

**Key Highlights of Union Budget 2020-21**

Union Budget 2020-21 was broadly focused on three themes - Aspirational India; Economic Development for all; and a Caring Society. Allocation of funds and proposes of new schemes for every sector were made under these themes. Govt. adopted a limited fiscal slippage with an aim to balance growth concerns without affecting market and debt obligations.

**Budget at a Glance (Rs Cr)**

Particulars	FY 19 (RE)	FY 20 (BE)	FY 20 (RE)	FY 21 (BE)	% Change	
					FY 20(RE)	FY 21(BE)
Tax Receipts	14,84,406	16,49,582	15,04,587	16,35,909	1.4	8.7
Corporate Tax	6,71,000	7,66,000	6,10,500	6,81,000	(9.0)	11.6
Income Tax	5,29,000	5,69,000	5,59,500	6,38,000	5.8	14.0
Revenue Receipts	17,29,682	19,62,761	18,50,101	20,20,926	7.0	9.2
Capital Receipts	7,27,553	8,23,588	8,48,451	10,21,304	16.6	20.4
Total Receipts	24,57,235	27,86,349	26,98,552	30,42,230	9.8	12.7
Fiscal Deficit	(6,34,398)	(7,03,760)	(7,66,846)	(7,96,337)		
% GDP	3.3%	3.3%	3.8%	3.5%		

**Major Revenue Components (Rs Cr)**

Particulars	FY 19 (RE)	FY 20 (BE)	FY 20 (RE)	FY 21 (BE)	% Change	
					FY 20(RE)	FY 21(BE)
Dividends - PSEs	43,052	57,486	48,256	65,746	12.1	36.2
Dividends - RBI & PSU Banks	70,368	1,06,041	1,51,636	89,648	115.5	40.9
Divestments	80,000	1,05,000	65,000	2,10,000	(18.6)	223.1
Telecom	40,815	50,519	58,989	1,33,027	44.5	125.5
Gross Borrowings	5,71,000	7,10,000	7,10,000	7,80,000	24.3	9.9

**Major Allocations (Rs Cr)**

Particulars	FY 19 (RE)	FY 20 (BE)	FY 20 (RE)	FY 21 (BE)	% Change	
					FY 20(RE)	FY 21(BE)
Defence	2,85,423	3,05,296	3,16,296	3,23,053	10.8	2.1
Subsidies	2,66,217	3,01,694	2,27,255	2,27,794	(14.6)	0.2
Fertiliser	70,086	79,996	79,998	71,309	14.1	(10.9)
Food	1,71,298	1,84,220	1,08,688	1,15,570	(36.5)	6.3
Petroleum	24,833	37,478	38,569	40,915	55.3	6.1
Rural Development + Agri	2,21,575	1,40,762	2,55,808	2,89,748	15.4	13.3
Health	55,949	64,999	63,830	67,484	14.1	5.7
Others	74,895	76,665	76,782	84,256	2.5	9.7
MNREGA	61,084	60,000	71,002	61,500	16.2	(13.4)
Swachh Bharat	16,978	12,644	9,638	12,294	(43.2)	27.6
Health	31,187	33,651	34,290	34,115	10.0	(0.5)
Education	32,334	38,547	37,672	39,161	16.5	4.0
PM Kisan	20,000	75,000	54,370	75,000	171.8	38.0
Metro Projects	14,865	17,714	17,612	17,482	18.5	(0.7)
NHAI + Road Works + Rural Roads	80,298	36,691	83,849	92,151	4.4	9.9

**Agriculture:** Govt. is committed to the goal of doubling farmers' income by 2022; Agriculture credit target for the year 2020-21 has been set at Rs. 15 lakh Cr; PM KUSUM to cover 20 lakh farmers for standalone solar pumps and further 15 lakh for grid connected pumps.

\*Source: [indiabudget.gov.in](http://indiabudget.gov.in)

**Key Budget Announcements**

**Tax Proposals: On Personal income tax** - Under the new regime, which is optional, taxpayers will pay 10%, 15%, 20%, 25% and 30% for incomes between Rs 5-7.5 lakh, Rs 7.5-10 lakh, Rs 10-12.5 lakh, Rs 12.5-15 lakh and above Rs.15 lakh, resp. However, to avail this scheme, taxpayers will have to let go of exemptions. Previously, taxpayers paid 20% for income between Rs 5-10 lakh and 30% for income over Rs 10 lakh.

Proposal to remove **Dividend Distribution Tax** and dividend would be taxable in the hands of shareholders.

Concessional tax rate of 15% for new domestic company engaged in generation of electricity.

100% tax exemption on new investment by foreign funds in the infrastructure sector by 2024 with a minimum lock in period of 3 yrs.

**Other Highlights**

**Divestment & Others:** Govt. set an ambitious divestment target of Rs.210,000 Cr for FY21, out of which around Rs.90,000 Cr is planned through IDBI stake sale and LIC IPO proceeds; Simplified GST return shall be implemented from 1st April 2020.

**Infrastructure:** Govt. has earmarked an Investment of Rs. 100 Lakh Cr in Infra. over the next 5 Yrs; Govt. to provide about Rs. 1.7 Lakh Cr for Transport Infrastructure in 2020-21; National Logistics Policy to be launched soon; To expand National Gas Grid to 27,000 km from 16,200 km.

**On Wellness, Water and Sanitation:** Govt has approved Rs. 3.60 lakh Cr for Jal Jeevan Mission;

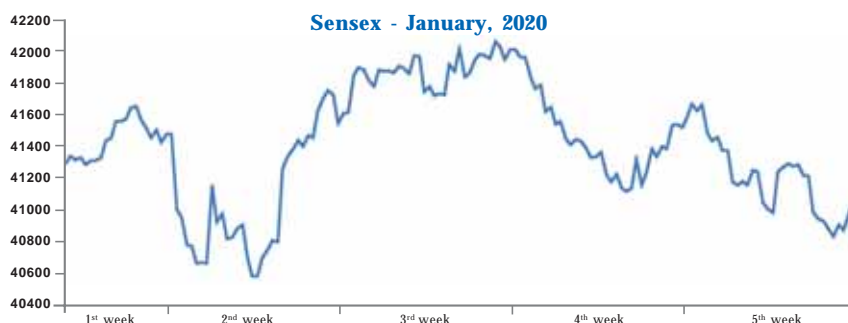
Govt. has set aside Rs. 69,000 Cr for the Health sector.

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## MARKET WATCH

Indices	31/01/2020	31/12/2019	% VAR
Nifty 50	11,962	12,168	-1.7
BSE Sensex	40,723	41,254	-1.3
BSE Mid Cap	15,462	14,968	3.3
BSE Small Cap	14,668	13,699	7.1
BSE-500	15,650	15,667	-0.1
NASDAQ	9,151	8,973	2.0
DOW	28,256	28,538	-1.0
FTSE	7,286	7,542	-3.4
NIKKEI	23,205	23,657	-1.9
Other Indicators	31/01/2020	31/12/2019	% VAR
BBRENT CRUDE (\$/Bl)	58.8	66.0	-10.9
FOREX (Rs/\$)	71.6	71.4	-0.2
GOLD (Rs/10Gms)	40556.0	39076.0	3.8
Top Gainers - BSE 500	CMP	% VAR	
Indbull.RealEst.	107	64	
Indostar Capital	283	56	
Wockhardt	353	50	
IRB Infra.Devl.	107	43	
Indiabulls Integ	122	42	
Top Losers - BSE 500	CMP	% VAR	
Reliance Power	2	-53	
Reliance Capital	9	-38	
Gayatri Projects	54	-32	
Reliance Infra.	22	-26	
Dewan Hsg. Fin.	13	-23	
BSE Sectoral Indices	31/1/2020	31/12/19	% VAR
BSE Realty Index	2,526	2,281	10.8
BSE Cons Durable	26,147	25,012	4.5
BSE Healthcare	13,957	13,429	3.9
BSE Cap Goods	17,462	16,944	3.1
BSE IT Sector	15,871	15,476	2.6
BSE FMCG Sector	11,642	11,406	2.1
BSE Power	1,899	1,926	-1.4
BSE Auto	18,161	18,485	-1.8
BANKEX	35,289	36,672	-3.8
BSE Oil&Gas	13,924	14,745	-5.6
BSE PSU	6,567	6,956	-5.6
BSE Metal	9,494	10,428	-9.0
Institutional Activity (Rs. Cr.)			
Institution	Jan-2020	Dec-19	CYTD'19
FII	12,123	8,090	7,747
MF	1,053	1,696	829
Key Macro Economic Indicators (Y-o-Y, Gr%)			
Indicator	Jan -2019	Latest	
Real GDP (%)	6.6	4.6	
Industrial Production (%)	1.7	1.8	
Manufactuirng PMI	54.3	55.3	
CPI(%)	5.36	3.75	
WPI (%)	3.5	2.7	
Core Sector (%)	1.80	1.5	
Repo rate (%)	6.25	5.15	



## Market Review - January 2020

The broader benchmark indices ended January on a negative note weighed down by concerns over fiscal slippages and profit booking in frontliners post quarterly earnings. Globally, fears over long-term economic effects of the coronavirus outbreak weighed on the sentiment. The benchmark Sensex and Nifty corrected 1.3% and 1.7%.

Market momentum was characterised with stock specific activity against the backdrop of the ongoing earnings season. Results announced so far indicated muted revenue growth while there has been an increase in profitability supported by lower costs and taxes. Of the Nifty 50 companies that have announced results so far, revenues grew a modest 1.5%. However, on the back of lower expenses, operating margins for these aggregate companies expanded by around 230bps to 22%. PAT (adjusted for one-offs like Tata Motors and State Bank of India) rose 19% aided by lower costs and Taxes. Similarly, at the broader level, of the NSE & BSE 500 companies that have announced results so far, revenues grew by around 3%, operating margins expanded by around 235bps and PAT (Ex Banks & Tata Motors) grew by around 11%.

After consistently under-performing the large cap peers, Mid and Small cap stocks rebounded in January, with the BSE Mid and Small cap indices gaining around 3% and 7% respectively.

Macro data points as reflected by high frequency indicators continue to show mixed trends. Manufacturing activity seems to be bottoming out as reflected from the uptick in the Manufacturing PMI. However, Retail Inflation touched a 40 month high of 7.35% due to high food prices.

Globally, January 2020 was an eventful month. As expected, US and China have signed the Phase 1 of the trade deal. Britain formally exited from the European Union ending months of uncertainty. Central Banks continued with their accomodative Monetary policy stance so as to support growth.

## Market Outlook - February 2020

February 2020 could be a volatile month for Indian markets, as Union budget that came on 01st February, failed to cheer investor sentiment, amid absence of expected fiscal stimulus program, no proposal of additional support for the country's weakened financial institutions and no relaxation to LTCCG taxes.

Further, fiscal slippage to 3.8% for FY20, stoked fears over economic growth. Indian markets are likely to remain range bound awaiting clarity on implementation of proposed policies.

Stock and Sector specific actions could drive markets based on corporate news flows and budget proposals. Increased capital outlay for Infrastructure, Railways, Roads (AMRUT, Jal Jeevan Mission, and PMKSY) and tax exemptions for Sovereign Wealth Funds to support long term capital inflows could result in sectoral traction.

Apart, with December earnings season coming towards its fifth week or closure, corporate earnings outcome could be an active driver for markets.

RBI policy outcome would be watched closely for developments on policy framework and economic outlook, while FIIs flows and Rupee movements will be seen for direction. On global markets, apart from scheduled corporate earnings, the key factor that could determine market sentiment would be developments on Coronavirus across the globe. While any positive development could provide some cushion, the continuation of current trend could weaken sentiment further, resulting investors sticking to safe haven buying.

**Monthly Technical Outlook - Nifty**

Nifty closed the month of January with losses and sharply off new lifetime highs at 12430 and closed below 12000 indicate profit booking at higher levels. Nifty is expected to consolidate in the short term with support in the 11500-11400 band and resistance in the 12000-12200 band.

**Monthly Delivery Trading Call**

Reco Date : 04th, Feb, 2020  
 Company Name : Bharat Petroleum Corporation Limited  
 Ticker (NSE) : BPCL  
 CMP : 478.5  
 Comment : 1) Breakout from Falling Wedge Pattern in Daily charts. Confirmation above 482.  
 2) Positive divergence seen in Stochastic and MACD Indicator.  
 3) Trading above 20, 50 and 200 EMA (taking support at 200 EMA at 440)  
 Buy Range : 470-482  
 Stop Loss : 440/430  
 Targets : 520/570



Note: All levels on an EOD (End of Day) basis.

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**Commodity Review - Outlook**

	1/31/2020	12/31/2019	%VAR	Outlook
Gold Apr	41000.00	39108.00	4.84%	Gold prices closed the month with gains on the back of geopolitical tensions in the Middle East and volatility in global equity markets on growing fears of spread of Coronavirus, beyond China to other countries, affecting global growth and could potentially be a pandemic in the making. A flight to safety to Gold and the U.S. dollar was witnessed during the month. <i>Technically, prices are currently trading close to the recent lifetime highs around 41300 and a decisive break above could indicate that the current momentum could continue in the near term with immediate support at 40000 and thereafter at 38500.</i>
Silver Mar	46989.00	46711.00	0.60%	Silver prices closed the month as weakness seen in the base metal pack countered the upmove seen in the previous metal pack. <i>Technically, prices are trading at the upper end of a broad trading range between 45000 and 48000. A decisive move out of this range could move prices in that direction in the short term.</i>
Copper Feb	427.25	441.25	-3.17%	Copper prices closed the month with losses, erasing gains made during the month, as prices fell sharply in the last week of the month as concerns mounted that the spread of Coronavirus in China and to other countries could further put pressure on an already weak global growth and in turn demand for copper, which is seen as a bellwether for growth. <i>Technically, prices are trading close to crucial support at 420 which has held in 2019 and is also 52 week low level and a decisive fall below this level could indicate that further weakness could be seen in the short term. On the upside, any recovery is expected to face resistance at 440 and thereafter strong resistance at 460.</i>
CrudeOil Feb	3683.00	4386.00	-16.03%	Crude Oil closed the month with deep losses erasing all gains made since October last year on concerns of further slowdown in global growth, and in turn demand for crude, as Coronavirus seems to be spreading beyond the source country of China to other parts of the world. Elevated U.S. shale oil production seem to be offsetting any efforts by OPEC+ to stem the fall in prices by taking to production cuts. In the short term, market would closely track developments on Coronavirus and how it could potentially affect global trade and growth. <i>Technically, price are currently trading close to crucial support in the 3500-3600 which has held multiple times in 2019 and a decisive fall below this level could indicate that oil could slip into bear territory. On the upside, any recovery is expected to face strong resistance in the 4000-4100 band.</i>
NaturalGas Feb	132.40	155.50	-14.86%	Natural Gas closed the third consecutive month with losses and at multiyear lows, not seen since 2016, on the back of elevated production and lack of demand for heating during the current winter weather which does not seem inspiring as temperatures seem to be above average temperatures of past winters. Weather reports would be watched closely to see the intensity and longevity of winter weather which have so far been disappointing for prices. <i>Technically, prices have broken crucial support at 150 indicating weakness below it. Immediate support on the downside is seen in the 100-110 band.</i>

Note: Rupee movement has to be considered while trading in Dollar denominated international commodities.



CMP: Rs. 591

## HCL Technologies Limited

EPS(TTM): Rs. 38.5

**Company Profile:** HCL Technologies (HCL), the third largest Indian IT services company is engaged in providing a range of software development services, business process outsourcing services and IT infrastructure services. These services are categorized under 3 broad segments: IT & Business (70% of revenues); Engineering & R&D (17%) and Products & Platforms (13%). Geographically, USA accounts for 63% followed by Europe (29%) and RoW (8%). Amongst the key verticals, Financial Services, Manufacturing, Technology & Services contribute nearly 58% of revenues.

Key Financials (Rs. Cr.)	FY 15	FY 16	FY17	FY18	FY19
Total Income	37,876	32,116	48,654	51,695	61,289
OPM (%)	25.4	23.4	23.6	24.1	24.3
PAT	7,302	5,602	8,606	8,722	10,120
Equity	281.0	282.0	285.0	278.0	543.0
ROE (%)	30.1	20.5	26.1	24.0	24.3
D/E (x)	0.0	0.0	0.0	0.0	0.1
EPS (Rs.)	26.9	20.6	31.7	32.1	37.3
Book Value (Rs.)	89.2	100.9	121.4	134.0	153.4
DPS (Rs.)	150	8.0	12.0	6.0	4.0
Promoter H (%) Last 5 Qtrs	60.0	60.0	60.0	60.0	60.0

**Investment Rationale:**

- Moderation in the traditional business due to seasonal fluctuations is now incrementally being offset by growth from the high margin Digital and Products&Platforms segments which now contributes 34% of revenues.
- Strengthened its capabilities in IT products and platforms segment with the acquisition of IBM's intellectual property rights for 7 of its product suites in FY19. This has additionally provided access to a large addressable market about 20,000 clients across geographies and the products acquisition will be reflected in Mode 3 business.

- Continued momentum in new client addition across the value chain (around 150 new clients added YoY) and at the same time broadening the client mix with gradual decline in concentration across Top 5, 10 and 20 clients.
- Attrition rates have been declining while there has been a healthy traction in employee addition, adding comfort to the long-term growth visibility.
- Normalization of the pricing environment should support margins henceforth.
- Improvement in operating cash flows supported by consistent growth in cash profits.
- Q3FY20 update: Revenues grew 16% YoY; EBITDA grew 23% and PAT grew 16%. Margins expanded from 23.2% in Q3FY19 to 24.6%, supported by higher contribution from Products business. 5 out of 7 verticals have reported double digit growth while the traction from US continues to be strong. The full year guidance was raised to 16.5% to 17% (15-17% previous) backed by strong order pipeline (despite muted order inflows in the last 2 quarters) and margin attribution from Products segment.

**Concerns:**

- Slower than expected growth in the traditional businesses; delays in deal wins; cross currency risks.

**Outlook:** HCL has been reporting healthy growth over the last few quarters indicating continued traction in both the traditional and products businesses. Further, management commentary on future deal pipeline, normalization of the pricing environment and growth in organic business lends comfort on the future growth and margin accretion. From a valuation perspective, the stock is currently trading at around 14x FY 21 consensus earnings expectations, which seems to be attractive vis-à-vis the earnings growth when compared with the other large cap peers.

CMP: Rs. 192

## Exide Industries Limited

EPS(TTM): Rs. 10.1

**Company Profile:** Exide Industries is India's largest Lead acid battery manufacturer with leadership in Automobile OEM and Replacement segments. Exide designs, manufactures, markets and sells the widest range of lead acid storage batteries in the world from 2.5Ah to 20,600Ah capacity, and derives 70% of revenues from auto segment (OEMs @65%, Replacement@35%), while balance comprises industrial (railway, telecom, solar, power generation and utilities) and insurance revenues. Company through its subsidiary, Exide Life Insurance Company, engaged in the business of life insurance and annuity, has AUM of over Rs. 14,200 crore as of 31st March, 2019.

Key Financials (Rs. Cr.)	FY 15	FY 16	FY17	FY18	FY19
Total Income	9,919	9,358	11,605	13,048	14,926
OPM (%)	10.5	13.3	12.7	11.0	11.5
PAT	615	697	801	691	846
Equity	85.0	85.0	85.0	85.0	85.0
ROE (%)	16.0	15.8	15.9	12.7	13.8
DE (x)	0.0	0.0	0.0	0.0	0.0
EPS (Rs.)	7.2	8.2	9.4	8.1	9.9
Book Value (Rs.)	45.1	51.6	59.2	63.8	71.8
DPS (Rs.)	2.2	2.4	2.4	2.4	2.4
Promoters H(%) Last 5 Qtrs	45.9	45.9	45.9	45.9	45.9

**Investment Rationale:**

- Exide would benefit from the healthy replacement demand riding on strong Automobile growth in the last few years, leading to better capacity utilization and better margins, despite relative weakness in OEM demand in the medium term (H1FY21) due to pre-buying impact in FY20.
- Exide has entered into a JV with Leclanche SA to manufacture Li-Ion batteries in India and invested around Rs. 100 cr. This would enable the company to benefit from the increasing traction in solar and electric vehicles (including e-buses, e-wheelers and e-rickshaws).

- Over the last 5 yrs, Exide spent Rs. 2600 Cr as capex (Rs. 675 Cr in FY19 alone), to enhance manufacturing capacities and upgrade technology so as to comply with the BS VI standards, improving the performance of automotive batteries and other energy storage applications.
- Exide penetration into new segments also includes recent entry into e-rickshaw space via its own offering 'Neo', capacity of up to 15,000 units/ annum, with initial product introduction in eastern markets.
- Strong operational performance with a decent balance sheet. Company's 3 year CAGR for Sales and PAT stood at 16% and 8% respectively.

**Concerns:**

- Volatility in Lead prices, dependence on Auto OEMs for sales, and possible disruption in imports from China in the short term owing to Coronavirus could affect performance.

**Outlook:** With industry structure remains largely duopoly, Exide is expected to grow stronger owing to its better product mix and operating leverage. Demand for batteries is expected to grow in the coming years on account of robust primary sales in the FY16-19, and short replacement cycles supporting company's growth in the slow growing market. Company is focused on strengthening its market share in the automobile replacement market through improvement in increased support to dealers, after-sales service, faster turnaround in warranty related claims, improving client interface, launch of new products, technology tie-ups with global battery producers. Exide is currently trading at PE of 19.1x on TTM earnings, on par with historical 10 yr avg. PE of 20.7x, while the company's new initiatives would drive the future growth, providing a long term investment option.

CMP: Rs. 240

Kolte Patil Developers Limited

EPS(TTM): Rs. 15.9

**Company Profile:** Kolte Patil Developers Limited (KPDL) incorporated in 1991, is a real estate company with a dominant presence in the affordable housing segment across Pune, Mumbai and Bengaluru. They have developed and constructed over 50 projects including residential & commercial complexes and IT Parks covering a saleable area of over 20 msqft. KPDL is currently working on development of over 25 msqft (under execution, approval and land bank).

Key Financials (Rs. Cr.)	FY 15	FY 16	FY 17	FY 18	FY 19
Total Income	708	770	974	1,417	880
OPM (%)	30.5	27.9	25.5	22.4	29.3
PAT	65	59	87	121	75
Equity	57.8	75.8	75.8	75.8	75.8
ROE (%)	7.9	6.0	10.9	14.5	8.1
D/E (x)	0.5	0.5	0.5	0.7	0.5
EPS (Rs.)	7.8	7.8	11.5	16.0	10.0
Book Value (Rs.)	108.6	129.8	105.7	110.8	123.4
DPS(Rs.)	2.0	1.5	1.6	2.0	2.4
Promoter H(%) Last 5 Qtrs	74.5	74.5	74.6	74.6	74.6

**Investment Rationale:**

- The Company has a land bank of 19 msqft which enables it to foray into new areas of existing cities and deepen its presence. KPDL also intends to acquire another 10-12 million sq ft of additional land bank through outright purchases/joint development agreements with landowners across luxury, affordable housing and MIG housing projects, offering long-term growth visibility.
- Increasing demand growth in Bengaluru and Mumbai, the Company is expecting to generate 25% (currently 15% as of FY19) of sales from both cities by 2020.
- KPDL has good free cash flow visibility as they are expecting cash flows of Rs. 230 cr in the near future from sales and

completion of 735 units at Jai Vijay (Mumbai), Raaga (Bengaluru) and Western Avenue (Pune).

- In Q3FY20, KPDL booked approx. 500 apartments in "Life Republic" in Pune, which gives it a good cash flow visibility, in the coming decade.

**Concerns:**

- In Q2FY20 pre-sales value de-grew 33% YoY to Rs. 270 cr while realization remained muted at Rs 5,401/sqft. KPDL cut its 3mn sqft of annual pre-sales guidance to 2.4-2.7mn sqft.
- Longer than expected delay in pickup in realty sales owing to economic slowdown, could weigh on company performance as it currently holds Rs. 2679 Cr inventory in Balance sheet.

**Outlook:** KPDL is a major player in Pune market, with 1.2 msf across 12 asset-light society redevelopment projects in Mumbai and they are to launch upscale Koramangala project in Bengaluru and a few Mumbai projects in FY20. Company currently has a pipeline of over 6 msqft of projects which are likely to be launched over the next 18-24 months to focus on growth opportunity in this sector. From the budget 20-21, the move towards extension of interest paid on housing loans till 31st March 2021 and extending the date of availing tax holiday on profits earned by developers (for affordable housing) to 31st March 2021 is a near term trigger, while a revival in the real estate sector and improvement in liquidity in the market will help in exhaustion of inventory and launch of new projects. Company's healthy balance sheet and positive cash flows from operations coupled with good management and government initiatives like smart cities, affordable housing & others makes the company a good investment option for long term.

CMP: Rs. 548

Mahindra &amp; Mahindra Limited (M&amp;M)

EPS(TTM): 24.7

**Company Profile:** M&M is the flagship company for the Mahindra Group, which consists of 154 subsidiaries, 8 JVs & 16 Associates and is present in 20 industries, across 10 sectors. M&M is India's leading Utility Vehicle (UV) manufacturer & "Mahindra" is the world's largest selling tractor brand by volume and India's leading Tractor manufacturer for over 30 yrs. M&M has a portfolio of Electric Vehicles to SUVs Pickups to Heavy Commercial Vehicles (HCV) & Tractors to various Farm Equipment. M&M has leading market share in Tractors (43%), UV (37.9%), Small CV (51%), Pickups (69.1%), IT (Top 5 in India), Financial Services (Largest NBFC in Rural & Semi-urban areas) & Vacation Ownership (Club Mahindra Holidays).

Key Financials (Rs. Cr.)	FY 15	FY 16	FY 17	FY 18	FY 19
Total Income	71,974	77,699	85,863	96,460	109,483
OPM (%)	13.3	14.8	14.9	18.2	16.7
PAT	3,137	3,148	3,698	7,510	5,315
Equity	295.4	270.4	310.6	543.1	544.0
ROE (%)	12.1	11.9	12.4	20.4	13.3
DE (x)	1.5	1.6	1.6	1.2	1.4
EPS (Rs.)	25.2	25.3	29.8	60.4	42.8
Book Value (Rs.)	208.0	213.1	239.5	295.8	321.6
DPS (Rs.)	6.0	6.0	6.5	7.5	8.5
Promoter H(%) Last 5 Qtrs	20.5	20.5	20.5	20.5	20.5

**Investment Rationale:**

- In the Auto space, after a sluggish few years, the UV segment is looking up for the company with its new launches (MPV space-Marazzo; SUV segment-Alturas G4, XUV300) being well received in the markets.
- In the Farm Equipment Segment, new models in the tractor range will aid both volume and revenue growth for the company in the coming year. While the tractor growth is likely to remain muted in FY20 after two strong yrs, the company's large exposure in the rural and semi urban areas and plans of launching an affordable range of tractors in India can steer its growth in the segment.

M&M would also benefit from higher allocation for Agri & Rural (Rs.2.89 lakh Cr) in FY20-21 Union Budget. M&M is targeting \$1 billion (Rs 7,360 crore) of annual revenue in 3-5 years from the farm mechanisation space.

- M&M, a pioneer in the Electric Vehicle (EV) space segment which has already invested Rs 600 cr towards EVs and EV components in the past 5-6 yrs is planning more investments over the next 4-5 yrs.
- M&M is also focusing on the Defense segment through inorganic growth opportunities to tap Indian Government's huge defense spending.
- Company has strong global strategic partnerships to have a competitive edge. Company's acquisition of bankrupt SsangYong (in 2011) for <Rs.2000 cr, currently contributes around 1/5th of Group's turnover.
- Company's diversified presence helps it to mitigate economic cycle risks. Company's 3yr CAGR of Sales stood at 11.3% and PAT at 18.3%.

**Concerns:**

- External factors like economic growth, automobile segment slowdown, Govt. policies & monsoon coupled with intensifying competition in the sector, availability of large number of variants & the bargaining power of its end consumer could affect the company's performance.

**Outlook:** Company's strong promoters, dominant market position in the Indian tractor industry & LCV segment and its market share in some of the key commercial vehicles categories will support the company to withstand against wide slowdown faced by commercial vehicle manufacturers. A diversified business model, strong presence in the rural & urban markets, continued focus on investing and growing its portfolio by introducing and scaling up new products, healthy balance sheet, strong brand and attractive valuations (trading at a forward PE of 13.3x on consensus estimate EPS for FY20) makes M&M a good buy for long term investment.

We have provided below a short list of companies which we feel are currently available at attractive valuations, particularly when viewed with a Long Term (L) perspective. The CMP and the Market Cap. are based on 01/02/2020.

### CONSERVATIVE INVESTOR (Low Risk Profile)

Sl. No.	Company Name	Industry	CMP (Rs.)	Market Cap (Rs. Cr)	FV (Rs.)	EPS* (Rs.)	P/E* (x)	P/B* (x)	Div. Yld. (%)	Equity (Rs. Cr)	ROE (%)	ROCE (%)
1	HCL Technologies	IT - Software	591	160,390	2	38.5	15.4	3.5	1.4	543	26.0	30.0
2	GAIL (India)	Gas Distribution	117	52,656	10	13.3	8.8	1.1	6.1	4,510	15.0	19.7
3	Exide Industries	Auto Ancillaries	192	16,337	1	10.1	19.1	2.5	1.2	85	14.7	7.7
4	Cochin Shipyard	Ship Building	369	4,849	10	41.8	8.8	1.4	3.5	132	14.5	22.2
5	Mayur Uniquoters	Technical Textiles	219	993	5	16.3	13.4	1.8	1.5	23	18.5	26.7

### MODERATE INVESTOR (Medium Risk Profile)

Sl. No.	Company Name	Industry	CMP (Rs.)	Market Cap (Rs. Cr)	FV (Rs.)	EPS* (Rs.)	P/E* (x)	P/B* (x)	Div. Yld. (%)	Equity (Rs. Cr)	ROE (%)	ROCE (%)
1	Alembic Pharma.	Pharmaceuticals	623	11,736	2	39.9	15.6	4.0	0.9	38	24.0	22.4
2	Finolex Industries	Plastic products	557	6,915	10	28.5	19.6	2.9	1.8	124	13.7	19.6
3	KNR Constructions	Construction	290	4,079	2	18.7	15.5	3.1	0.1	28	22.5	19.3
4	Kolte Patil Dev.	Realty	240	1,819	10	15.9	15.1	1.9	1.0	76	10.9	14.3
5	Bharat Bijlee	Electrical Equipment	853	482	10	72.7	11.7	0.6	1.5	6	5.8	8.8

### AGGRESSIVE INVESTOR (High Risk Profile)

Sl. No.	Company Name	Industry	CMP (Rs.)	Market Cap (Rs. Cr)	FV (Rs.)	EPS* (Rs.)	P/E* (x)	P/B* (x)	Div. Yld. (%)	Equity (Rs. Cr)	ROE (%)	ROCE (%)
1	Reliance Industries	Diversified	1,383	876,907	10	68.6	20.2	2.2	0.5	6,339	11.7	11.4
2	State Bank of India	Banks	303	270,549	1	13.6	22.2	1.2	0.0	892	1.5	-
3	M & M	Diversified	548	68,065	5	24.7	22.2	1.7	1.6	622	15.7	12.5
4	Tata Comm.	Telecommunications	408	11,615	10	-	-	-	1.1	285	2.7	4.7
5	Laurus Labs	Pharmaceuticals	426	4,553	10	17.6	24.2	2.8	0.4	107	6.2	8.0

All figures are on Consolidated basis, where ever applicable; ROE (%) - Return on Equity; ROCE (%) - Return on Capital Employed; P/E (x) - Price earnings; P/B (x) - Price to Book Value; Div Yld (%) based on latest FY.

\* Trailing 12 Months;

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Data Sources: Stock exchanges, SEBI, Capitaline, company's information from publicly available sources, Tickerplant Marketview Terminal.

### Personal Finance Queries

**Q) I have recently retired and received some lumpsum amount. I want to invest this amount to get pension every month. While searching for suitable investment options, I have come across Balanced Advantage Funds and read about them. I would like to know if these funds are safer compared to other equity funds? And, can I depend on these funds for my pension?**

- Mr. Krishna - Hyderabad



A Balanced Advantage Fund is less risky than other hybrid funds which are generally aggressive. It can invest 20%- 80% into equity. The fund manager changes the equity allocation based on his assessment of the market. Generally, they adopt a conservative approach. These funds can generate around 8% to 9% CAGR and also come with equity taxation. You can consider investing in this category if you have a time horizon of more than three years. As regards pension, you can opt for a systematic withdrawal plan from these schemes. It is generally recommended that you diversify the portfolio across more than one product category. Alongside Balanced Advantage Funds, you may also consider investing some portion of the corpus in other debt investment products like debt mutual funds, senior citizen saving schemes, etc.

To clarify your **Personal Finance Queries**, please email your questions to [advisor@zenmoney.com](mailto:advisor@zenmoney.com).

## Mutual Fund-SIP returns for top funds in different categories

	Mutual Fund Scheme Names	Inception Date	AUM (Rs.Cr)	NAV (Rs)	1 Year Returns (%)	3 Year Returns (%)	5 Year Returns (%)	Since Inception (%)
Large Cap Funds	Axis Bluechip Fund	05-Jan-10	10,212	32.38	19.46	15.46	14.42	14.05
	Mirae Asset large cap Fund	04-Apr-08	16,873	54.91	14.89	10.73	12.72	16.66
	ICICI Prudential Bluechip Fund	23-May-08	25,025	45.06	13.68	8.82	10.53	13.95
	Nippon India Large Cap Fund	08-Aug-07	12,955	36.21	10.51	8.33	10.28	12.96
	Aditya Birla SL Focused Equity Fund	24-Oct-05	4,422	64.34	16.97	8.77	9.89	12.78
	SBI Bluechip Fund	14-Feb-06	23,641	42.28	14.71	8.27	9.46	12.35
Large and Mid Cap Funds	Mirae Asset Emerging Bluechip Fund	09-Jul-10	9,516	59.60	23.71	13.05	15.90	21.75
	Sundaram Large and Mid Cap Fund	27-Feb-07	1,016	38.18	21.00	11.71	13.02	12.73
	Kotak Equity Opportunities Fund	09-Sep-04	2,928	134.91	26.04	11.81	12.50	14.54
	Invesco India Grw. Opportunities Fund	09-Aug-07	2,239	37.38	18.88	11.09	12.17	13.66
	Canara Robeco Emerging Equities	11-Mar-05	5,339	101.56	20.22	8.78	12.13	17.80
	DSP Equity Opportunities Fund	16-May-00	5,589	243.63	21.55	9.50	11.58	18.68
Value Funds	Kotak India EQ Contra Fund	27-Jul-05	882	57.11	17.58	11.53	12.49	12.39
	Invesco India Contra Fund	11-Apr-07	4,596	50.83	15.78	9.14	11.75	15.05
	Tata Equity P/E Fund	29-Jun-04	5,184	140.37	10.89	4.63	9.71	15.25
	L&T India Value Fund	08-Jan-10	7,759	37.53	13.94	4.46	8.62	15.17
	HDFC Capital Builder Value Fund	01-Feb-94	4,496	290.77	4.72	3.06	7.40	16.83
Focused / Multi Cap Funds	Kotak Standard Multicap Fund	11-Sep-09	29,598	38.61	18.16	10.87	12.51	15.15
	UTI Equity Fund	20-Apr-92	10,217	157.88	23.18	12.55	11.90	14.11
	Axis Focused 25 Fund	29-Jun-12	9,110	31.31	22.21	17.97	11.87	15.38
	Canara Robeco Equity Diversified Fund	16-Sep-03	1,634	145.86	17.54	11.59	11.84	14.47
	SBI Magnum Multi Cap Fund	29-Sep-05	8,317	52.79	16.41	9.31	11.19	12.53
	Aditya Birla Sun Life Equity Fund	27-Aug-98	11,856	787.53	18.86	8.48	11.12	19.19
	Motilal Oswal Multicap 35 Fund	28-Apr-14	13,131	27.41	11.75	5.37	9.65	11.41
Mid Cap Funds	Kotak Emerging Equity Scheme	30-Mar-07	5,888	43.72	30.28	10.32	12.06	15.90
	DSP Midcap Fund	14-Nov-06	6,957	61.17	27.32	9.72	11.94	16.52
	L&T Midcap Fund	09-Aug-04	5,992	141.86	19.71	5.14	10.04	16.02
	HDFC Mid-Cap Opportunities Fund	25-Jun-07	22,796	56.30	13.77	3.66	7.93	16.64
	Sundaram Midcap Fund	30-Jul-02	5,901	493.82	19.66	3.61	7.30	20.46
Small Cap Funds	SBI Small Cap Fund	09-Sep-09	3,156	57.15	24.37	9.18	13.43	20.54
	Nippon India Small Cap Fund	16-Sep-10	8,525	41.65	17.73	3.84	9.83	18.85
	L&T Emerging Businesses Fund	12-May-14	5,941	24.15	8.54	0.15	8.42	9.91
	HDFC Small Cap Fund	03-Apr-08	9,232	40.85	2.18	1.15	8.10	13.92
	DSP Small Cap Fund	14-Jun-07	4,918	57.89	20.53	1.25	5.67	17.41
	Franklin India Smaller Companies Fund	13-Jan-06	6,929	52.62	7.31	-1.25	4.24	14.99
ELSS / Tax Saving Funds	Mirae Asset Tax Saver Fund	28-Dec-15	3,066	19.54	20.58	12.91	15.80	15.84
	Axis Long Term Equity Fund	29-Dec-09	21,473	50.24	22.10	13.51	13.15	17.41
	Kotak Tax saver	23-Nov-05	1,068	49.13	22.83	11.65	12.04	12.13
	DSP Tax Saver Fund	18-Jan-07	6,260	53.04	19.58	10.29	11.87	14.49
	Invesco India Tax Plan	29-Dec-06	988	54.95	16.83	9.58	10.86	14.70
	Aditya Birla Sun Life Tax Relief 96	06-Mar-08	10,029	33.04	14.09	7.18	9.76	14.19



	Mutual Fund Scheme Names	Inception Date	AUM (Rs.Cr)	NAV (Rs)	1 Year Returns (%)	3 Year Returns (%)	5 Year Returns (%)	Since Inception (%)
Hybrid Equity (Balanced) Funds	SBI Equity Hybrid Fund	09-Oct-95	31,620	148.74	18.02	11.61	11.30	16.16
	DSP Equity & Bond Fund	27-May-99	6,279	168.30	19.54	10.13	10.67	15.23
	Canara Robeco Equity Hybrid Fund	01-Feb-93	2,824	171.75	15.53	10.05	10.58	13.60
	HDFC Balanced Advantage Fund	11-Sep-00	44,345	203.39	7.09	7.16	9.90	17.22
	ICICI Prudential Equity & Debt Fund	03-Nov-99	23,073	142.07	13.23	7.85	9.85	14.89
	Aditya Birla SL Equity Hybrid 95 fund	10-Feb-95	10,512	774.81	7.60	3.75	6.45	18.49
	Nippon India Equity Hybrid Fund	08-Jun-05	8,335	55.22	7.78	3.26	6.38	12.25
Dynamic Asset Allocation Funds	ICICI Prudential Balanced Adv. Fund	30-Dec-06	28,528	38.56	14.31	9.48	9.76	12.02
	Aditya Birla SL Balanced Adv. Fund	25-Apr-00	2,726	56.58	12.42	7.21	9.01	11.49
	Motilal Oswal Dynamic Fund	21-Sep-16	1,285	13.26	12.60	7.42	7.91	7.91
	L&T Balanced Advantage Fund	07-Feb-11	680	25.66	10.26	7.07	6.66	10.56

Source: Mutual Fund India.

- While one year returns are absolute returns; more than one year returns are CAGR (Compounded Annual Growth Rate) returns.
- Returns given are for an equal monthly investment through Systematic Investment Plan (SIP) in growth option.
- AUM values are as on 31st December, 2019 & NAV as on 24th January, 2020.

**Disclaimer:** Mutual Funds are subject to market risk, please read all scheme related documents carefully before investing. Past Performances may or may not be sustained in the future.

To know more on how we can help you invest in **Mutual Funds**, you can visit the **nearest branch** or call us on **040-44 23 23 23, 9347372025, 9347372029** or email us at **mutual@zenmoney.com**

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