BESPOKE

Advice for a select few

ANANDRATHI
PRIVATE CLIENT GROUP
EQUITY
PCG

PCG Advantage

Premium Services handcrafted for HNI Clients

Award Winning Advisory backed by quality Research

High-tech and hassle-free Investment Platforms

Demat & Trading

- Equities
- Commodities
- Currency
- Depository Services

Equity Services

- Research Report
- Portfolio Restructuring
- Basket Advisory Products
- Loan against Securities
- Margin Trading Facility
- Stock Lending and Borrowing Mechanism

PMS

- Anand Rathi MNC Portfolio
- Anand Rathi Impress
- Anand Rathi Portfolio Plus
- ASK

Structured Products

- Debt Structured Products
- Equity Structured Products

Mutual Funds

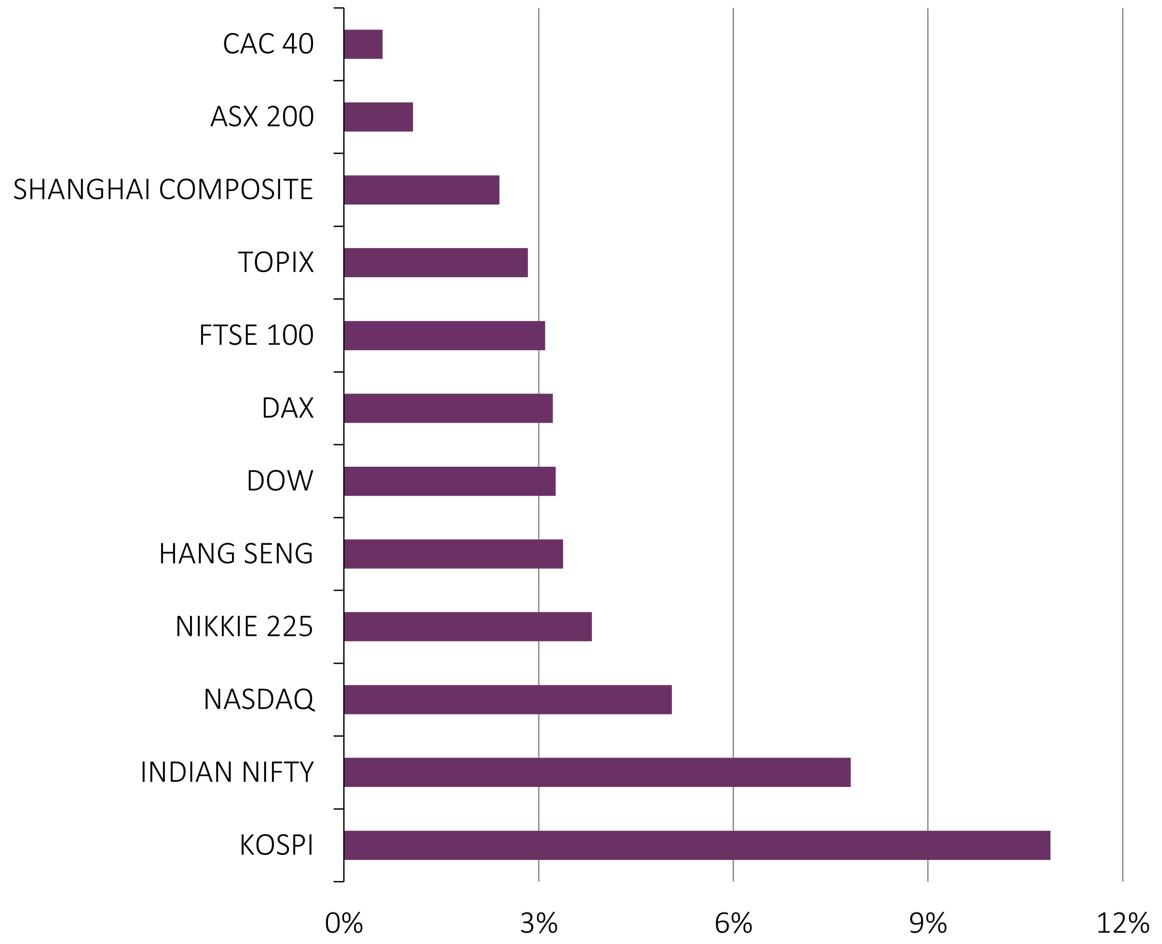
- Equity Mutual Funds
- ELSS
- Debt Mutual Funds
- Mutual Fund Advisory

Insurance

- Life Insurance
- Health Insurance
- Insurance Audit

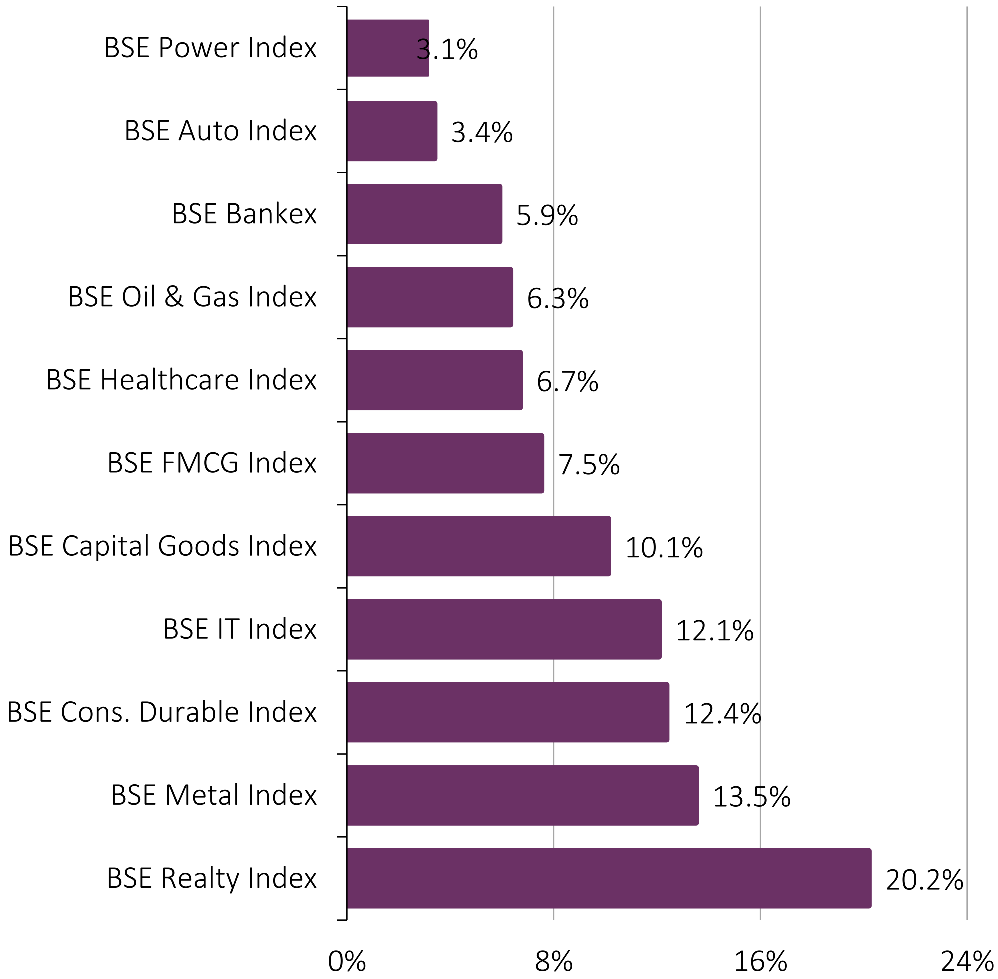
Equity Investing: *Global Markets Update*

Global Markets performance in Dec-20

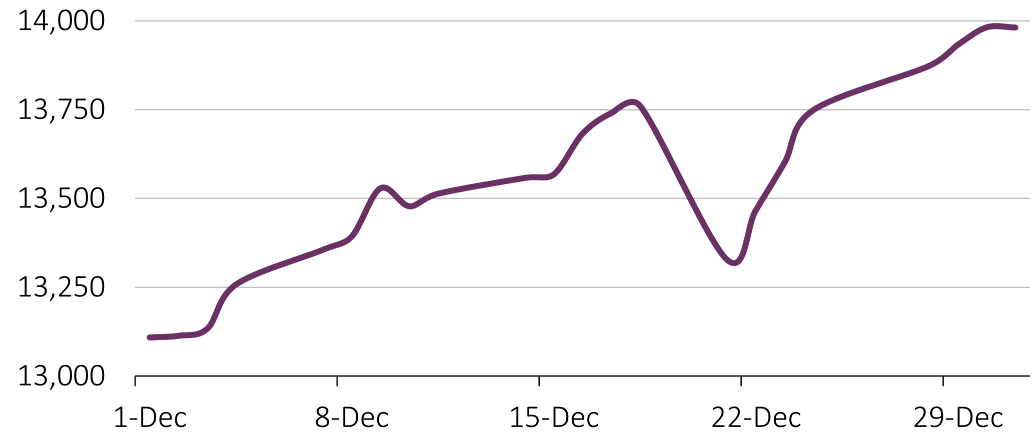


Equity Investing: *Monthly musings*

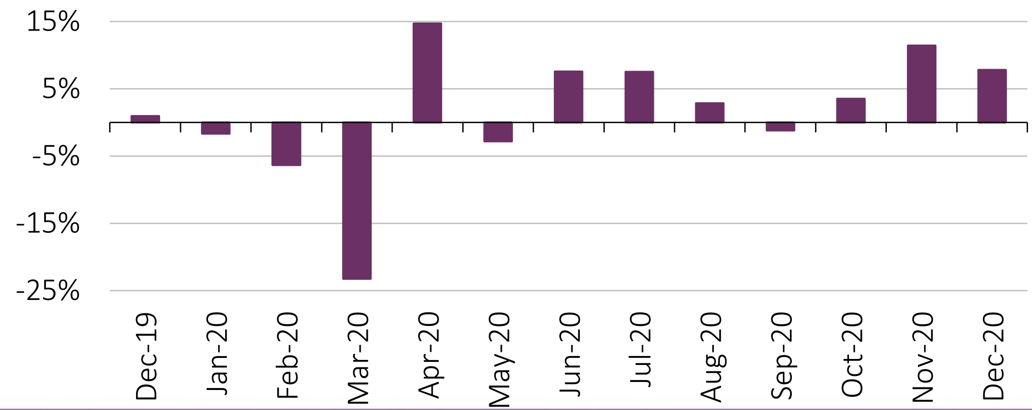
Sector wise performance during the month



NIFTY Performance in Dec 2020

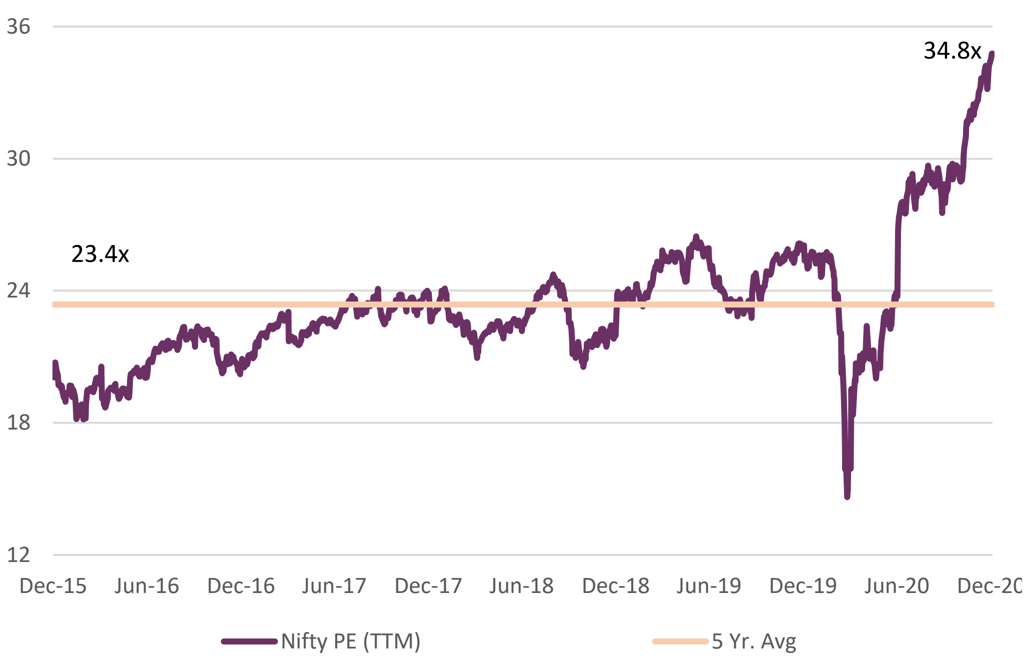


NIFTY monthly performance for trailing 12 months

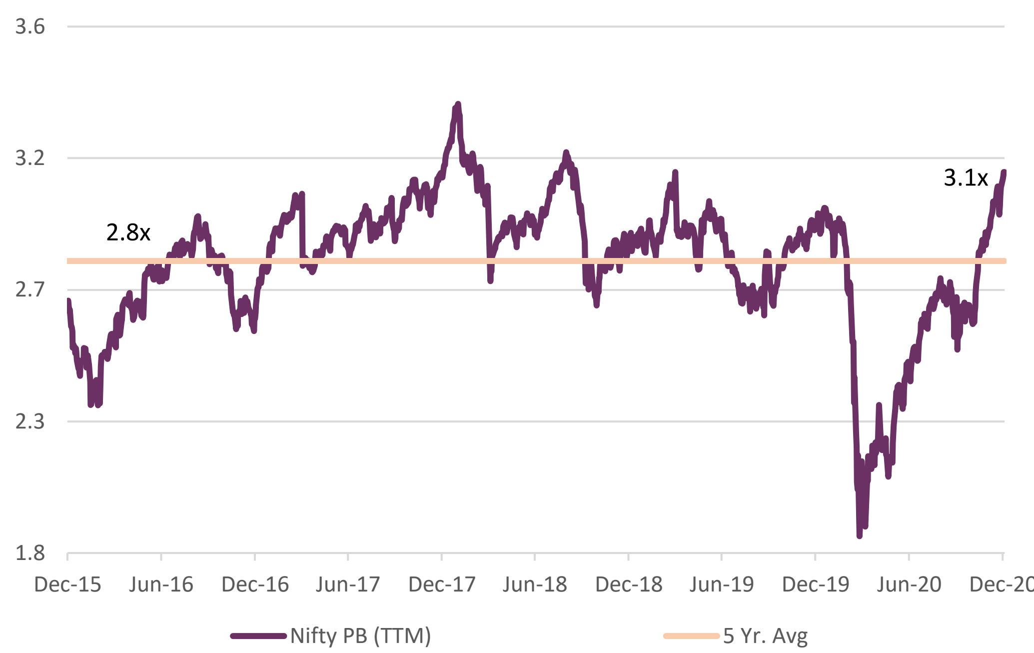


Equity Investing: *Index valuations*

Nifty Trailing 12M P/E & 5 Yr. Avg. P/E



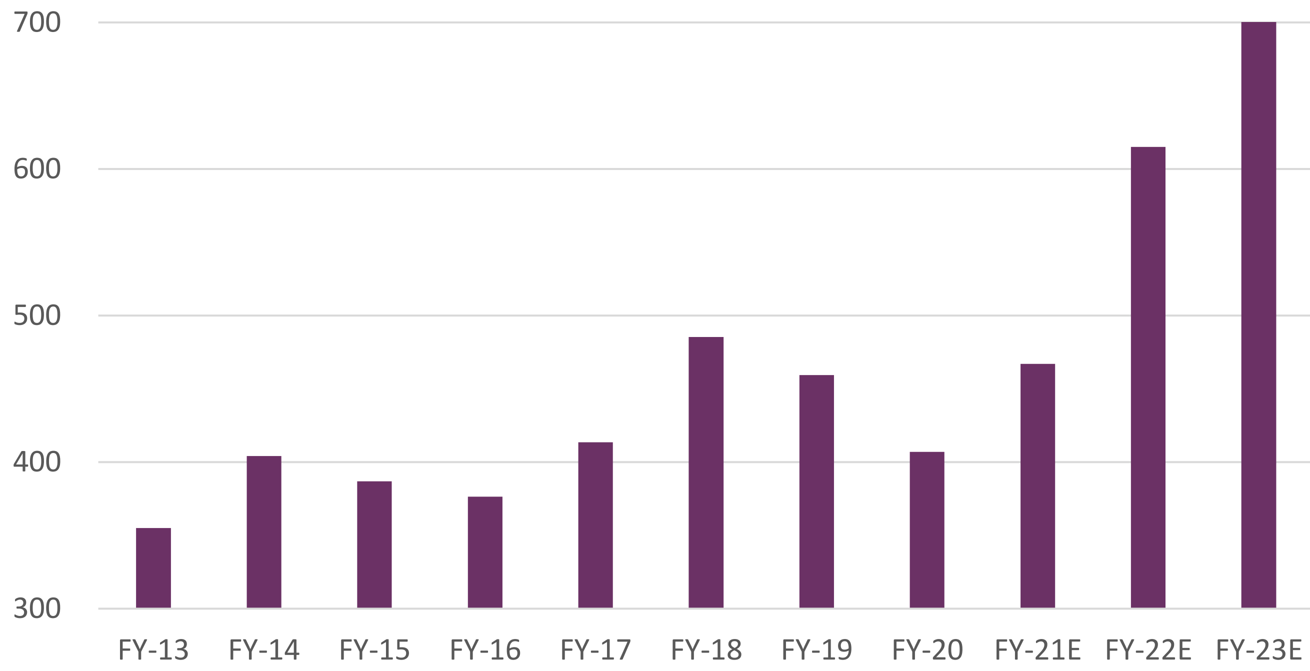
Nifty Trailing 12M P/B & 5 Yr. Avg. P/B



- Currently Nifty50 is trading at around 34.8x its trailing 12 month price to earnings band while its five year historical average price to earnings band stands at around 23.4x. A premium of around 49% from its five year historical average.
- In terms of price to book ration, the Nifty50 is trading at around 3.1x it price to book while its five year historical price to book ratio stands at around 2.8x. A premium of around 11% from its five year historical average.

Equity Investing: *Index valuations contd.*

Nifty Historical and Estimated EPS (Consensus)



- Nifty50 earnings are estimated (consensus) to grow at a CAGR of about 20% in next three years from FY20 onwards.

Equity Investing: *Broader Market valuations*

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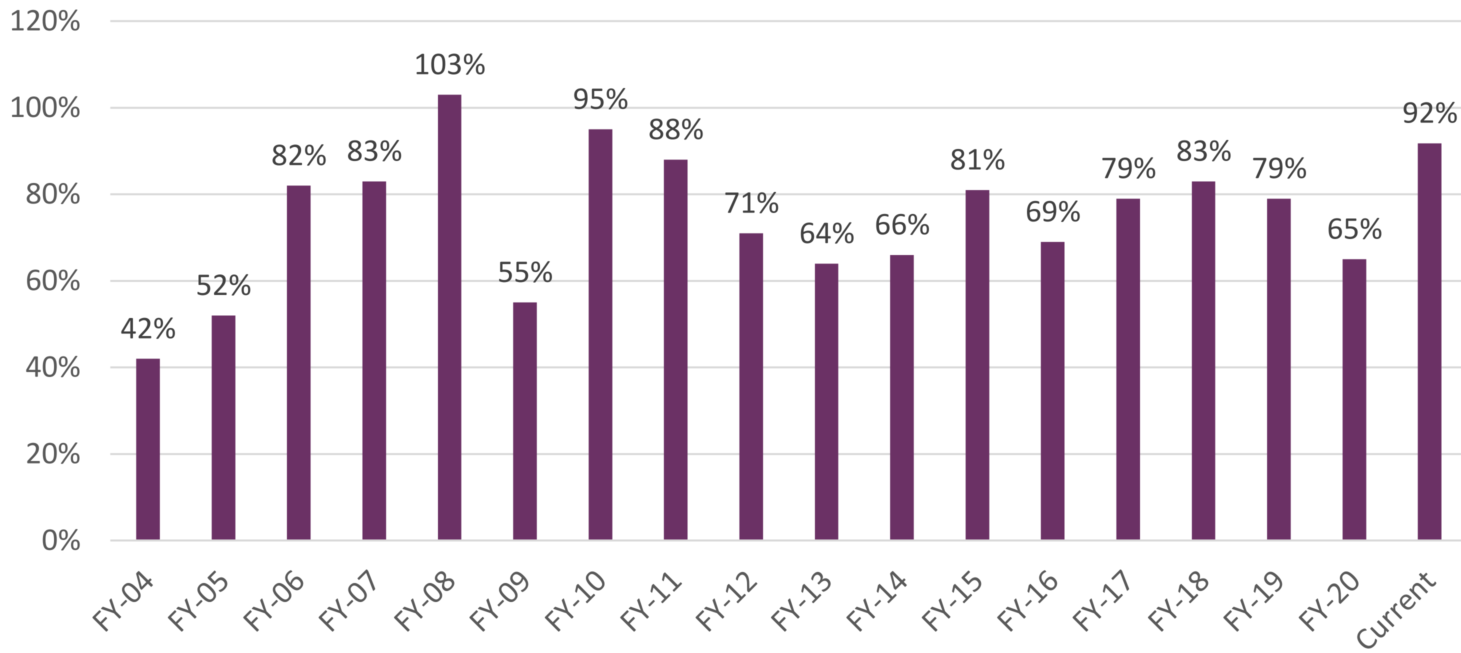
India Market Cap. to GDP Ratio

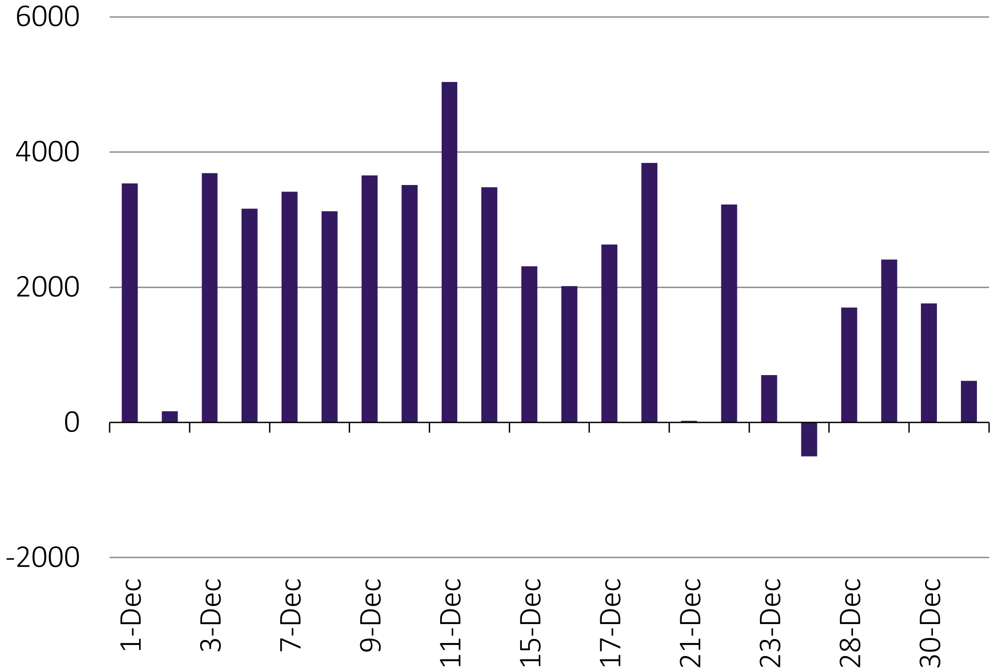


- Currently Nifty’s market capitalisation to GDP (FY20) ratio stands at about 92% at month end while it was about 88% at the start of the Dec-20 month.
- The ratio is considered an indicative of overall equity market sentiments and cycles.

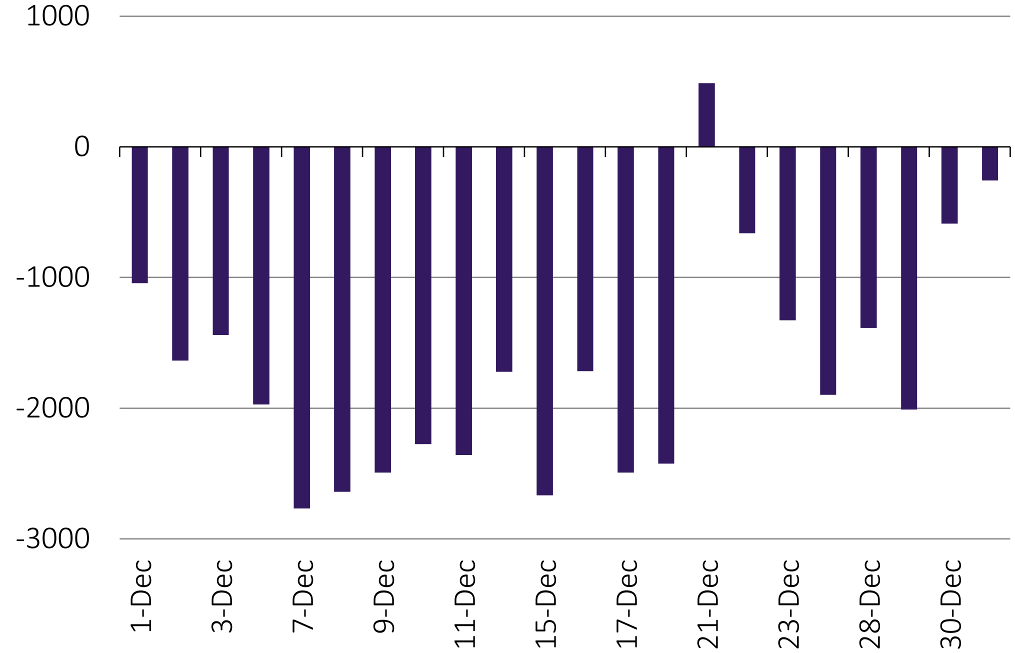
Equity Investing: Big *Money Flow*

ANANDRATHI PRIVATE CLIENT GROUP EQUITY PCG

FII Monthly Inflows in Equity (₹ Crore)



DII Monthly Inflows in Equity (₹ Crore)

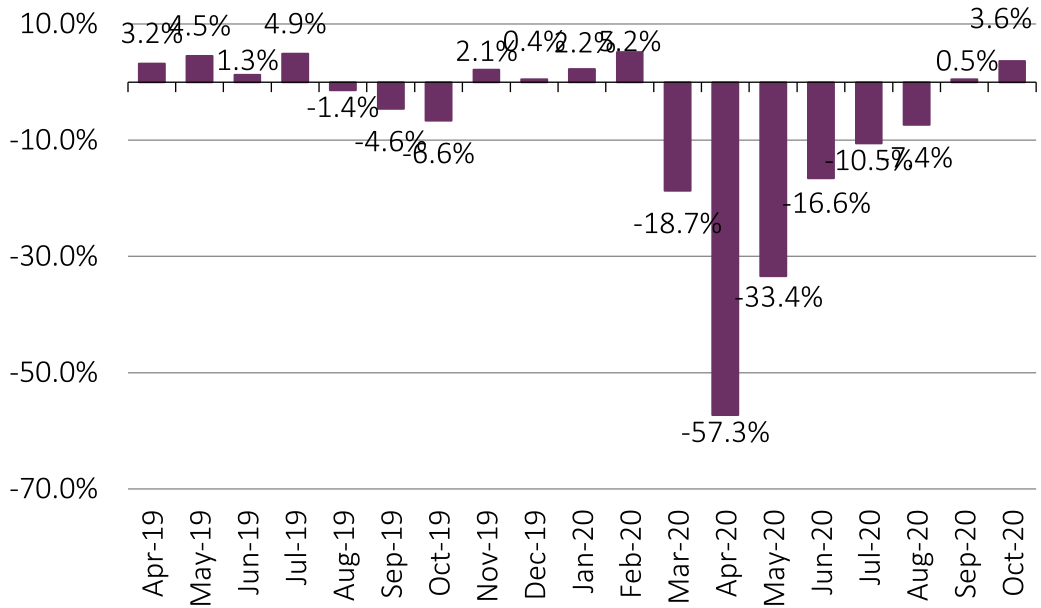


- FII monthly inflows for the month of Dec-20 has seen net inflows of almost ₹53,500 crores, as evident by positive global market factors for the month on account of visibility in effective COVID vaccine.
- On the other hand, domestic funds have seen withdrawing funds in the markets with net outflows standing at around ₹37,300 crores.

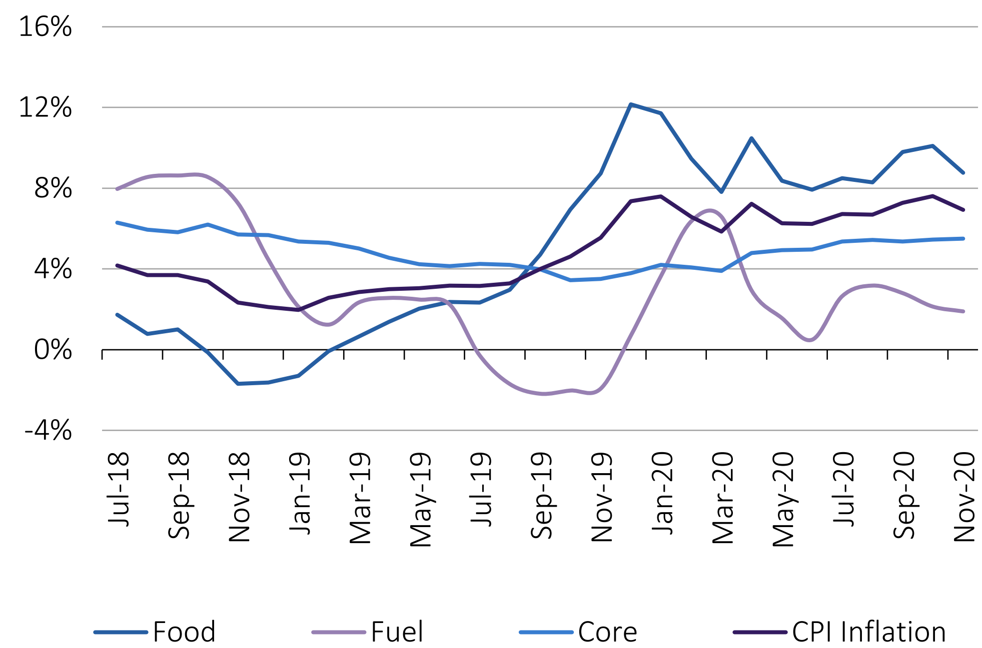
Equity Investing: Growth & Inflation

ANANDRATHI PRIVATE CLIENT GROUP EQUITY PCG

IIP Growth (%) trend (2011-12 base)



Food, Fuel, Core & CPI Inflation (%) YoY



- Index of Industrial Production (IIP) data for the latest month Oct-20 showed an improvement and has recorded second consecutive positive print in last several months. The index stood at 3.6% for the month.
- Latest inflation data released showed some moderation in overall inflation with core inflation remaining steady at 5.5% with CPI at reduced 6.9%. The Food inflation for the Nov-20 month stood at 8.8% while fuel inflation remained at 1.9% for Nov-20 month.

Model Basket / Portfolio

Objective:

- Focus on Return Optimization by investing in multi cap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

Value investing is the art of buying stocks which trade at a significant discount to their intrinsic value. Portfolio Manager achieve this by looking for companies on cheap valuation metrics, typically low multiples of their profits or assets, for reasons which are not justified over the longer term.

Growth investing is a style of investment strategy focused on capital appreciation. Portfolio Manager invest in companies that exhibit signs of above-average growth, even if the share price appears expensive in terms of metrics such as price-to-earnings or price-to-book ratios.

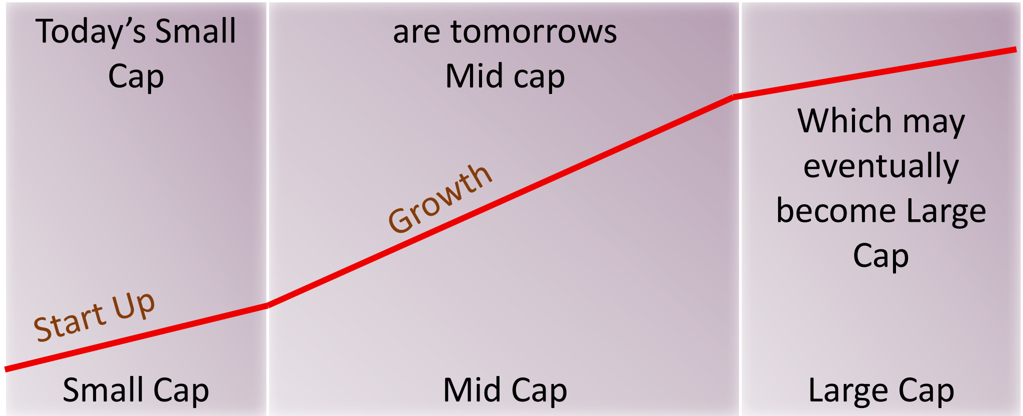
Value

Growth

Why Multi-cap Strategy

	Bull Period			
	Apr-03	Dec-07	CAGR	Volatility
Sensex	2960	20287	51.0%	22.0%
BSE Mid Cap	952	9789	64.6%	25.0%
BSE Small Cap	893	13348	78.4%	31.6%
	Bear Period			
	Dec-07	Dec-11	CAGR	Volatility
Sensex	20287	15455	-6.6%	31.2%
BSE Mid Cap	9789	5135	-14.9%	40.5%
BSE Small Cap	13348	5550	-19.7%	45.4%
	Current Bull period			
	Dec-11	Dec-19	CAGR	Volatility
Sensex	15455	41254	13.0%	9.0%
BSE Mid Cap	5135	14968	14.3%	12.0%
BSE Small Cap	5550	13699	11.9%	13.5%

- The table shows outperformance of the Mid Cap and Small Cap Index over the Sensex Index during the Bull Period.
- Outperformance of the Mid Cap and small caps happens because of better earnings growth in the bull phase.
- The P/E for Mid cap and Small Caps also expands as earnings growth is superior v/s Sensex earnings growth.
- Identifying the business within attractive valuation compare to their growth is key factor for outperformance.



- Returns delivered from Mid Cap and Small Cap do outperform the Large Cap, however one should keep in mind the risk associated with it as we see the higher volatility in it. Therefore we emphasis on stringent stock selection strategy and create a diversified Multi-cap portfolio to create alpha over the benchmark.

Investment Process

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Allocation

Sector opportunity
1) Sector potential to grow
2) Cyclical / Non Cyclical 3) Favoring Policies

Diversification
1) Sectorally well diversified portfolio of 15-20 stocks across Market Capitalization

Exposure
1) Single Stock exposure < 10%
2) Single Sector exposure < 30%

Stock Selection

Business Model either in
1) Improving Market Share 2) Leadership
3) Niche Business Model

Rising Enterprises
1) Stable and Improving Margins
2) Improving ROE and ROCE

Sustainability
1) Visibility of Earnings over next 2-3 years
2) Predictable business model

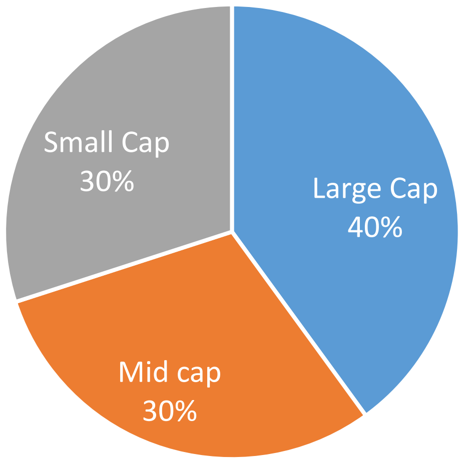
Sound Corporate Track Record
1) Management back ground
2) Accounting & Corporate policies

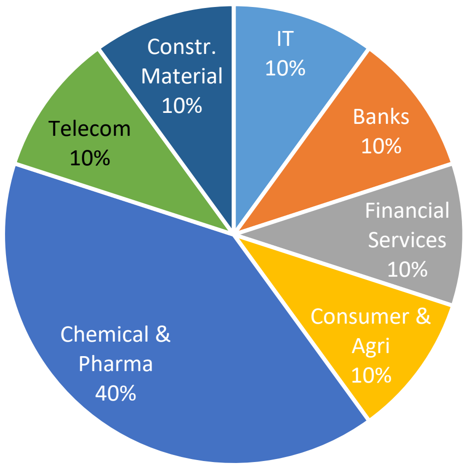
Top Holdings & Allocation

S.No.	Large Cap	% Weight
1	UPL Limited	10%
2	ICICI Bank Limited	10%
3	HCL Technologies Limited	10%
4	Bharti Airtel Limited	10%

S.No.	Mid Cap	% Weight
1	Aarti Industries Limited	10%
2	Nippon Life Asset Management Limited	10%
3	Alkem Laboratories Limited	10%

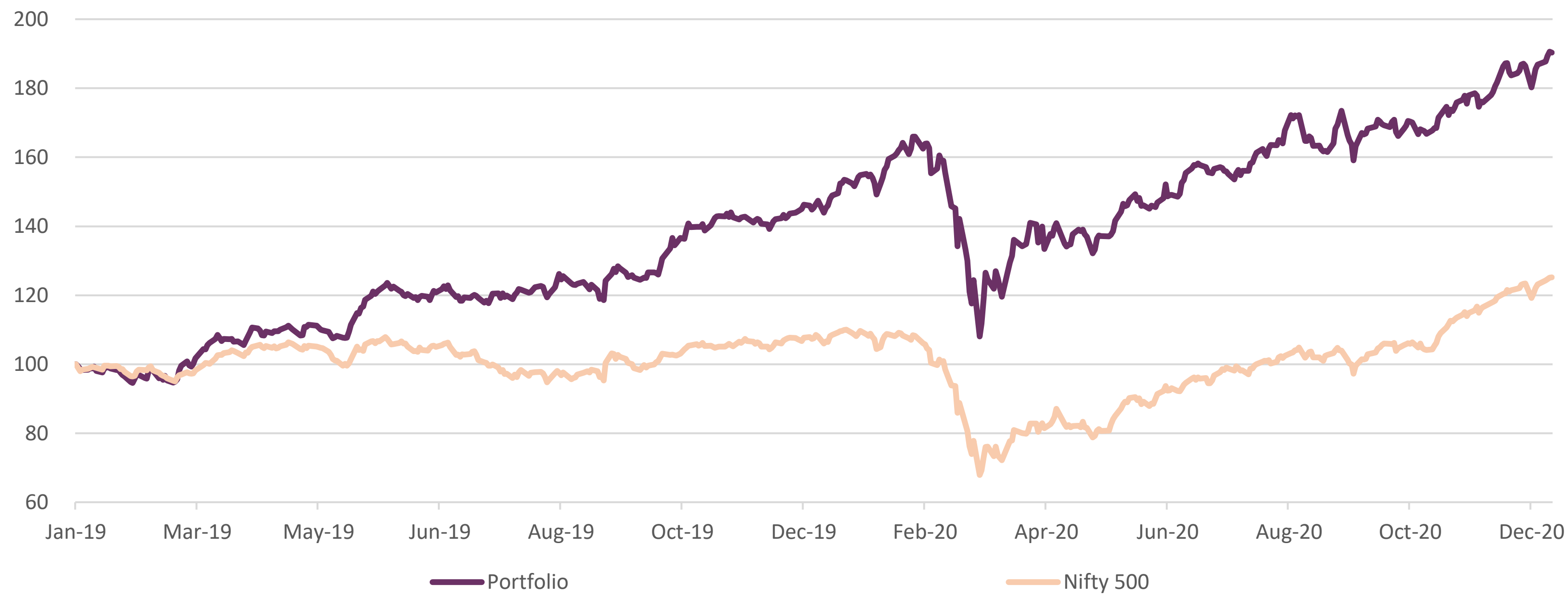
S.No.	Mid Cap	% Weight
1	Vinati Organics Limited	10%
2	Heidelberg Cement India Ltd.	10%
3	Sequent Scientific Limited	10%





NOTE: Basket /Portfolio is Equal weight with monthly rebalance strategy. As of 31st Dec 2020.

Basket / Portfolio Performance



Period	Portfolio % Return	Nifty500 % Return
One month	8.2%	7.5%
Three months	14.0%	23.3%
Six months	27.4%	35.9%
One Year	30.9%	16.5%

NOTE: Performance as of 31st Dec 2020.

UPL LTD. (UPL)

- UPL Limited is one of the top 5 crop protection product companies worldwide. The company's diverse product portfolio includes fungicides, herbicides, insecticides, plant growth regulators, rodenticides, specialty chemicals, nutri-feeds, seeds and seed treatment products.

- In 2019, UPL strengthened its product offering and market position with the acquisition of Arysta LifeScience which has presence in the fast growing proprietary post-patent space. UPL currently has 48 manufacturing facilities across the world and presence in more than 130 countries. Region wise, during FY20, Latin America constituted 38% of total revenues, followed by 16% in North America, 15% in Europe, 11% in India while rest of the world accounted for 20% of the revenues. UPL intends to strengthen its presence in markets like Asia and Africa for driving further growth.

- The acquisition of Arysta for $4.2 billion increased leverage of UPL as the company funded the transaction through a combination of fresh equity and $3 billion debt. Addressing debt concerns, UPL reduced net debt-to-EBITDA from 3.7 to 2.9 levels at end of FY20 and remains committed to further lower to about 2 levels by FY21 to maintain its investment-grade rating. The company also looks to further reduce its working capital intensity and lower fixed costs. Notably, the company recently reduced gross debt by $410 million by pre-paying 2021 USD Bonds.

- Given a robust R&D, UPL boasts of a strong product pipeline of active ingredients with focus on tapping opportunity in the growing post-patent market as well as increase market share in the proprietary chemical market. UPL will continue to invest in Capex, R&D and digital projects.

- During Q2FY21, the company reported 14% year over year (y/y) growth in revenues at ₹89,390 million. Volume growth was 19%. The quarter witnessed growth across all regions. PAT jumped to ₹4,630 million from ₹1,660 million in Q2FY20.

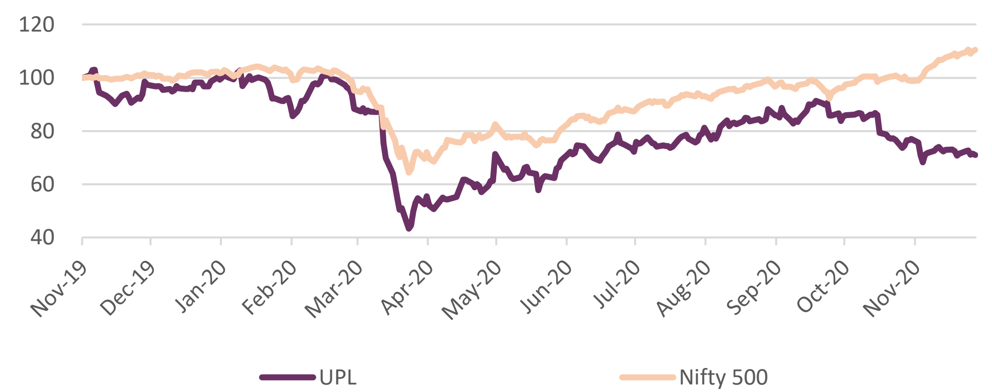
- For FY21, management reiterated its guidance of 6-8% growth in revenue and 10-12% in EBITDA. It also expects price increases in local currencies and cost savings to support margins. We believe UPL remains well positioned for long term growth, given its, strong market position, diverse product offering, expectations of reduced debt levels, and decent revenue and cost synergies from Arysta acquisition.

52 Week Low / High	240 /615
Avg. Daily Volume (3M) ('000)	9,653
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	764/ 361,546
Shareholding (Promoters/Institutional/Others)	27.9%/53.7%/18.4%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Net Sales	1,63,120	1,73,780	2,18,370	3,57,560
EBITDA	29,810	35,050	37,690	67,730
EBITDA Margin	18.3%	20.2%	17.3%	18.9%
PAT	17,270	20,220	14,910	17,760
PAT Margin	10.6%	11.6%	6.8%	5.0%
EPS (₹)	22.6	26.5	19.5	23.2
P/E (x)	20.9	17.9	24.3	20.4
ROE	23.3%	22.1%	10.1%	10.9%

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021

Price Performance (Dec'19=100)



ICICI BANK LIMITED (ICICIBANK)

- ICICI Bank Limited is one of the leading players in the private banking space, offering a wide range of banking products and financial services for corporate and retail customers.

- ICICI Bank is largely a retail bank with the proportion of retail advances in the overall mix increasing from 43% in FY15 to 53.3% in FY20. The bank have a strong distribution network of 5,288 branches and 15,158 ATMs as on Sep 30, 2020. Of the total banking outlets, 50% are in semi-urban and rural areas reflecting the banks continued focus on these markets.

- ICICI Bank is strongly positioned in most of the retail banking products along with the diversified nature of its loan portfolio. This has allowed the bank to register strong advances growth of ~10% CAGR in the four years ending FY20 with asset quality staying under control. Continuing the growth momentum, during Q2FY21, total advances grew 6% y/y to Rs.6.53 trillion as of Sep 30, 2020. Also, total deposits increased by 20% y/y to Rs.8.33 trillion.

- During Q2FY21, the company reported 16% y/y growth in net interest income to ₹93,660 million. Net interest margin stood at 3.57% vs 3.69% QoQ vs 3.64% y/y, reflecting surplus liquidity. On a standalone basis, net profit jumped to Rs. 4,251 crore in Q2FY21 from ₹6,550 million in previous year quarter.

- Reflecting improving asset quality, gross NPA to gross advances in Q2FY21 decreased to 5.17% vs 5.46% QoQ vs 6.37% y/y. Also, Net NPA to net advances reduced to 1.00% vs 1.23% QoQ vs 1.60% y/y. Provision coverage ratio (PCR) increased to 81.5% at Sep 30, 2020 from 78.6% at Jun 30,2020.

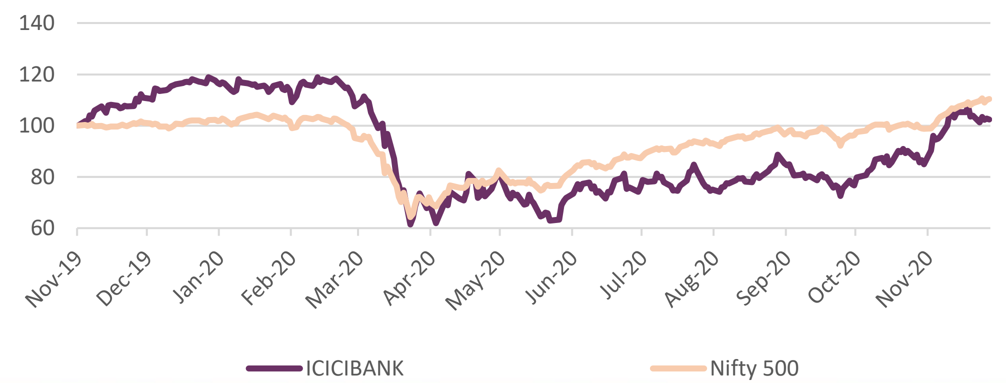
- We believe, a stronger balance sheet (granular, sticky liability base, lower stress levels, higher PCR and adequate CAR, improved underwriting practices and lower exposure to contextually vulnerable products will help ICICI Bank to emerge stronger. Further, the company's several strategic efforts including enhancing digital capabilities create further optimism. ICICI Bank remains our preferred pick. We continue to remain positive on the company over medium to longer term perspective.

52 Week Low / High	268 / 551
Avg. Daily Volume (3M) ('000)	29,413
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	6,896/ 3,666,722
Shareholding (Promoters/Institutional/Others)	0/ 89.8% / 10.2%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Net Interest Income	2,17,373	2,30,258	2,70,148	3,32,671
Pre-Provision Profits	2,64,867	2,47,415	2,34,379	2,81,013
PAT	98,011	67,774	33,633	79,308
Operating Margin	40.1%	41.9%	42.6%	44.50%
PAT Margin	18.1%	12.3%	5.3%	10.60%
EPS (₹)	15.1	10.5	5.2	12.3
P/E (x)	35.2	50.6	102.3	43.2
P/B (x)	3.7	3.5	3.4	3.1
ROA	1.31%	0.82%	0.36%	0.77%
ROE	9.8%	6.4%	3.1%	6.80%

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021

Price Performance (Dec'19=100)



Basket / Portfolio Stocks Rationale

HCL TECHNOLOGIES LIMITED (HCLTECH)

- HCL Tech is a global technology company, offering integrated portfolio of products and services which enables its clients to transform their business via digital foundation, business and operations and provide engineering services and solutions in aspects of product development and platform engineering.

- The company's growth momentum is being led by organic revenue growth involving next-generation technologies such as digital and analytics, IoT, cloud native and cyber security, as well as new IPs and products.

- Investments in new HCL Software business has started to bear fruit in the last two quarters of FY20, contributing handsomely to profitability as well as to the cash generation capacity of the company. Product and Platform business reported strong numbers even during the challenging times as it added 250+ new clients.

- The company's revenue mix is well diversified – BFSI (22.40%), Manufacturing (18.10%), Technology (17.20%), Retail (10%), Telecommunication (7.6%), Lifesciences & Healthcare (13.70%), Public Services (11%). Geographical revenue mix - America (57.80%), Europe (27.40%), India (3.30%), and Rest of the world (11.50%). Notably, expanding presence, in Dec 2020, HCL announced its entry into Vietnam.

- Revenue came in at ₹185,940 million in Q2FY21, up by 6.10% y/y. In constant currency, revenue declined by 0.40% y/y. Profit after tax for the quarter came in at ₹31,430 million, up by 15.90% y/y.

- From a pipeline perspective, the company is witnessing good deal creation activity across all verticals and geographies & also witnessing good momentum in the digital foundation, and the transformation opportunities. Q2FY21 pipeline grew by 20% QoQ and currently it stands at an all-time high. The company has revised revenue and margin guidance upwards. Constant currency revenue guidance for Q3 and Q4 is expected to be in the range of 1.5% to 2.5% on an average basis. EBIT guidance stands revised upwards to 20% to 21%.

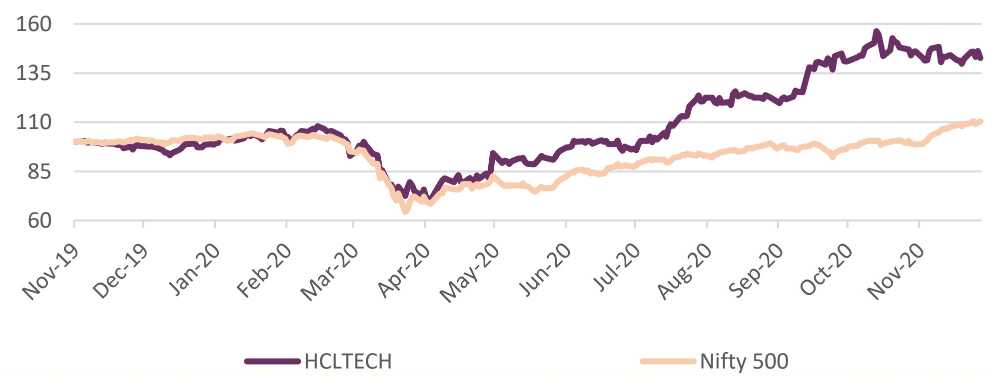
- We expect that the company's strategy towards accelerating new services, building new and reimaging mature products and platforms will propel further growth for the company.

52 Week Low / High	375/985
Avg. Daily Volume (3M) ('000)	8,573
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	2,714 / 2,654,779
Shareholding (Promoters/Institutional/Others)	60.3%/35.6%/4.1%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Net Sales	475,680	505,690	604,270	706,760
EBITDA	103,840	112,460	139,180	172,860
EBITDA Margin	21.83%	22.24%	23.03%	24.46%
PAT	86,060	87,210	101,200	110,570
PAT Margin	18.09%	17.25%	16.75%	15.64%
EPS (₹)	31.7	32.1	37.3	40.7
P/E (x)	30.8	30.4	26.2	24.0
ROE	475,680	505,690	604,270	706,760

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021

Price Performance (Dec'19=100)



NIPPON LIFE INDIA ASSET MANAGEMENT LIMITED (NAM-INDIA)

- Nippon Life India Asset Management Ltd is one of the largest asset managers in India. Besides being asset manager of Nippon India Mutual Fund (NIMF), the company has a sizeable AUM under portfolio management services and alternate Investment funds. The company also manages funds for provident fund bodies and government managed pension Funds schemes.

- Nippon Life Insurance Japan has completed acquisition of 75% stake in the company from Reliance Capital. The company should benefit from the new leadership as Nippon Life Insurance is the largest Insurance company in Japan and the total assets managed by Nippon Life Insurance globally are twice the size of the entire mutual fund industry of India.

- The company has a very strong distribution network which includes 76,200 distributors and 74 banks. The strategy of the company is to focus on leadership in the retail segment. This helps the company to reduce its dependency on HNI investments which are cyclical in nature. As on June 2020, NIMF has one of the largest retail assets in the Industry, at ₹46,0290 million and contributed 24% to NIMF's AUM.

- During Q2FY21, the company reported 13.8% y/y decline in revenues to ₹2,587. However, profit after tax for the quarter came in at ₹1454 million, up by 6.30% y/y. The company reported average assets under management (AAUM) of Rs.2.00 trillion crores v/s Rs.2.03 trillion in Q2FY20. Equity assets share was 39% of AAUM v/s 43% in Q2FY20.

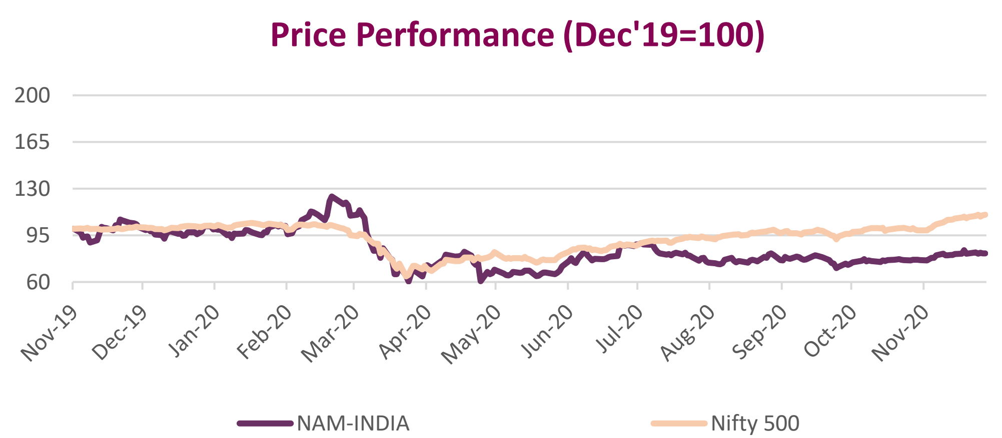
- At the industry level, the mutual fund penetration ratio (AUM as % of GDP) is ~11% which is significantly lower than the world average of 62%. Also, India has ~30% household saving rate which is higher than other economies. The Indian mutual fund industry is highly skewed in nature (Top 5 players have a combined AUM of ~70%). These macro factors indicate a strong outlook for the industry and strong cash inflow for the industry leaders.

- We believe the crisis from COVID-19 may impact growth in short-term. However, with gradual normalization, the company should benefit given its strong distribution network, product innovation, focus on retail assets growth and risk management.

52 Week Low / High	208/ 453
Avg. Daily Volume (3M) ('000)	740
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	612/ 190,846
Shareholding (Promoters/Institutional/Others)	75.0%/11.4% /13.6%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Revenue	13,075	15,918	14,786	12,030
PAT	4,020	4,557	4,861	4,153
PAT Margin	30.7%	28.6%	32.9%	34.5%
EPS (₹)	348.9	7.5	7.9	6.8
P/E (x)	0.9	41.5	39.4	45.8
P/B (x)	10.2	8.1	7.4	7.4
ROE	21.5%	19.3%	18.9%	16.0%

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021



BHARTI AIRTEL LIMITED (BHARTI)

- Bharti Airtel Ltd. is one of leading providers of telecommunication services in the world with presence across 18 countries including India, Sri Lanka and 14 countries in Africa. Through its brand 'AIRTEL', the company offers telecom services under wireless and fixed line technology, national and international long distance connectivity, Digital TV and telecom solutions to enterprise customers. Also, the company owns Tower Infrastructure relating to telecom operations.

- In July 2020, company inked deal with global investment firm ,The Carlyle Group, under which the later will invest US$235 million in Nxtra Data Limited, a wholly owned subsidiary. Post transaction, Carlyle will hold a stake of about 25% in the business. The company looks to benefit from this investment given Carlyle's prior experience in data centre ownership.

- In a major relief, the Supreme Court has granted telecom operators 10 years to pay up dues related to AGR. The court has directed the telecom companies to make 10% upfront payment of their AGR dues by Mar 31, 2021. The 10-year payment schedule is set to begin on 1 April, 2021, and the annual instalments to be paid by 7 February every year. Bharti Airtel has already paid ₹180,040 million. Following the company's several capital-raising activities, we believe Bharti Airtel is well positioned to clear the AGR amount in due time.

- During Q2FY21, consolidated revenues of ₹257,850 million was up 22% y/y, driven by growth across segments. The quarter witnessed 14 million 4G customers addition. Average Revenue Per User (ARPU) in mobile services India increased 27% y/y to ₹162 in Q2FY21. EBITDA margin came in at 45.2%, up from 41.8% in Q2FY20. Including exceptional charge of ₹493 million, net loss stood at ₹7,632 million in the quarter, narrowing down from net loss of ₹230,449 million in the previous year quarter.

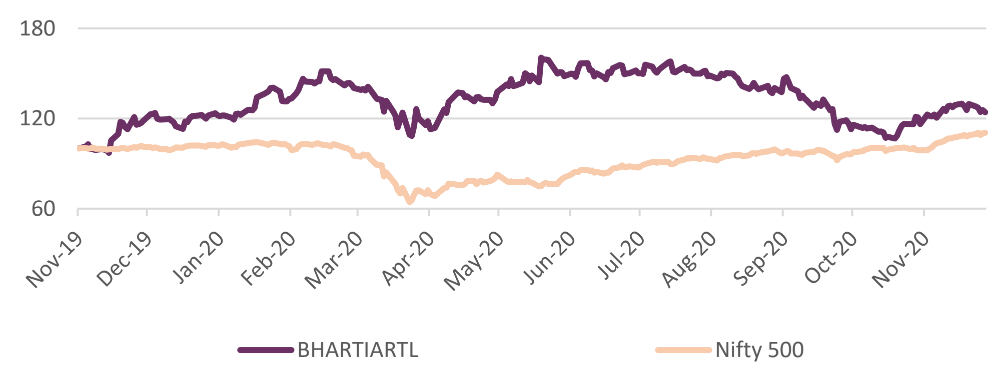
- We believe Bharti Airtel is poised for sustainable ARPU growth for India Mobile business while improving performance in Africa business should further boost revenue growth. Also, the intense competition in the domestic telecom industry has gradually lessened with reduced number of players. With revenue market share gain and strong network capacity compared to peers, the company is well placed for long term growth in the telecom space.

52 Week Low / High	362/612
Avg. Daily Volume (3M) ('000)	17,935
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	5,456/ 2,820,796
Shareholding (Promoters/Institutional/Others)	56.2%/39.3%/4.5%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Net Sales	954,683	826,388	807,802	875,390
EBITDA	351,979	300,368	242,035	366,095
EBITDA Margin	36.9%	36.3%	30.0%	41.8%
PAT	37,998	10,990	4,095	-321,832
PAT Margin	4.0%	1.3%	0.5%	-36.8%
EPS (₹)	7.0	2.0	0.8	-59.0
P/E (x)	73.9	258.5	646.3	NA
ROE	5.6%	1.6%	0.6%	-41.7%

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021

Price Performance (Dec'19=100)



AARTI INDUSTRIES LIMITED (AARTIIND)

- Commencing operations in 1984 with just two products, Aarti Industries Limited has grown meaningfully over the years to become one of the major players in manufacturing and dealing in Speciality Chemicals and Pharmaceuticals. Notably, the company is one of the most competitive benzene-based speciality chemical companies in the world. The company has gradually de-risked its portfolio with presence in several products, geographies and industries. It offers over 200 products to 700+ domestic and 400+ export customers spread across 60 countries with major presence in the USA, Europe and Japan. Its speciality chemicals and intermediate products has usage in several industries including pharmaceuticals, agrochemicals, polymers, pigments, printing inks and FMCG.

- Aarti Industries benefits from its diversification strategy that reduces concentration risk and ensure revenue stability. Agrochemicals, pharmaceuticals and FMCG, contribute about 50-60% of company's revenues, while other end-user industries such as polymers, pigments, printing inks, dyes, fuel additives, aromatics, etc. account for the balance 40-50% of revenues. Notably, no single product or customer accounts for more than 8% of revenues.

- Segment wise, Speciality Chemicals contributed about 84% of sales in FY20. It has integrated operations across the benzene, sulphur and toluene product chains, and is ranked among the top three players globally for the manufacture of Nitro Chloro Benzenes (NCB) and Di-chloro Benzenes (DCB). Through its Pharmaceuticals segment (% FY20 revenues), the company manufactures various commercial APIs and also undertakes Contract Research and Manufacturing Services (CRAMS).

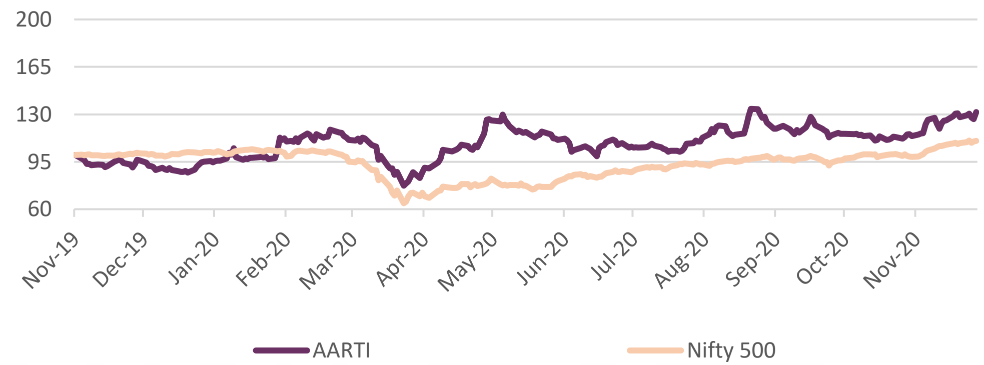
- During Q2FY21, revenues grew 8.9% y/y, 25.1% q/q, to ₹11.7bn driven by strong performance in both specialty chemicals and pharma segments. Management expects flattish FY21 bottom line and ~15-20% annual growth in few years driven by higher demand, commissioning of projects, rising share of high-margin products and business from new chemistries. It said India is emerging as a significant operator in the global chemicals supply chain with its scalable, low-cost manufacturing ecosystem, improving infrastructure and established compliance framework, and Aarti would be the key beneficiary due to its position. We are positive about its long-term performance considering its product launches, new chemistries and revenue from multi-year deals.

52 Week Low / High	668 /1287
Avg. Daily Volume (3M) ('000)	297
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	174/ 223,369
Shareholding (Promoters/Institutional/Others)	47.6%/23.3%/29.1%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Net Sales	31,635	38,061	41,676	41,863
EBITDA	6,535	6,991	9,651	9,773
EBITDA Margin	20.66%	18.37%	23.16%	23.35%
PAT	3,158	3,330	4,917	5,361
PAT Margin	9.98%	8.75%	11.80%	12.81%
EPS (₹)	38.5	48.2	43.2	38.8
P/E (x)	66.5	63.1	42.7	39.2

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021

Price Performance (Dec'19=100)



VINATI ORGANICS LIMITED (VINATIORGA)

- Vinati Organics Ltd. (VOL) is engaged in manufacturing of basic organic chemicals, specialty chemicals and niche specialty chemicals used in a wide range of industries including oil field, water treatment, pharmaceutical, mining and paints. Headquartered in Mumbai, the company operates through its two manufacturing facilities located at Mahad and Lote Parashuram, Maharashtra, with an integrated B2B business model.

- Currently, the company is the world's largest manufacturer of its two key products Isobutyl Benzene (IBB) and 2-Acrylamido 2 Methylpropane Sulfonic Acid (ATBS) with a market share of 65%. Exit of the company's key competitor – Lubrizol Corporation – from the ATBS market aided in growth of Vinati Organic's market share in FY19. The company registered a whopping 52% year-over-year (y/y) growth in consolidated revenues to ₹11,081 million in FY19.

- Despite the steady performance in IBB and isobutylene, the company's Q2FY21 revenue slid 11.9% y/y, 5.2% q/q, to Rs2.2bn due to sluggish demand from the oil and gas industry (which brings 10-15% to its revenue). The EBITDA margin contracted 337bps y/y, 363bps q/q, to 38.3% due to the lower contribution of the high-margin ATBS and to soft realisations.

- In Sep'20, Vinati announced capex of ₹1.5bn to manufacture four specialty-chemical products (used in agrochemicals, dyes and plastic additives) and expand PTBBA capacity. On 5th Nov'20, it announced further capex of ₹600m for new products and expansions. It expects to generate ₹3bn revenue starting FY22.

- Per management, the Q3 performance would be similar to Q2 due to lower demand from oil and gas industries. Q4 would be strong supported by higher revenue from BP and a recovery in ATBS. Earlier, the company talked of ₹2bn from BP in FY21; it has now revised this figure to ₹500m-1bn.

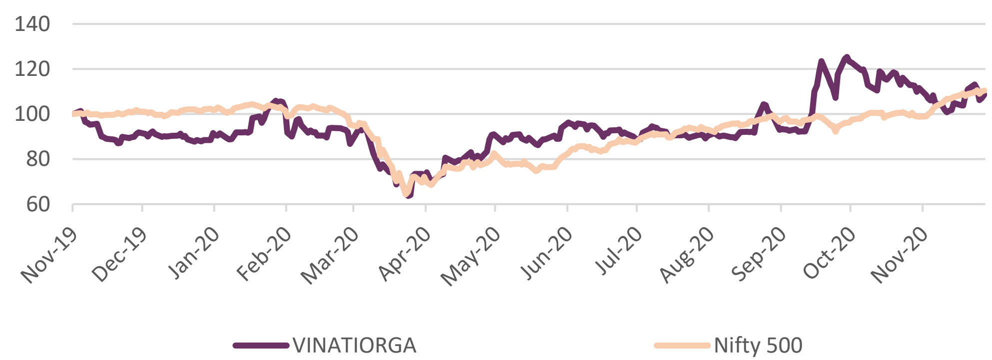
- On greater demand from user industries we expect recovery in H2. We are positive about Vinati's performance and expect a good recovery from FY22 with rising demand for its products (IBB, isobutylene), greater utilisation of butyl phenol and a pickup in demand for ATBS. Also, in terms of macro scenario, the domestic chemical industry has decent upside.

52 Week Low / High	651/1,419
Avg. Daily Volume (3M) ('000)	112
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	103/ 126,299
Shareholding (Promoters/Institutional/Others)	74.1%/10.5%/15.4%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Net Sales	6,408	7,297	11,081	10,289
EBITDA	2,178	1,982	4,049	4,139
EBITDA Margin	34.0%	27.2%	36.5%	40.2%
PAT	1,403	1,439	2,825	3,338
PAT Margin	21.9%	19.7%	25.5%	32.4%
EPS (₹)	13.7	14.0	27.5	32.5
P/E (x)	89.7	87.8	44.7	37.8
ROE	20.6%	18.1%	26.9%	26.1%

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021

Price Performance (Dec'19=100)



Basket / Portfolio Stocks Rationale

ALKEM LABORATORIES LIMITED (ALKEM)

- Alkem Laboratories Limited (ALKEM) is one of India's largest generic and specialty pharmaceutical company with a foothold in over 50 countries. 32% of the company's revenue is generated via offshore sales. The company have consistently been ranked amongst the top ten pharmaceutical companies in India.

- The portfolio of the company includes illustrious brands like Clavam, Pan, Pan-D and Taxim-O, which feature amongst top 50 pharmaceutical brands in India. For over a decade, the company's dominance in anti-infective segment has remained unchallenged.

- The company have 21 manufacturing facilities at multiple locations in India and the United States of America. The company's upper-crest facilities are inspected and audited as per CGMP guidelines as laid down by leading regulatory authorities such as USFDA, MHRA - UK, SAHPRA-South Africa, TGA - Australia, ANVISA - Brazil, WHO - Geneva, TPD - Health Canada, PPB - Kenya, NDA - Uganda, MOH - Sudan, INVIMA - Colombia, TFDA - Tanzania, Zimbabwe, BfArM-Germany & Other Africa, Asian & CIS Countries.

- During Q2FY21, revenue grew 4.4% y/y to ₹23.6bn, primary growth drivers being traction in its trade generics in India and US. The EBITDA margin rose 540bps to 25.4% On a better product mix (the gross margins expanded 40bps) and lower promotional cost. India sales were flat at ₹15.6bn. Its US business grew 12% to ₹6.2bn backed by launches and market-share gains in new products

- Market-share gains and product launches mainly drove its Q2FY21 US sales 18.6% y/y (12% in dollar terms). In the quarter, it filed one product and obtained approval for three. It has launched 65-70 products in the US and plans to file 10-12 products in FY21. With nearly half of its pipeline yet to start generating sales, its ability to subsequently acquire market share in newly launched products will help its US sales clock a 17% CAGR over FY20-23.

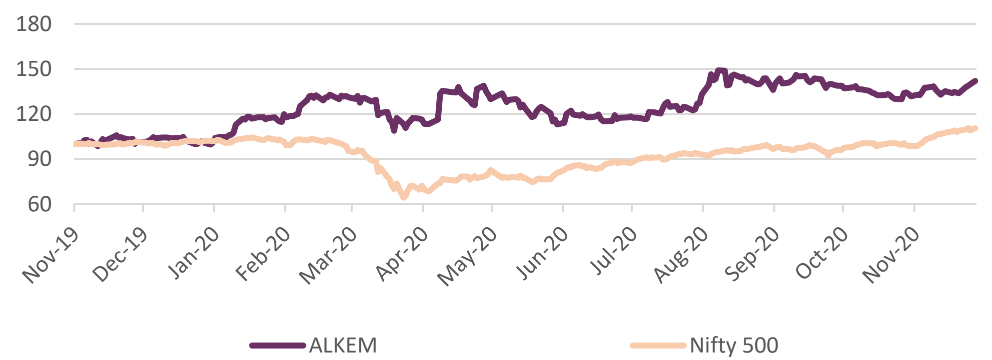
- Growth in its acute therapies is expected to return in coming months and launches in the US are likely to boost growth. We are positive about Alkem, given its strong domestic franchise with robust supply chain and distribution network and evolving US business.

52 Week Low / High	1,881/3,090
Avg. Daily Volume (3M) ('000)	107
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	120 / 354,271
Shareholding (Promoters/Institutional/Others)	62.4%/16.8%/20.8%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Net Sales	56,875	63,918	73,572	83,443
EBITDA	9,990	10,089	11,148	14,734
EBITDA Margin	17.6%	15.8%	15.2%	17.7%
PAT	8,920	6,309	7,605	11,271
PAT Margin	15.7%	9.9%	10.3%	13.5%
EPS (₹)	74.6	52.8	63.6	94.3
P/E (x)	39.7	56.1	46.6	31.4
ROE	20.0%	13.0%	14.0%	17.9%

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021

Price Performance (Dec'19=100)



HEIDELBERG CEMENT IINDIA LIMITED (HEIDELBERG)

- Heidelberg Cement India Limited (HCIL) is a subsidiary of Heidelberg Cement Group, Germany. The company has its operations in Central India at Damoh (Madhya Pradesh), Jhansi (Uttar Pradesh) and in Southern India at Ammasandra (Karnataka).

- HCIL increased its capacity to 5.4 million tones p.a. through brown field expansion of its facilities in Central India in 2013. The new manufacturing capacity has enabled the company to increase its market share in Central India i.e. Madhya Pradesh and Uttar Pradesh and in markets of Bihar, Haryana and Uttarakhand. HCIL has grown over the years and to position a niche for its brand "mycem" in new markets and has further improved its brand positioning in the existing ones.

- During Q2FY21, the focus on prices and premium positioning led to volumes dipping 2.3% y/y to 1.1m tons; NSR/ton, though, rose 1% y/y to ₹4,627. Management aims at the share of premium cement volumes rising to 20% (13% in Q2FY21) and to introduce the premium brand `Greencem'. Demand improvement is expected, post-Diwali, with realizations rising a further ~₹100/ton. Management said FY21 industry volumes would fall 10-12% and grow in double digits in FY22 on the low base. For Heidelberg, we expect volumes to shrink 9% in FY21 and grow 10% in FY22.

- Higher realization and low cost inventory helped EBITDA/ton grow 6.4% y/y to ₹1,127, and EBITDA 4% y/y. On rising pet-coke/diesel prices and deteriorating quality of domestic coal, management talked of further optimizing the fuel mix, introducing international coal, rationalizing logistics. The start of the AFR feeder system in Damoh and the solar power plant would optimize costs. We expect ₹1,110/1,173 EBITDA/ton in FY21/22 (vs ₹1,096 in FY20).

- With no major capex planned, the company passed a special resolution to loan Zuari Cement ₹1,500m to set up a WHRS. The environmental study for the expansion at Gujarat will take 1-2 years. From the ongoing debottlenecking, clinker capacity will increase by 0.2m-0.25m tons.

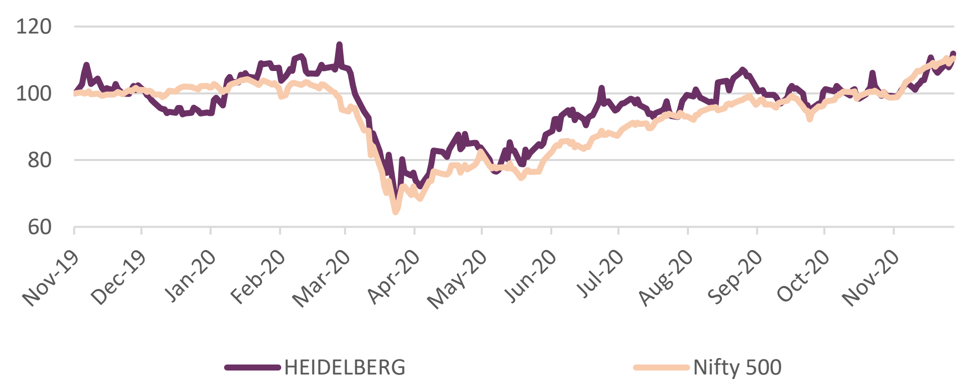
- The proposed loan to Zuari will generate higher other income and enable utilisation of MAT credit for the next 1.5-2 years. The net-debt-free balance sheet and negative working capital are positives, though we are concerned about slowing volume growth.

52 Week Low / High	122/235
Avg. Daily Volume (3M) ('000)	448
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	227/ 52,189
Shareholding (Promoters/Institutional/Others)	69.4%/15.6%/15.0%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Net Sales	17,175	18,895	21,334	21,696
EBITDA	2,789	3,634	4,833	5,278
EBITDA Margin	16.20%	19.20%	22.70%	24.33%
PAT	762	1332	2207	2681
PAT Margin	4.40%	7.00%	10.30%	12.36%
EPS (₹)	3.4	5.9	9.7	11.8
P/E (x)	67.7	39.0	23.7	19.5
ROE	7.90%	12.70%	18.80%	18.62%

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021

Price Performance (Dec'19=100)



Basket / Portfolio Stocks Rationale

SEQUENT SCIENTIFIC LIMITED (SEQUENT)

- Sequent Scientific Ltd. is an integrated pharmaceutical company with a global footprint, operating in the domains of animal health (API & formulations) under the brand of Alivira Animal Health. The company is the the largest in India and 20th largest animal health company across the globe.

- Sequent caters to unaddressed global market requirements and focus on products of livestock, poultry and companion animals. The company has established strong R&D capabilities in India and Spain & manufacturing facilities in India, Spain, Turkey, Germany and Brazil.

- The company also provides analytical services, by providing contract research in analytical and bio analytical services to support the API, pharmaceutical, personal care and nutraceutical companies through its two USFDA approved state-of-the-art GLP compliant Analytical laboratories based in Mangalore and Bangalore.

- The company has established a new formulations R&D facility in Mumbai for injectibles business for the regulated markets. It is also expanding its Vizag facility from 225 KL to 350 KL. The company plans to expand its margins through focus on regulated markets along with high value products. The company is on track for new product pipeline of 35+ products, which are at various stages of development.

- The company reported a growth of 21.8% in revenues at ₹3,463 million in Q2FY21. Formulations drove growth in the quarter. The company witnessed strong performance across key geographies of Latam and Turkey while India drove strong recovery in Emerging Markets.

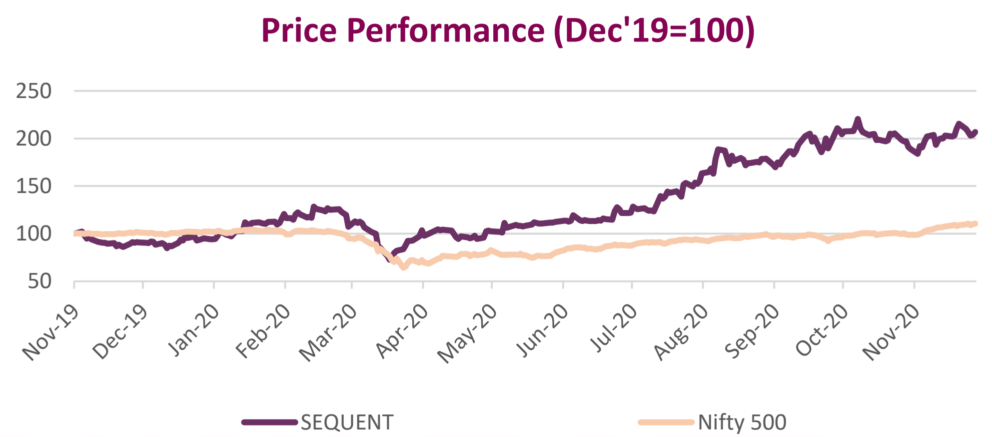
- The global investment firm, the Carlyle Group has entered into a definitive agreement with the existing promoters to acquire a majority stake and up to 74% in the company, with this the company is well poised to a new phase of development. As of Sep 30, 2020 Carlyle held 53% stake in the company.

- Sequent also acquired the remaining 15% stake in Fendigo BV for EUR 191,947.50. Located at Netherlands, Fendigo is a trading and distribution arm for animal health products. Post this acquisition, Fendigo became a wholly owned subsidiary of the company.

52 Week Low / High	52/182
Avg. Daily Volume (3M) ('000)	981.2
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	248/ 44,955
Shareholding (Promoters/Institutional/Others)	54.5%/13.1%/32.4%

(In ₹ mn)	FY-17	FY-18	FY-19	FY-20
Net Sales	6,836	10,306	10,393	11,792
EBITDA	405	1,115	1,249	1,703
EBITDA Margin	5.93%	10.82%	12.02%	14.44%
PAT	-138	4,216	487	699
PAT Margin	-2.02%	40.91%	4.68%	5.93%
EPS (₹)	-0.6	17.0	2.0	2.8
P/E (x)	NA	10.7	92.4	64.3

Source: Company, Anand Rathi Research. Note: Prices are as on 4-Jan-2021

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