona BLW Precis.

Stock Info	
CMP	640
TP	775
Upside	21%
Sector	Auto
Market Cap (₹cr)	35,974
Beta	1.8
52 Week High / Low	813/295

4 Months-Chart



Source: Company, Angel Research

- Sona BLW is one of India's leading automotive technology companies that derives ~40% of its revenues from Battery Electric Vehicles (BEV) and Hybrid Vehicles. It supplies EV differential assemblies and gears, BSG systems, and EV traction motors to global customers. This global BEV segment has been fastest growing and is expected to maintain high growth rates which are positive for Sona BLW
- Sona BLW has a strong market share ranging from 55-90% for differential gears for PV, CV, and tractor OEMs in India. The company's combined motor and driveline capabilities have enabled them to gain market share across its products especially for products related to EV/BEV
- Given the traction in the BEV/Hybrid Vehicle space, we believe that SonaComstar will continue to command a higher multiple which is justified by ~49% earning CAGR over FY21-24E

Key Financials

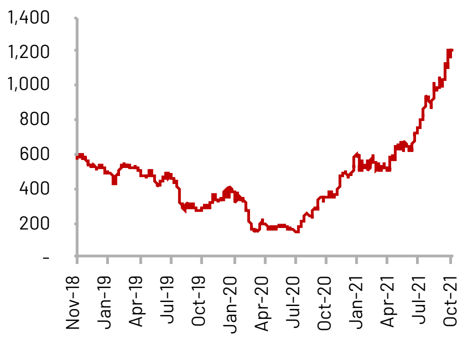
Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	2,171	26.9	335	5.7	23.0	111.3	23.1	17.3
FY2023E	2,997	28.3	500	8.6	28.3	74.7	19.5	12.6

Source: Company, Angel Research

Ramkrishna Forg.

Stock Info	
CMP	1,192
TP	1,545
Upside	30%
Sector	Auto
Market Cap (₹cr)	3,846
Beta	0.9
52 Week High / Low	1,260/334

3 year-Chart



Source: Company, Angel Research

- Ramkrishna Forgings (RKFL), a leading forging player in India and among a select few having heavy press stands to benefit from a favorable demand outlook for the Medium & Heavy Commercial Vehicle (M&HCV) industry in domestic and export markets in the near term
- The company has phased out its CAPEX over the past few years during which it was impacted by industry slowdown in certain periods. With the end to the CAPEX cycle, the favorable outlook in the medium term, and sufficient capacity in place, we believe RKFL volumes would be able to post volume CAGR of 29% over FY21-23E
- RKFL has been able to add new products which have higher value addition. Better mix along with operating leverage is expected to result in ~550 YoY bps EBITDA margin improvement in FY22E

Key Financials

Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	2,213	23.5	203	63.4	18.6	18.8	3.5	2.2
FY2023E	2,595	23.9	266	83.0	14.7	14.4	2.9	1.8

Source: Company, Angel Research

Ashok Leyland Ltd.

Stock Info	
CMP	143
TP	175
Upside	22%
Sector	Auto
Market Cap (₹cr)	40,819
Beta	1.5
52 Week High / Low	150/73

3 year-Chart

Source: Company, Angel Research

- The Ashok Leyland Ltd (ALL) is one of the leading players in the Indian CV industry with a ~28% market share in the MHCV segment in FY21. The company also has a presence in the fast-growing LCV segment where it is witnessing marker share gains.
- MHCV segment recovery was delayed due to the 2nd wave but opening up of the economy along with improvement in business sentiment and increase in Government spending on infrastructure is likely to boost MHCV demand. The bus segment is also likely to bounce back going ahead owing to improvement in activities for the end-users
- FY21 MHCV industry production volumes have been at the lowest levels seen in ~12 years and we believe that the company is ideally placed to capture the growth revival in the CV segment. We believe that ALL will be the biggest beneficiary of the Government's voluntary scrappage policy and hence rate the stock a BUY.

Key Financials

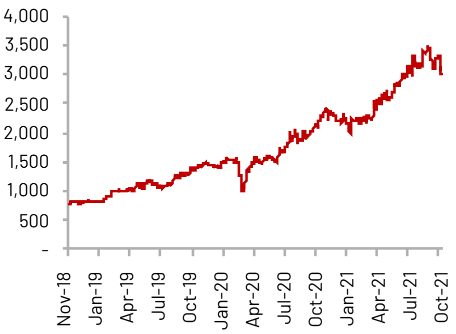
Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	21,316	7.0	353	1.2	4.8	118.9	5.7	2.2
FY2023E	30,241	10.5	1,642	5.6	20.9	25.6	5.0	1.5

Source: Company, Angel Research

P I Industries

Stock Info	
CMP	3,000
TP	3,950
Upside	32%
Sector	AgroChemical
Market Cap (₹cr)	45,998
Beta	0.9
52 Week High / Low	3,533/1,982

3 year-Chart



Source: Company, Angel Research

- PI Industries is a leading player in providing Custom synthesis and manufacturing solutions (CSM) to global agrochemical players. The CSM business accounted for over 70% of the company's revenues in FY21 and is expected to be the key growth driver for the company in future
- The company has been increasing its' share of high margin CSM business driven by strong relationship with global agrochemical players. PI is leveraging its chemistry skill sets and is looking to diversify its CSM portfolio to electronic chemicals, Pharma API, fluoro chemicals, etc. which will help drive business
- PI Industries has announced that they will be acquiring the API business of Indswift labs for a consideration of ₹1,500 Cr. Indswift labs had clocked revenues of ₹850 Cr in FY21 and provides PI with an entry into the API business which will help provide the company with an additional lever to drive growth

Key Financials

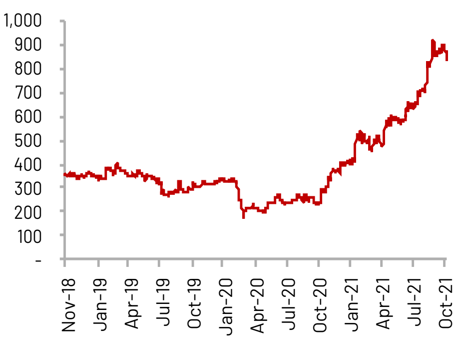
Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	5,722	22.8	908	59.8	14.8	50.2	4.2	9.0
FY2023E	7,777	22.8	1,192	78.5	16.5	38.2	3.6	6.6

Source: Company, Angel Research

Carborundum Universal

Stock Info	
CMP	868
TP	1,010
Upside	16%
Sector	Others
Market Cap (₹cr)	16,036
Beta	0.7
52 Week High / Low	957/232

3 year-Chart



Source: Company, Angel Research

- Carborundum Universal (CUMI) is a leading manufacturer of abrasives, industrial ceramics, refractories, and electro minerals (EMD) in India having application across diversified user industries. CUMI is expected to benefit from improving demand scenarios across its end-user industries such as auto, auto components, engineering, basic metals, infrastructure, and power
- CUMI has shown good execution in recent quarters with a strong performance in Abrasives and EMD segments. Within Abrasive, the company is gaining market share (supply chain issues/preference for Indian suppliers) and should benefit from a good end-user industry demand. EMD performance is likely to sustain owing to strong pricing and Volumes (due to the China+1 strategy of its customers)
- Overseas operations have also improved and operations are expected to be at normal levels. We believe that CUMI's leadership position in the domestic abrasives market, well-diversified presence, launches of value-added products, and healthy cost advantages would sustain the improvement in profitability and enhance cash generation

Key Financials

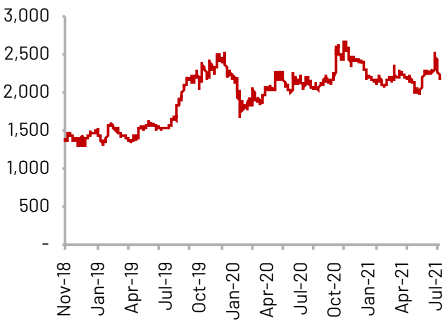
Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	3,167	18.0	380	20.0	16.6	43.3	6.7	4.9
FY2023E	3,667	17.9	444	23.5	16.9	37.0	5.9	4.2

Source: Company, Angel Research

Whirlpool India

Stock Info	
CMP	2,230
TP	2,760
Upside	24%
Sector	Others
Market Cap (₹cr)	27,681
Beta	0.4
52 Week High / Low	2,777/1,970

3 year-Chart



Source: Company, Angel Research

- Whirlpool of India (WIL) is engaged in manufacturing and selling of Refrigerators, Washing Machines, Air Conditioners, Microwave Ovens, built in and Small appliances and caters to both domestic and international markets
- WIL's products are present in the categories with low penetration levels which in turn can lead to higher growth for the company. WIL is increasing focus on emerging categories like water purifier, AC and Kitchen Hoods & Hobs and the company is filling product portfolio gap by launching products
- Going forward, we expect healthy profitability on back of strong brand, wide distribution network, capacity expansion& strengthen product portfolio

Key Financials

Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	6,768	10.5	475	37.5	14.7	59.5	9.0	4.0
FY2023E	7,667	11.5	595	46.9	16.0	47.5	7.8	3.5

Source: Company, Angel Research

Lemon Tree Hotel

Stock Info	
CMP	53
TP	64
Upside	21%
Sector	Others
Market Cap (₹cr)	4,056
Beta	0.9
52 Week High / Low	58/26

3 year-Chart

Source: Company, Angel Research

- Lemon Tree Hotels (LTH) is India's largest chain in the mid-priced hotels sector and third largest overall. This award winning Indian hotel chain opened its first hotel with 49 rooms in May 2004 and operates 87 hotels in 54 destinations with ~8,500 rooms
- Company reported a 129.9% QoQ growth in revenues for Q2FY2022 to ₹96.9 Cr due to sharp increase in occupancy levels to 51% from 29.6% in Q1FY2022, while ARR increased by 28.2% QoQ. This led to a sharp increase of 120.6% in RevPAR sequentially. As a result, the company posted an EBIDTA of ₹33.9 Cr for the quarter as compared to an EBIDTA loss of ₹0.1Cr. for Q1FY2022
- Occupancy levels which had dropped to 20.0% in May due to the lockdowns have now been stable at over 50% in Q2FY2022. We expect occupancy levels to improve further from here on due to the ongoing festive season and improve further in FY2023 thus driving revenue and profitability back to pre Covid levels in FY2023

Key Financials

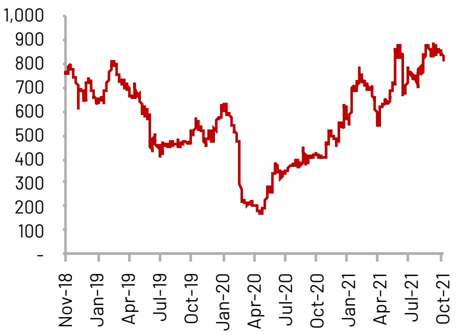
Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	440	37.5	-90	-0.2	-10.8	-	4.2	11.8
FY2023E	705	45.0	11	0.0	1.3	-	4.1	7.5

Source: Company, Angel Research

Safari Inds.

Stock Info	
CMP	853
TP	979
Upside	15%
Sector	Others
Market Cap (₹cr)	1,807
Beta	0.7
52 Week High / Low	900/401

3 year-Chart



Source: Company, Angel Research

- Safari Industries (India) Ltd (SIIL) is amongst the leading luggage players with market share of ~18% market share in the organized sector. Market leader in mass segment & shift from unorganized to organized sectors would benefit SIIL
- Over the last three years, the company has outperformed luggage Industries in terms of sales growth. Company has a wide distribution network which would support growth going ahead. Focused product strategy and diversified product portfolio to boost growth
- Going forward, we expect SIIL to report strong top-line & Bottom-line growth on the back of strong growth in the organized sector, wide distribution network, strong brand & promoter initiatives

Key Financials

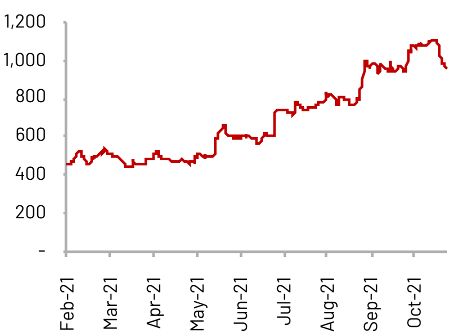
Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	494	7.0	10	4.7	5.6	180.3	10.0	4.0
FY2023E	815	10.0	44	20.1	19.7	42.5	8.2	2.4

Source: Company, Angel Research

Stove Kraft

Stock Info	
CMP	980
TP	1,288
Upside	31%
Sector	Others
Market Cap (₹cr)	3,195
Beta	1.1
52 Week High / Low	1,135/400

8-Months Chart



Source: Company, Angel Research

- Stove Kraft Ltd (SKL) is engaged in the business of manufacturing & selling Kitchen & Home appliances products like pressure cookers, LPG stoves, non-stick cookware etc. under the brand name of 'Pigeon' and 'Gilma'
- In the Pressure Cookers and Cookware segment, over the last two years, the company has outperformed Industry and its peers. Post Covid, organized players are gaining market share from unorganized players which would benefit the player like SKL
- Going forward, we expect SKL to report healthy top-line & bottom-line growth on the back of new product launches, strong brand name and wide distribution network

Key Financials

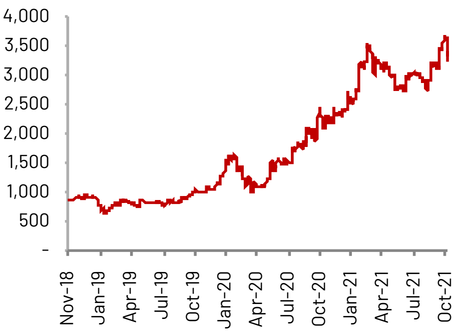
Y/E March	Sales (₹cr)	OPM (%)	PAT (₹cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
FY2022E	1,057	10.6	68	21.1	18.6	46.4	8.6	4.7
FY2023E	1,248	11.4	94	29.0	20.4	33.8	6.9	3.5

Source: Company, Angel Research

Amber Enterp.

Stock Info	
CMP	3,450
TP	4,150
Upside	20%
Sector	Others
Market Cap (₹cr)	11,428
Beta	0.5
52 Week High / Low	3,788/2,081

3 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. Amber would outperform the industry due to dominant position in Room AC contract manufacturing, increase in share of business from existing customers and new client additions
- Amber plans to increase revenues from component business (by increasing product offerings, catering to newer geographies, adding new clients) and exports (already started in the Middle east). In the past 2-3-year, Amber has acquired companies like IL JIN Electronics, Ever and Sidwal Refrigeration Industries, which would help in backward integration and help the company to foray into different segments like railway, metro and defense
- Going forward, we expect healthy profitability on the back of foray into the Commercial AC segment, entry into export markets and, participation in the PLI scheme

Key Financials

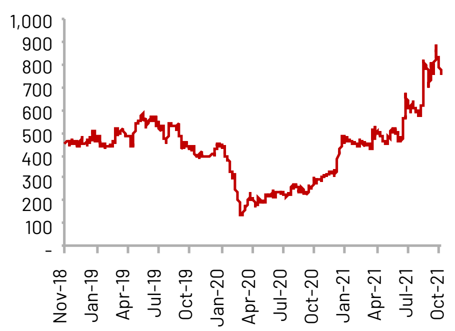
Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹cr)	(%)	(₹cr)	(₹)	(%)	(x)	(x)	(x)
FY2022E	4,004	7.1	150	45.4	8.6	76.0	6.3	2.7
FY2023E	5,620	8.6	262	78.9	13.1	43.7	5.5	2.0

Source: Company, Angel Research

Sobha

Stock Info	
CMP	765
TP	950
Upside	24%
Sector	Others
Market Cap (₹cr)	7,390
Beta	1.4
52 Week High / Low	900/240

3 year-Chart



Source: Company, Angel Research

- Company operates in Residential & Commercial real-estate along with Contractual business. Companies 70% of residential pre-sales come from the Bangalore market which is one of the IT hubs in India, we expect new hiring by the IT industry will increase residential demand in the South India market
- Ready to move inventory and under construction inventory levels have moved down to its lowest levels. Customers are now having preference towards the branded players like Sobha Developers
- Company expected to launch 17 new projects/phase spread over 12.56mn sqft across various geographies. Majority of launches will be coming from existing land banks. Company having land bank of approx. 200mn Sqft of salable area

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹cr)	(%)	(₹cr)	(₹)	(%)	(x)	(x)	(x)
FY2022E	2,450	19.7	123	12.9	7.5	59.3	2.7	4.0
FY2023E	3,550	22.5	355	37.4	12.9	20.5	2.4	2.7

Source: Company, Angel Research

Stock bought in last 6 Months

Stock Name	Date	Reco	Price
Godrej Propert.	4-Jun-21	BUY	1,420
SuprajitEngg.	8-Jun-21	BUY	288
L & T Infotech	11-Jun-21	BUY	4,060
Jindal Steel	14-Jun-21	BUY	420
Quess Corp	16-Jun-21	BUY	840
Stove Kraft	21-Jun-21	BUY	578
Galaxy Surfact.	7-Jul-21	BUY	3,135
AU Small Finance	9-Jul-21	BUY	1,148
DalmiaBharatLtd	15-Jul-21	BUY	2,218
Safari Inds.	19-Jul-21	BUY	742
HDFC Bank	5-Aug-21	BUY	1,490
Sona BLW Precis.	25-Aug-21	BUY	484
Bajaj Electrical	27-Aug-21	BUY	1,189
Sobha	31-Aug-21	BUY	627
P I Industries	9-Sep-21	BUY	3,420
Amber Enterp.	14-Sep-21	BUY	3,243
Sobha	22-Sep-21	BUY	729
Lemon Tree Hotel	23-Sep-21	BUY	43.25
Whirlpool India	29-Sep-21	BUY	2,299
RamkrishnaForg.	13-Oct-21	BUY	1,220

Source: Company, Angel Research

Stock sold in last 6 Month

Stock Name	Date	Reco	Price
NRB Bearings	8-Jun-21	EXIT	131.600
Galaxy Surfact.	15-Jun-21	EXIT	3,086
LIC Housing Fin.	16-Jun-21	EXIT	497
PVR	29-Jun-21	EXIT	1,355
Quess Corp	15-Jul-21	EXIT	751
Apollo Hospitals	27-Jul-21	EXIT	4,100
IDFC First Bank	5-Aug-21	EXIT	47
Galaxy Surfact.	18-Aug-21	EXIT	2,997
Jindal Steel	23-Aug-21	EXIT	362
Godrej Propert.	25-Aug-21	EXIT	1,437
Escorts	31-Aug-21	EXIT	1,348
Sobha	7-Sep-21	EXIT	780
Crompton Gr. Con	14-Sep-21	EXIT	484
DalmiaBharatLtd	22-Sep-21	EXIT	2,143
Bajaj Electrical	24-Sep-21	EXIT	1,499
L & T Infotech	27-Sep-21	EXIT	5,950
GNA Axles	19-Oct-21	EXIT	1,076

Source: Company, Angel Research

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1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
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%) Reduce (-5% to -15%) Hold (Fresh purchase not recommended)	Neutral (-5 to 5%) Sell (< -15%)

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