ZEN Money Mantra

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Happy Diwali

MARKET WATCH

Indices	29/10/2021	30/09/2021	% Chg.
Nifty 50	17,762	17,618	0.8%
BSE Sensex	59,307	59,126	0.3%
BSE Mid Cap	25,278	25,253	0.1%
BSE Small Cap	27,983	28,082	-0.4%
BSE-500	23,990	23,938	0.2%
NASDAQ	15,498	14,449	7.3%
DOW	35,820	33,844	5.8%
FTSE	7,238	7,086	2.1%
NIKKEI	28,893	29,453	-1.9%

Other Indicators	29/10/2021	30/09/2021	% Chg.
BRENT CRUDE ($/Bl)	84.4	78.5	7.6%
FOREX (Rs/$)	74.9	74.2	0.9%
GOLD (Rs/10Gms)	47,635	46,240	3.0%

Top Gainers - BSE 500	CMP	% Chg.
Mah. Seamless	493	56.0%
Netwrk.18 Media	77	49.0%
Tata Motors	484	45.0%
Tanla Platforms	1,218	40.0%
Trident	38	36.0%

Top Losers - BSE 500	CMP	% Chg.
Balaji Amines	3,461	-23.0%
PNB Housing	483	-22.0%
Solara Active	1,247	-22.0%
Vodafone Idea	10	-20.0%
Just Dial	798	-19.0%

Sectoral Indices	29/10/2021	30/09/2021	% Chg.
BSE Auto	25,338	23,866	6.2%
BSE Cons Durable	43,219	41,340	4.5%
BANKEX	44,651	42,728	4.5%
BSE Power	3,338	3,199	4.3%
BSE Cap Goods	26,673	25,967	2.7%
BSE PSU	8,635	8,472	1.9%
BSE Metal	20,017	20,182	-0.8%
BSE Oil&Gas	18,143	18,302	-0.9%
BSE IT	33,491	34,419	-2.7%
BSE Realty	3,985	4,104	-2.9%
BSE Healthcare	25,034	26,093	-4.1%
BSE FMCG	14,003	14,862	-5.8%

Institutional Activity (Rs. Cr.)

Institution	Oct. 2021	Sept. 2021	CYTD'21
FII	-13,550	13,154	50,721
MF	4,471	5,949	33,058

Key Macro Economic Indicators (Y-o-Y, Gr%)

Indicator	Prior Period	Latest
Industrial Production (%)	(7.1)	11.9
Manufacturing PMI	58.9	55.9
CPI (%)	7.3	4.4

Market Review - October 2021

Domestic indices managed to close with marginal gains in October with Nifty & Sensex gaining 0.8% & 0.3% respectively, amid ongoing successful vaccination drive, improving exports, low mortality rate, restrictions relaxations for the aviation sector, privatisation govt reforms like GatiShakti, asset monetization, surge in tax revenues, encouraging Govt capex points towards economic recovery. However, some concerns were seen with FIIs selling, uptrend in Crude prices, Rupee depreciation, localised spread of Covid cases in few states, steep valuations, worries over coal shortage, and increasing inflation / input costs.

Consumer buying was witnessed during the long festive season. And, with Good rainfall in September and October the consumption has increased.

Stock specific actions continued to drive markets tracking corporate updates / news flows with positive management commentary on economic revival from various companies. However, some caution was seen due to high inflation and logistic issues.

High Frequency Indicators initially suggested an ongoing recovery. However, ten of the sixteen high-frequency indicators fell below their five-year average trend amid high inflation, logistic issues. However, the GDP forecast remained intact and also steady rise was seen in inter-state trade in goods and services, increase in sales by organised-retail sector and a rather sharp rise in imports have amplified the feasibility of an all-encompassing economic rebound. A turnaround is visible in manufacturing and construction industries as well, while some of the services sectors too are looking up and rebound.

Globally major markets ended the volatile month on a mixed note. Positivity came from better than expected earnings. However, high inflation, interest rates, increasing commodity prices, and policy tapering by the Federal Reserve, along with uncertainty over the coronavirus situation globally, and supply-chain disruption capped the upside.

Market Outlook - November 2021

Domestic markets are expected to consolidate the gains of the recent past and some correction cannot be ruled out. Stock specific action is expected to drive the market in the short term amid high valuations in some pockets of the market.

On the domestic front, higher crude prices resulting in rising fuel prices, depreciating rupee against dollar, FIIs outflows would continue to act as headwinds to the markets.

With major corporate earnings done, markets will track updates from remaining companies, while focus will be on sectoral moves, Govt. policies if any. Markets will also await developments on upcoming Rabi season, and with high reservoir levels available, rural focus could be back on market's radar.

In primary markets, as many as 7 IPOs aim to raise close to Rs. 33,500 Cr in November.

Key near term event to watch would be the US FOMC Meeting which is scheduled for Nov 2-3rd. Considering the mixed US macro data, with tepid job growth and rising inflation it is to be seen how the US Fed positions itself for tapering its bond buying program and its eventual move on rate action. Apart, macro releases from China, developments on supply chain disruptions and rising Covid cases globally would be tracked for cues.

Crude prices, Rupee movement against dollar and FIIs trend will be tracked for cues. Rupee moves against the dollar have to be tracked closely. Markets have been witnessing FIIs selling off late which could also dent market sentiment.

Conservative Investor

CMP: Rs. 149 | GAIL (India) Ltd | EPS(TTM): Rs. 21.2

Background: GAIL (India), a Maharatna PSU with a presence across the entire natural gas value chain spanning across Exploration & Production (E&P), Liquefied Natural Gas (LNG), Pipelines, Liquefied Petroleum Gas (LPG), Petrochemicals, City Gas Distribution (CGD) etc. GAIL currently owns & operates about 13700 kms of natural gas pipeline and participating interest in 12 E&P Blocks. GAIL Gas, a subsidiary of GAIL, and its joint venture (JV's) partners are authorized to operate 61 city gas Geographical Areas (GA's) directly or through subsidiaries and JV's. With a LNG portfolio of around 14 MMTPA from the USA, Qatar, Australia and Russia, the company emerged among top 10 global LNG players.

Key Triggers:

- GAIL is the Market leader in a sector with high entry barriers, with over 70% domestic market share in natural gas transmission, 53% share in natural gas marketing and 17% share in petrochemicals, GAIL operates 3/4 th of India's Natural Gas transmission pipelines and is the key beneficiary of increasing natural gas consumption in the country.
- GAIL is currently executing around 8000 kms of pipeline along with JV's as a part of the national gas grid. With incremental demand from fertilizer plants, ongoing refinery & petrochem expansions and CGD's will further add 10-11 mmscmd, the transmission volumes are expected to grow at 7-8% YoY over the next 3-4 years, with further upside post completion of the national gas grid.
- Consistent dividend payout, Healthy Balance Sheet with low D/E of 0.13x. Market Value of quoted Investments was at Rs 14986 Cr as on 29th Oct 2021.

Key risks:

- Volatility in LNG prices, adverse regulatory changes, reduction in pipeline tariffs would impact the profitability. Any sharp decline in Crude prices would impact LPG/liquid hydrocarbons and petrochem segments.

Historical Financial Data

Rs. in Cr.	FY 17	FY 18	FY 19	FY 20	FY 21
Total Income	49,728	55,503	78,729	76,741	59,771
OPM (%)	14.5	15.8	14.8	16.7	16.9
PAT	3,374	4,805	6,553	9,515	6,143
Equity	1,691.0	2,255.0	2,255.0	4,510.0	4,440.0
ROE (%)	8.6	11.5	14.2	19.3	11.6
D/E (x)	0.2	0.1	-	0.1	0.1
EPS (Rs.)	7.6	10.8	14.8	21.4	13.8
Book Value (Rs.)	88.5	93.9	103.6	111.0	119.8
DPS (Rs.)	5.6	4.5	3.6	6.4	5.0
Promoters H(%) Last 5 Qtrs	52.1	52.1	51.8	51.8	51.8

Valuation & Outlook: GAIL's planned capex of Rs 28000 Cr for FY 22-24 to expand CGD network and petrochemicals. Increasing demand for cleaner fuels, strong rebound in gas demand and improvement in international gas prices compared to FY21, expect the trading segment margins to improve in FY22. Continued rebound in petchem realizations, transmission volumes are expected to grow at 7-8% YoY over the next 3-4 years with further growth post completion of the national gas grid. GAIL is expanding its presence in petrochemicals by diversifying into high margin downstream business polyethylene & polypropylene, also exploring areas of renewables, specialty chemicals, compressed biogas, ethanol refinery, hydrogen generation and new technologies like electric vehicles, digitisation, etc to supplement growth in its core business. Developments regarding GAIL's proposal of unified pipeline tariff policy that is expected to be unveiled to rationalize gas prices across the country and also the common carrier regulations for CGD companies, Govt proposal to bring natural gas under GST regime bodes well for further demand growth of gas, Govt plans to divest pipelines through the InvIT route would be the medium term triggers.

On the valuations front, trading at a TTM P/E of 7x(Historical Avg P/E of 13.9x), P/B of 1.1x on BV of Rs. 135 and Dividend Yield of 3.4%.

Conservative Investor

CMP: Rs. 133 | Power Finance Corporation Ltd (PFC) | EPS(TTM): Rs. 47.5

Background: Incorporated in 1986, Power Finance Corporation Ltd (PFC), a Maharatna CPSE (56%), is a leading NBFC with infrastructure finance company (IFC) status. Company provides loans for a range of power sector activities (generation, distribution, transmission, and plant repairs & maintenance), finances state Discoms including generating companies as well as IPPs. It is also the nodal agency for the development of UMPPs, IPDS and also the bid process coordinator for the Independent Transmission Projects (ITP) Scheme. PFC is the promoter of REC Ltd, with 52.63% stake acquired in March 2019 for Rs 14500 Cr.

Key Triggers:

- PFC plays an important role in the Indian power sector, is the largest power sector lender with a share of over 20%. Loan book (31st March 2021) increased by 7% YoY to Rs 3.7 lakh cr, of which 84% is for Govt sector & 16% for private sector.
- Competitive borrowing cost through diversified sources, FY21 Borrowing cost at 7.48% as against Yield on earning assets at 10.58% with interest spread of 3.10% & Net Interest Margin (NIM) of 3.54%.
- Strong asset quality reflected in low NPAs, with Net NPAs continuing their downward trend, in FY21 reported lowest Net NPA levels in the last 4 years at 2.09% Vs 7.39% in FY18. Capital Adequacy Ratio (CRAR) increased by 187 bps YoY at 18.83% in FY21.
- Consistent financial performance last 5 years (CAGR) revenues grew by 21%, Net Profit rose by 14%. Consistent dividend payout with yield of 7.5%.

Key risks:

- Huge dependence on the power sector, forex risks and interest rate changes.
- Any significant decline in asset quality would impact profitability and capitalisation.

Historical Financial Data

Rs. in Cr.	FY 17	FY 18	FY 19	FY 20	FY 21
Total Income	27,611	48,667	54,201	62,297	71,706
PAT	2,236	8,797	12,640	9,477	15,716
Equity	2,640	2,640	2,640	2,640	2,640
NIM%	4.5	3.8	3.4	3.2	3.5
CRAR%	19.3	20.0	17.1	17.0	18.8
ROA%	0.8	1.6	2.3	1.6	2.2
ROE%	5.9	12.0	17.3	12.8	17.3
NPA's%	7.4	7.4	4.6	3.8	2.1
EPS (Rs.)	7.5	25.3	37.6	27.0	44.6
Book Value (Rs.)	139.6	150.9	178.5	187.1	230.2
DPS (Rs.)	5.0	7.8	-	9.5	10.0
Promoter H (%) Last 5 Qtrs	56.0	56.0	56.0	56.0	56.0

Valuation & Outlook: PFC continues to maintain a healthy loan book, as well as low levels of NPAs, has grown the balance sheet by 12% CAGR touching the base of Rs 3.54 Lakh Cr, growth was primarily led by renewables, refinancing demand and regular capex in state utilities. GOI discoms package Rs 1.35 lakh Cr (March 2021)with PFC and REC as lending partners, of which disbursements stood at around Rs 75,000 Cr, several sops and reform-based result-linked discom program over the next five years which would improve the ability of to meet their debt obligation, including their dues to PFC and REC. Despite power sector stress, PFC has consistently delivered superior RoEs. Going forward with the reforms happening in the power sector and huge capex plans with focus on renewables and upgrading discoms would improve the lending book and improvement in collections from stressed assets. Considering the long term growth prospects, healthy return ratios, dividend payout and attractive valuations provide good scope for growth in the long term.

On the valuations front, trading at P/E of 2.8x, P/B of 0.6x on latest BV of Rs 230, ROE at 28.5%, ROA of 2.2%.

Conservative Investor

CMP: Rs. 24 — Indian Railway Finance Corporation (IRFC) — EPS(TTM): Rs. 3.9

Background: IRFC a Mini Ratna Category- I CPSE, is the dedicated borrowing division operated under the ministry of railways (MoR) to meet the predominant portion of 'Extra Budgetary Resources' (EBR) requirement of the Indian Railways. It operates in two business model i.e leasing operation and financing of project assets for Indian Railways. IRFC derives 96% of revenue from leases and 4% from interest income. As of June'21, the total AUM of Rs. 3.66 trillion consisted of 52% of lease receivables from rolling stock assets, 46% of advances against leasing of project assets and 2% of loans to central PSE's under the administrative control of MoR.

Key Triggers:

- IRFC operates on a unique business model that is low risk cost plus and is the strategic partner for financing Indian Railways. During FY21 of the total capital expenditure of the Indian Railways, IRFC financed Rs 1.04 lakh cr (67.3%) in FY21, and expects the share to increase to 70% going forward.
- Around 90% (FY21) of the rolling stock assets of Indian railways are financed by IRFC, has a strong leasing model for financing the rolling assets with a total lease period of 30 years on recovering the principal amount along with the weighted cost of borrowing plus a margin (approx. 40 bps) and the next 15 years to generate revenue a nominal amount of Rs 1 lakh p.a is paid along with mutually determined lease rentals.
- Competitive costs of borrowing due to highest credit rating instruments, cost efficient with a cost to income ratio at 2.94% with moderate margins NIM at 1.6%, ROE at around 15.8%, ROA of 1.6% as on 30th June 2021.
- Zero NPA's, capital adequacy ratio (CAR) was 468%, Strong growth in AUM at 32.6% cagr in last 3 years.

Key risks:

- Huge dependence on the Indian railways (99%) & possible further reduction in GoI's shareholding (86.36% as on 30th June 2021).

Historical Financial Data

Rs. in Cr.	FY 17	FY 18	FY 19	FY 20	FY 21
Total Income	9,048	9,268	11,134	13,421	15,771
PAT	934	2,055	2,255	3,192	4,416
Equity	6,526	6,526	9,380	11,880	13,069
NIM%	2.4	2.4	2.4	2.6	1.4
Cost of Borrowing %	6.8	6.8	7.1	7.3	6.5
ROA %	1.3	1.3	1.1	1.3	1.3
ROE %	14.7	14.7	12.1	11.9	13.3
NPA's %	-	-	-	-	-
EPS (Rs.)	1.4	3.2	2.4	2.7	3.4
Book Value (Rs.)	18.4	21.3	26.7	25.5	27.5
DPS (Rs.)	0.6	0.6	0.4	-	1.1
Promoter H (%) Last 5 Qtrs	100.0	100.0	86.4	86.4	86.4

Valuation & Outlook: IRFC being the strategic partner and borrowing arm responsible for raising funds for MoR to procure rolling assets and funding for infrastructure augmentation is expected to benefit due to increasing capital investment in railways. With the Govt focus on enhancing railways infrastructure (National Rail Plan 2030 worth Rs 100 lakh Cr), expansion of the freight network and increasing passenger demand the requirement of rolling stock is expected to increase substantially. Company is expected to play a strategic role in Indian railways growth considering the Govt Policy interventions to liberalize freight sector and passenger carrying capacity through capacity augmentation, network expansion including 100% electrification of broad gauge rail routes by 2024, enhancing outlay for doubling third and fourth line projects and developing dedicated freight corridors. Considering the long term growth prospects, healthy return ratios, competitive costs of borrowing, strong growth in AUM, consistent earnings growth and attractive valuations provide good scope for growth in the long term. On the valuations front, at CMP of Rs 24 trading at TTM P/E of 6.3x, P/B of 0.8x on latest BV of Rs 28.6, Dividend yield at 4.3%.

Moderate Investor

CMP: Rs. 1721 — Grasim Industries Ltd — EPS(TTM): Rs. 91.1

Background: Grasim Industries Ltd, a flagship company of the Aditya Birla Group, is a diversified player with presence in Cement (58% of consolidated revenues), Viscose Staple Fibre (VSF, 9%), Chemicals (6%), Financial Services (25%) and others incl. Insulators & Textiles etc (2%). Grasim's 57.28% subsidiary UltraTech Cement is the 3rd largest cement manufacturer in the world, excl. China with cement capacity is 114.7 mtpa, Grasim holds 54% stake in Aditya Birla Capital Ltd, a diversified financial services (NBFC, Asset Management & Life Insurance) player in India. Grasim is the largest Caustic Soda producer in India with a capacity of 1209 KTPA, leading global player in VSF, and chemicals (Chlor-Alkalis).

Key Triggers:

- Subsidiaries Ultratech with its established position in cement business, steady ramp up in acquired capacities coupled with uptick in demand bodes well for cement business. ABCL with strong customer base and increasing lending book in NBFC & Housing finance and AMC are among the fast growing businesses which are expected to witness high growth.
- World's leading producer of VSF, with exports to over 50 countries, accounting for 17% of global production and commands 9% market share globally, with backward integration (80%) provides strong control over production costs.
- Ongoing Capex includes brownfield and debottlenecking in both VSF & chemical businesses with a capex of Rs 7800 Cr, raising capacities in both the VSF to 801KTPA (from 578 KTPA), Caustic soda capacity to 1530 KTPA (from 1147 KTPA) with the expanded capacity, the chlorine value added products 28% (FY21) would increase to about 40% by FY25 in both VSF and Chlor Alkali.
- plans a capex of Rs 5000 Cr for Paints business over next 3 yrs, with focus on decorative paints & expects to start the first plant by June 2023.

Key risks:

- Cyclicality in demand / prices of Cement, VSF, Chemicals coupled with volatility in raw material prices are among key concerns.

Historical Financial Data

Rs. in Cr.	FY 17	FY 18	FY 19	FY 20	FY 21
Total Income	36,984	57,109	78,137	77,239	77,152
OPM (%)	22.9	21.1	18.9	22.6	25.6
PAT	4,246	3,688	2,745	6,639	6,987
Equity	93.0	188.0	201.0	143.0	143.0
ROE (%)	13.5	6.4	4.7	11.7	10.7
D/E (x)	0.3	1.2	1.5	1.5	1.2
EPS (Rs.)	59.4	51.6	38.4	92.9	97.8
Book Value (Rs.)	439.4	803.8	813.2	793.0	917.0
DPS (Rs.)	5.5	6.2	7.0	4.0	9.0
Promoter H (%) Last 5 Qtrs	40.9	41.4	41.8	42.1	42.3

Valuation & Outlook: Grasim being a diversified player with a strong balance sheet and combination of high growth sectors and businesses with good cash flows, huge capex plans to meet the increasing demand and improving prospects in the majority of its businesses are expected to aid growth going forward. With the expected pick up in economic activity, the demand for it's products is expected to rise in the coming quarters, and increasing capacity utilisation, continuation of strong spreads witnessed in Q1FY22 and the incremental VSF capacity in Q2FY22, would improve the earnings over the medium term. Improving focus on core business with the exit of non- core fertilizer business (sold to Indo Gulf Fertilizers for Rs 2649 Cr expect to complete in Sept'21), partnership with Lubrizol for India's largest CPVC resin plant, focus on new business of decorative paints, backward integration for VSF, developing and focus on improving the percentage of value added products to meet the increasing demand coupled with cost optimizations would drive the long term growth.

On the valuation front, trading at TTM PE 18.9x & PB at 1.7x on the latest book value of Rs. 995 per share.

CMP: Rs. 827 — Natco Pharma Ltd. — EPS(TTM): Rs. 21.6

Background: Natco Pharma Ltd, incorporated in 1981, is a vertically integrated pharmaceutical company with focus on niche therapeutic areas & complex products in Finished Dosage Formulations (FDF) & Active Pharmaceutical Ingredients (API), including niche and technically complex molecules. Filed 45 DMFs in the US with niche products under development. The company has a strong position in the domestic oncology and gastro hepatology segments and its products are marketed in over 40 countries across the globe. Natco has five Formulations manufacturing facilities near Kothur, Nagarjuna Sagar, Dehradun Unit 6, Dehradun Unit 7 and Guwahati along with two API manufacturing facilities in Mekaguda and Chennai.

Key Triggers:

- It has 20 Para IV opportunities in pipeline, including gRevlimid, its largest opportunity to date (approx. USD7-8 bln) and is expected to support its strong growth in the US beyond FY22. Other key Para IV filings include (gAfinitor, gPomalyst, gKyprolis, gNexavar and gImbruvica etc.,).
- Natco is the market leader in the under penetrated domestic oncology segment with over 20% market share (product basket of around 33 products), which provides scalability for growth. Natco entered the high-growth chronic therapeutic areas of cardiology & diabetology, which is expected to achieve reasonable scale over the next two years.
- Company had incurred capex of around Rs. 1,500 crore (from FY18-21), towards the setting up of a greenfield oral solids facility in Visakhapatnam (commercial operations started in FY21 for the US), the setting up an agrochemicals plant in Nellore and the upgradation and capacity enhancement of the company's other API and formulation facilities.

Key risks:

- Lower hospitalization rate in Domestic oncology owing to Covid pandemic, and increased competition / pricing pressure in gTamiflu / gCopaxone could impact business performance.

Historical Financial Data

Rs. in Cr.	FY 17	FY 18	FY 19	FY 20	FY 21
Total Income	2,020	2,185	2,094	1,915	2,052
OPM (%)	33.8	42.5	38.0	30.4	29.5
PAT	486	696	644	461	441
Equity	34.9	36.9	36.5	36.4	36.4
ROE (%)	29.5	22.7	18.5	12.2	10.7
DE (x)	0.1	0.1	0.1	0.1	0.1
EPS (Rs.)	27.9	37.7	35.2	25.3	25.3
Book Value (Rs.)	90.6	168.7	191.6	207.3	226.4
DPS (Rs.)	6.8	8.3	6.3	6.8	5.3
Promoters H(%) Last 5 Qtrs	48.9	48.9	48.9	48.9	48.9

Valuation & Outlook: FY23 will be eventful year for Natco Pharma, as it recently received US approval for gRevlimid (expected launch March 2022, a big size drug opportunity with 180-day exclusivity for the molecule), while there are a handful of other US approvals and launches lined up for the company in coming years. In the coming 2-3 yrs, Natco expects non US business to contribute around 70-80% of revenues and inline with it, Natco is strategically looking to expand in other geographies including India, Brazil, Canada, China etc., and also other business segments like agrochemicals. In short, Natco pharma's broad based revenue stream, strong pipeline in high-barrier complex generics, track of identifying and exploiting niche opportunities, increasing focus in new markets and maturing R&D pipeline would support long term growth opportunities. On valuation front, Natco is trading at 38x on TTM earnings, with PB of 3.6x on latest BV of Rs. 226. With no major scheduled capex outgo, Natco's balance sheet is likely to remain strong. Key monitorable in the near to medium term would be expected recovery in the domestic segment in H2FY22 coupled with launch of gRevlimid in US and timeline on launch of CTPR AI-based agrochem product.

Moderate Investor

CMP: Rs. 88 — JM Financials Ltd. — EPS(TTM): Rs. 7.7

Background: JM Financial is an integrated and diversified financial services group. The Group's primary businesses include (i) Investment Bank (IB, 47% of Revenues), catering Institutional, Corporate, Government and Ultra High Networth clients and includes investment banking, institutional equities and research, private equity funds, fixed income, syndication and finance; (ii) Mortgage Lending (12%) includes both wholesale mortgage lending and retail mortgage lending (home loans, education institutions lending and LAP); (iii) Alternative and Distressed Credit (2%); and (iv) Asset management, Wealth management and Securities business (Platform AWS) (39%) shall provide an integrated investment platform to individual clients and includes wealth management business, broking, PMS and mutual fund business.

Key Triggers:

- As of September 30, 2021, the consolidated loan book stood at Rs. 11,072 Cr, distressed credit business AUM at Rs. 10,690 Cr, wealth management AUM at Rs. 83,390 Cr, mutual fund AAUM at Rs. 2090 Cr. Gross NPA and Net NPA at 2.32% and 1.38% respectively (vs. 1.69% and 1.13% respectively as of September 30, 2020)
- It is one of the leading entities in capital markets and related businesses with a key focus on investment banking and merchant banking operations and has been a part of many marquee deals.
- It has diversified its lending portfolio over the years with wholesale mortgage, corporate lending, capital markets lending, and retail mortgage accounting for 73%, 14%, 5% and 8%, respectively, of the loan book.

Key risks:

- Broadly, the operating environment for NBFCs and HFCs, especially entities with sizable real estate exposure, has remained challenging.

Historical Financial Data

Rs. in Cr.	FY 17	FY 18	FY 19	FY 20	FY 21
Total Income	2,359	3,062	3,494	3,446	3,211
PAT	470	601	572	545	590
Equity	79	84	84	84	95
EPS (Rs.)	5.9	7.2	6.8	6.5	6.2
DPS (Rs.)	1.5	1.8	1.0	0.2	0.5
DE (x)	2.8	3.3	2.7	2.1	1.8
Gross NPA (%)	0.6	0.7	0.9	1.7	3.5
Book Value (Rs.)	55.7	69.1	92.5	96.7	101.6
ROCE%	16.0	14.0	14.0	14.0	14.0
ROE %	14.2	14.3	11.1	9.7	8.4
ROA %	3.9	3.7	3.6	2.0	3.5
Promoter H% last 5 qtrs	54.8	54.8	54.8	54.8	54.8

Valuation & Outlook: JM financials strength lies in its decent track record, established franchise in the domestic financial services industry, diversified revenue stream, adequate capitalisation, strong risk mngt. & processes supporting asset quality metrics. JM's capitalisation remains adequate with a consolidated net worth (including non-controlling interest of the Group and net of goodwill on consolidation) of Rs. 10,000 cr and a Capital Adequacy Ratio of 42.9% as on Sept 30, 2021 keeping it healthy, with lower leverage compared to peers and provides adequate cushion against losses, if required. With the company adopting a conservative approach towards wholesale lending, and plans of increasing focus on retail lending, the leverage is expected to remain low over the medium term and mitigate asset slippages (raised Rs. 1380 Cr in FY19, Rs. 770 Cr in FY20, Rs. 500 Cr in Q2 through NCBs). As economic activities are gradually coming back to normal, the Company is well positioned to drive value supported by a robust balance sheet and diverse set of businesses. On Valuation front, at CMP trading with 11x on TTM earnings with PB of 1.14x on latest BV of Rs. 76.9.

Moderate Investor

CMP: Rs. 283 | KRBL Ltd | EPS(TTM): Rs. 24.4

Aggressive Investor

Background: KRBL, over 130 years of heritage, is the leading basmati rice producer and has fully integrated operations in every aspect of the basmati value chain, right from seed development, contract farming, procurement of paddy, storage, processing, packaging, branding and marketing. It also produces Non-basmati rice. The company's manufacturing facilities are suitably located in Punjab and Uttar Pradesh, which are the leading Basmati rice producing states. Company has 500+ dealer and distributors network across India and has over 15 renowned rice brands sold under the banner of KRBL amongst which 'India Gate' is India's numero uno retail Basmati rice brand. It also has a power generation unit with a capacity of 146.8 MW.

Key Triggers:

- KRBL is the World's prominent basmati rice producing company with strong brand presence and possess world's largest rice milling plant..
- Company's borrowings are decreasing from Rs.1424 cr in FY18 to Rs.147 cr (net debt of Rs.53 cr as of March 2021), and KRBL also pays consistently good dividends with decent financials.
- Improving India's agricultural exports (17% growth in FY21) and steady rice prices could benefit the Company as 35% of basmati seeds sown in India are provided by KRBL. And Company can cater to growing export demand without any further debt-funded capex as it has a lot of room to reach its optimal level of production.
- International business contributes a major portion to Company's revenues (48% in FY21) with KRBL being Indias' largest exporter of Basmati rice. Domestic sales of 52%, Middle East contributes to 32% and Rest of the world at 14%.

Key risks:

- High working capital intensity due to high inventory levels, and exposure to change in trade policies of key importing countries, controversies about the Enforcement Directorate case in court, coupled with rice price and currency fluctuation, along with high competition from organised and unorganised players are major concerns for the company.

Historical Financial Data

Rs. in Cr.	FY 17	FY 18	FY 19	FY 20	FY 21
Total Income	3,417	3,361	4,421	4,347	4,407
OPM (%)	20.8	25.2	21.0	19.8	21.2
PAT	399	434	503	558	558
Equity	23.5	23.5	23.5	23.5	23.5
ROE (%)	24.1	22.2	20.1	19.2	16.5
DE (x)	0.6	0.5	0.5	0.3	0.1
EPS (Rs.)	16.9	18.5	21.4	23.7	23.7
Book Value (Rs.)	81.1	97.2	115.8	132.8	156.8
DPS (Rs.)	2.1	2.3	2.5	2.8	3.5
Promoters H(%) Last 5 Qtrs	59.5	59.5	59.5	59.5	59.5

Valuation & Outlook: KRBL's long-lasting heritage, leadership position in Basmati rice industry, strong brand presence, well-entrenched distribution network and geographically diversified revenue stream as well as steady contribution from its renewable energy business, along with its debt reduction strategy, consistent dividend payout with decent financials, coupled with increasing exports are growth prospects for the company going forward. However, KRBL operates in a huge competitive industry with high working capital intensity, sensitive nature to rice price and forex fluctuation are few concerns. But, considering the future potential in the agricultural demand domestically and globally makes the company a good investment option going forward.

On the Valuation Front, at CMP of Rs.283, trading at TTM P/E of 24.4x, P/B of 1.8x, Div Yld 1.24%. ROE 16.4%, ROCE 19.9% D/E 0.1.

CMP: Rs. 420 | Kalpataru Power Transmission Ltd | EPS(TTM): Rs. 36.7

Aggressive Investor

Background: Kalpataru Power Transmission ltd (KPTL), established in 1981, is one of the leading players in the domestic T&D sector. The company undertakes turnkey contracts for setting up transmission lines and substations for extra-high-voltage power transmission. Over the years, it has diversified into civil contracts, railways and oil and gas pipeline construction. It's subsidiaries, JMC undertakes construction contracts for infrastructure, industrial projects, buildings, residential and water projects. Shree Shubham Logistics Limited (SSL) offers end-to-end logistical solutions in western India in the agricultural sector, spanning warehousing, cold storage and commodity-funding services, collateral management, and commodity exports. Amber and EnergyLink are in the real estate business.

Key Triggers:

- KPTL has reputed customers such as Power Grid Corporation of India Ltd and various state transmission utilities.
- KPTL has an Order book of Rs 27,900 crore at consolidated level (Rs 13,890 crore for KPTL and Rs 14,009 crore for JMC) as on FY21, provides strong revenue visibility over the medium term. About 27% of the total unexecuted orders are from the international market.
- Company has a consistently good dividend payout record and has a cash and equivalent of over Rs 600 cr.
- KPTL already has a stake sale agreement in place for Kohima Mariani Transmission Ltd (KMTL), and the sale is expected to be completed in fiscal 2022, proceeds from sale would be used to reduce debt.

Key risks:

- High working capital requirements and project execution cycle of 2-3 years results in high short-term debt and high receivables.
- High exposure to group companies (direct and indirect subsidiaries) and input costs pressure.

Historical Financial Data

Rs. in Cr.	FY 17	FY 18	FY 19	FY 20	FY 21
Total Income	7,522	8,755	10,883	12,786	13,212
OPM (%)	12.6	12.9	13.4	12.4	14.0
PAT	186	281	467	390	671
Equity	31.0	31.0	31.0	31.0	30.0
ROE (%)	7.7	10.5	15.0	11.6	17.9
DE (x)	1.2	1.2	0.8	1.0	0.8
EPS (Rs.)	13.0	19.0	31.0	26.0	45.0
Book Value (Rs.)	163.0	180.0	210.0	226.0	251.0
DPS (Rs.)	2.0	2.5	3.0	3.5	10.0
Promoters H(%) Last 5 Qtrs	54.4	55.3	56.5	56.5	54.6

Valuation & Outlook: KPTL is a global EPC player with diversified interest in power transmission and distribution, oil and gas pipeline, railways and biomass based power generation. Company's reputed customer base, strong order book of Rs.27,900 Crs, revenue mix, consistent dividend payment, good cash balance, and future plans of stake sale which could reduce debt are some of the growth prospects going forward. However, continued pressure on input costs, high working capital requirements and exposure to group companies could impact Company's profitability. Despite few concerns associated in industry, KPTL growth prospects and strengths makes it a good investment option for long term investors.

On the Valuation Front, at CMP of Rs 420, trading at TTM P/E of 11.4x, P/B of 1.7x, Div Yld 2.4%. ROE 14.5%, D/E 0.8.

CMP: Rs. 844 | Tata Steel Long Products Ltd (TSLP) | EPS(TTM): Rs. 229.5

Background: Tata Steel long products Ltd (TSLP) formerly known as Tata Sponge Iron Ltd, a subsidiary of Tata Steel (74.91% stake) is one of the India's largest integrated specialty steel producers in Special Bar Quality (SBQ) segment and one of the largest Merchant DRI producers with an annual capacity of 1 MTPA of sponge iron and 1 MTPA of steel. With the acquisition of Usha Martin Ltd (UML) 1 mtpa long products division in 2019 for Rs 4094 Cr, the company has forayed into long steel products and also added producing iron-ore Mine, a coal mine and captive power plants. It offers products ranging from 5.5 mm to 200 mm. Company produces a wide range of high-end steel products for forgings, bearings, fasteners, springs and free-cutting.

Key Triggers:

- TSLP is a low cost producer with manufacturing flexibility to produce steel through hot metal, DRI or scrap route depending upon financial viability.
- Can leverage the parent Tata Steel expertise in steel making and strong relationship with customers is an added advantage.
- Increased Market share in special steel business to 15% in FY21 Vs 13% in FY20, focused on strengthening its leadership position to improve it to 25% by 2030.
- With a diverse product portfolio, new product development and is adding more value added products and also scaling up. In FY21 increased alloy Wire Rod mix to 49% Vs 37% in FY20, increasing market share to 20% in FY21 Vs 12% in FY20.
- Strong earnings growth 3 years (cagr), revenues grew by 81% cagr, PAT by 59%, EBITDA / Ton in FY21 at Rs 18059 (402% YoY). During FY21 reduced debt by 48% to Rs 1424 Cr, D / E at 0.6x, further plans to reduce debt significantly in FY22 as well.

Key risks:

- DRI is an intermediate product and will be susceptible to the commodity cycle, normalisation of steel prices amid increasing raw material costs (coking coal, Iron Ore) would impact margins.

Historical Financial Data

Rs. in Cr.	FY 17	FY 18	FY 19	FY 20	FY 21
Total Income	591	848	1,050	3,781	4,772
OPM (%)	16.7	26.6	19.3	1.9	24.7
PAT	59	141	124	-516	572
Equity	15.0	15.0	15.0	45.0	45.0
ROE (%)	6.8	14.3	11.5	-	22.1
D / E (x)	-	-	-	1.4	0.5
EPS (Rs.)	13.0	31.2	27.6	-	126.8
Book Value (Rs.)	191.8	218.7	240.3	447.2	575.2
DPS (Rs.)	11.0	20.0	12.5	-	5.0
Promoter H (%) Last 5 Qtrs	75.9	74.9	74.9	74.9	74.9

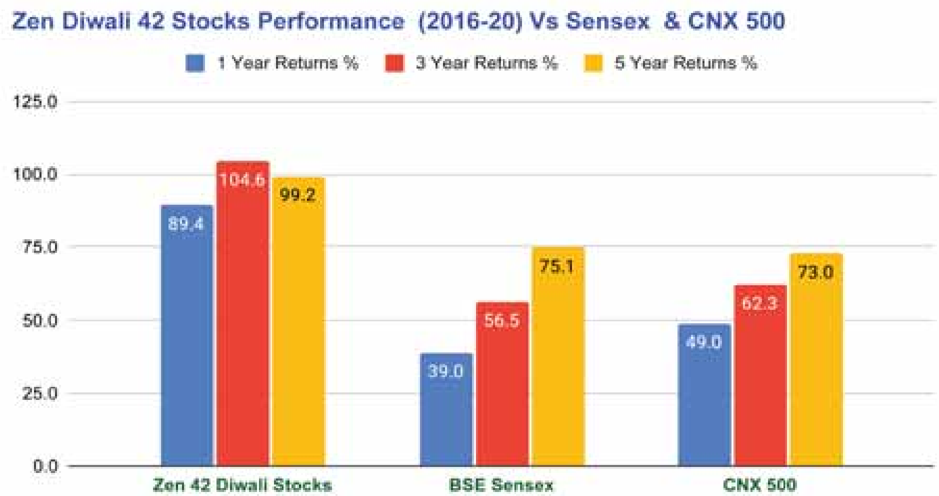
Valuation & Outlook: Tata Steel Long products has transformed from a mere Sponge Iron producer to a high-end long products specialty steel player. Being an integrated player in the steel value chain with diversified product portfolio TSLP is expected to benefit from the revival of demand from the user industries, mainly from the value added segments viz. construction, auto and engineering. Company is focused aggressively on cash flow mgmt, cost rationalization, diversifying into the downstream business, improving product mix with focus on value added products, strengthening the balance sheet, improving exports and strategic restructuring initiatives. In Nov'20 board approved merger to Tata Metaliks with itself, Post the merger the company's product portfolio will be enhanced with the sale of Ductile iron (DI) pipes, allied products and pig iron, in addition to its existing alloy steel and sponge iron division would be the medium term trigger. With the integration of manufacturing, improving the supply chain would increase the market share and under 'Shikhar' company expects EBITDA improvement in the next 2-3 years.

On the valuation front, at the CMP of Rs 844, trading at TTM P / E 3.7x , P / B at 1.5x on the latest book value of Rs. 575 per share.

ZEN Diwali Stocks Vs Sensex & CNX 500

Details	1 Year Returns %	3 Year Returns %	5 Year Returns %
Zen 42 Diwali Stocks	89.4	104.6	99.2
BSE Sensex	39.0	56.5	75.1
CNX 500	49.0	62.3	73.0

Returns are calculated investing equal amounts in 42 Zen Diwali stocks, BSE Sensex & CNX 500 (2016-2020). Stock prices adjusted for Splits, Bonus, demerger. Not included dividend. CMP & Market Values as on 1st Nov 2021.



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 29/10/2021.

CONSERVATIVE INVESTOR (Low Risk Profile)

Sl. No.	Company Name	Industry	CMP (Rs.)	Market Cap (Rs.Cr)	FV	EPS* (Rs.)	P/E* (x)	P/B* (x)	Div. Yld. (%)	Equity (Rs.Cr)	ROE (%)	ROCE (%)
1	GAIL (India)	Gas Trans & Distribution	149	66,095	10	21.2	7.0	1.1	3.4	4,440	12.0	12.3
2	Power Fin. Corp.	Finance	133	35,139	10	47.5	2.8	0.6	7.5	2,640	28.5	9.5
3	I R F C	Finance	24	31,626	10	3.9	6.3	0.8	4.3	13,069	13.3	5.0

MODERATE INVESTOR (Medium Risk Profile)

Sl. No.	Company Name	Industry	CMP (Rs.)	Market Cap (Rs.Cr)	FV	EPS* (Rs.)	P/E* (x)	P/B* (x)	Div. Yld. (%)	Equity (Rs.Cr)	ROE (%)	ROCE (%)
1	Grasim Inds	Diversified	1,721	1,13,266	2	91.1	18.9	1.7	0.5	132	11.4	8.4
2	Natco Pharma	Pharmaceuticals	827	15,096	2	21.6	38.4	3.7	0.6	37	11.2	13.6
3	JM Financial	Finance	88	8,382	1	7.7	11.4	1.1	0.6	95	12.7	11.9

AGGRESSIVE INVESTOR (High Risk Profile)

Sl. No.	Company Name	Industry	CMP (Rs.)	Market Cap (Rs.Cr)	FV	EPS* (Rs.)	P/E* (x)	P/B* (x)	Div. Yld. (%)	Equity (Rs.Cr)	ROE (%)	ROCE (%)
1	KRBL	Food - Processing	283	6,659	1	24.4	11.6	1.8	1.2	24	16.4	19.9
2	Kalpataru Power	Transmisson Equipment	420	6,304	2	36.7	11.4	1.7	2.4	30	14.5	14.7
3	Tata Steel Long Pro.	Steel	844	3,806	10	229.5	3.7	1.5	0.6	45	24.6	19.2

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; FS - Focus Stock.

* Trailing 12 Months;

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Monthly Technical Outlook - Nifty

Nifty (CMP 17671.65) - Nifty managed to close the month with only marginal gains, slipping sharply from new lifetime high made at 18602, as aggressive profit booking was witnessed during the second half of the month wherein any attempt at a recovery was sold into. Nifty is currently trading close to crucial short term support in the 17540 (50 EMA) / 17450 band and a decisive fall below could indicate that the current correction could extend towards 16800. On the upside, any recovery is expected to face initial resistance at 18000 and thereafter at 18300.

Monthly Delivery Trading Call

Reco Date : 1st, November, 2021

Company Name : Gujarat State Petronet Ltd.

Ticker (NSE) : GSPL

CMP : 323.65

Comment : 1) Potential breakout from a Falling Wedge Pattern.

2) Confirmation of breakout above 325

3) Trading above 20, 50 and 200 EMA.

Buy Range : 315 / 325

Stop Loss : 290 / 280

Targets : 350 / 380

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

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Data Sources: Stock exchanges, SEBI, Capitaline, Trendlyne, Company's information from publicly available sources, Tickerplant Marketview Terminal,Screener etc.

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	Canara Robeco Bluechip Equity Fund	20-Aug-10	4701.94	43.25	44.86	31.60	22.74	16.60
	Axis Bluechip Fund	05-Jan-10	33153.71	48.22	44.09	29.20	22.37	16.66
	Mirae Asset large cap Fund	04-Apr-08	30456.47	81.98	48.67	29.77	20.81	18.33
	ICICI Prudential Bluechip Fund	23-May-08	30724.04	67.82	52.48	30.31	20.33	16.35
	Aditya Birla SL Focused Equity Fund	24-Oct-05	5357.66	95.74	49.80	29.95	19.73	14.85
	SBI Bluechip Fund	14-Feb-06	31816.57	63.30	46.46	29.95	19.69	14.55
Large and Mid Cap Funds	Mirae Asset Emerging Bluechip Fund	09-Jul-10	21263.17	100.80	57.29	38.56	26.38	24.68
	Canara Robeco Emerging Equities	11-Mar-05	11461.17	167.30	55.94	35.82	23.46	19.94
	Sundaram Large and Mid Cap Fund	27-Feb-07	1819.84	56.03	65.78	34.35	22.82	15.29
	DSP Equity Opportunities Fund	16-May-00	7002.35	374.05	52.57	32.99	21.33	19.62
	Kotak Equity Opportunities Fund	09-Sep-04	8020.47	197.45	42.53	30.10	20.31	15.96
	Invesco India Gro. Opportunities Fund	09-Aug-07	4226.27	53.98	45.12	28.19	19.72	15.46
Value Funds	Invesco India Contra Fund	11-Apr-07	8411.09	79.97	50.64	32.02	21.85	17.53
	Kotak India EQ Contra Fund	27-Jul-05	1169.07	86.02	49.22	31.08	21.58	14.58
	L&T India Value Fund	08-Jan-10	7903.42	59.77	61.70	34.46	20.79	18.55
	HDFC Capital Builder Value Fund	01-Feb-94	5333.91	449.30	56.51	30.85	19.13	17.71
	Tata Equity P/E Fund	29-Jun-04	5100.96	205.51	48.41	27.74	17.50	16.53
Focused / Flexi Cap Funds	Parag Parikh Flexi cap fund	24-May-13	16075.87	50.68	58.80	40.63	28.19	22.40
	UTI Flexi Cap Fund	18-May-92	23598.72	269.27	53.34	38.28	26.13	16.84
	Canara Robeco Flexi Cap Fund	16-Sep-03	6063.79	234.20	51.99	33.32	23.46	16.63
	Axis Focused 25 Fund	29-Jun-12	20333.87	48.19	49.97	32.26	22.91	19.18
	DSP Flexi cap fund	07-Jun-07	7094.21	69.13	50.49	33.81	22.85	16.11
	SBI Flexi Cap Fund	29-Sep-05	15290.82	78.55	50.17	30.61	20.21	14.62
	Kotak Flexicap Fund	11-Sep-09	38608.87	54.39	41.93	27.06	18.74	16.65
Mid Cap Funds	Axis Mid Cap Fund	18-Feb-11	15394.86	70.09	55.68	37.60	26.86	21.81
	Kotak Emerging Equity Scheme	30-Mar-07	16318.43	71.63	54.62	38.35	24.08	18.75
	HDFC Mid-Cap Opportunities Fund	25-Jun-07	31751.95	93.17	56.14	35.49	21.44	19.59
	DSP Midcap Fund	14-Nov-06	14160.84	93.27	40.74	31.36	20.54	18.29
	L&T Midcap Fund	09-Aug-04	7081.70	210.51	41.86	29.16	18.08	17.33
	Sundaram Midcap Fund	30-Jul-02	7007.29	716.44	51.25	30.01	17.07	20.83
Small Cap Funds	Nippon India Small Cap Fund	16-Sep-10	17282.21	81.74	79.06	47.91	28.40	24.93
	SBI Small Cap Fund	09-Sep-09	10191.43	102.90	59.27	42.05	27.04	24.36
	HDFC Small Cap Fund	03-Apr-08	13411.36	73.82	75.93	41.15	24.66	18.60
	L&T Emerging Businesses Fund	12-May-14	7593.95	43.71	85.30	43.41	24.65	21.36
	DSP Small Cap Fund	14-Jun-07	8305.79	107.50	66.35	43.99	24.48	21.40
	Franklin India Smaller Comp. Fund	13-Jan-06	7291.32	90.79	71.95	39.69	21.72	18.27
ELSS / Tax Saving Funds	Mirae Asset Tax Saver Fund	28-Dec-15	9831.97	32.21	53.93	36.53	25.45	24.65
	DSP Tax Saver Fund	18-Jan-07	9755.66	84.08	56.12	34.81	22.82	17.13
	Axis Long Term Equity Fund	29-Dec-09	34370.78	76.34	46.61	31.28	22.38	19.53
	Invesco India Tax Plan	29-Dec-06	1890.35	86.65	53.74	32.61	22.06	17.28
	Kotak Tax saver	23-Nov-05	2295.53	71.92	44.35	30.03	20.36	14.10
	Aditya Birla Sun Life Tax Relief 96	06-Mar-08	14854.52	43.36	26.97	19.95	14.03	14.72

	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	Canara Robeco Equity Hybrid Fund	01-Feb-93	6745.69	250.62	35.02	25.53	18.57	15.13
	DSP Equity & Bond Fund	27-May-99	7562.78	242.30	37.03	26.49	18.36	16.05
	SBI Equity Hybrid Fund	09-Oct-95	47469.96	207.24	38.40	24.77	17.97	15.21
	HDFC Balanced Advantage Fund	11-Sep-00	43246.73	286.65	45.35	25.27	17.23	13.45
	Aditya Birla SL Equity Hybrid 95 fund	10-Feb-95	8153.08	1101.23	40.06	24.81	15.64	18.16
Dynamic Asset Allocation Funds	Edelweiss Balanced Advantage Fund	20-Aug-09	5845.33	36.44	29.52	23.34	17.01	12.56
	ICICI Prudential Balanced Adv. Fund	30-Dec-06	35736.74	49.48	23.03	18.13	13.68	12.65
	Aditya Birla SL Balanced Adv. Fund	25-Apr-00	5484.87	74.43	23.94	18.92	13.50	12.15
	DSP Dynamic Asset Allocation fund	06-Feb-14	4395.79	20.01	13.89	13.51	10.74	9.69
	Motilal Oswal Dynamic Fund	21-Sep-16	1185.75	15.73	14.05	12.33	9.74	9.74

- 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 30th September, 2021 & NAV as on 26th October, 2021.

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.

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