TOP INVESTMENT IDEAS

INVESTMENT IDEAS

ANANDRATHI PRIVATE CLIENT GROUP EQUITY PCG

SR NO	SYMBOL	VIEW	TARGET	PRICE as on 07-03-2022	POTENTIAL UPSIDE
1	TCS	Buy	4350	3457	26%
2	ICICIBANK	Buy	890	652	36%
3	BHARTIARTL	Buy	886	642	38%
4	LT	Buy	2298	1627	41%
5	SIEMENS	Buy	2677	2251	19%
6	TATACONSUM	Buy	904	655	38%
7	UPL	Buy	940	701	34%
8	BEL	Buy	243	210	16%
9	COFORGE	Buy	6465	4526	43%
10	CROMPTON	Buy	585	375	56%
11	IEX	Buy	317	207	53%
12	NAVINFLUOR	Buy	5050	3492	45%
13	PSPPROJECT	Buy	652	483	35%

Advised to do Covered Call strategy on Derivative stocks

NOTE: Time Horizon – 12 Months

Tata Consultancy Services Ltd

CMP: 3457	Target: 4350	Upside: 26%	Time Horizon: 1 year

- Revenue came in at Rs.46,867cr in 2QFY22, up by 16.8% YoY. Currency, revenue has registered a growth of 15.5% YoY.

- All verticals showed strong, double digit YoY growth. BFSI crosses $2 Bn in QtrlyRev Run Rate. In CC terms, growth was be led by Manufacturing Vertical(+21.7%), followed by Life Sciences and Healthcare (+19%), Retail and CPG(+18.4%) and BFSI (+17%). Communications & Media (+15.6%) and Technology& Services (+14.8%) witnessed accelerated growth.

- All major markets showed strong growth, with growth led by North America (+17.4%).UK grew (+15.6%), and Continental Europe grew (+13.5%). Among emerging markets, growth was led by India (+20.1%), followed by Latin America (+15.2%), Middle East & Africa (+13.8%) and Asia Pacific (+7.6%).

- Net Income for the quarter came in at Rs.9,624 cr up by 14.1% YoY. Operating Margin and Net Margin came in at 25.6% & 20.5% respectively. The board approved second Interim Dividend of Rs.7 per share.

- Strong Client Addition with 5 New Clients (total: 54) in $100Mn+and 17 new clients (total: 114) in $50Mn+.

Bharti Airtel

CMP: 642	Target: 886	Upside: 38%	Time Horizon: 1 year

- Bharti Airtel Limited operates as a telecommunications company in Asia and Africa. It operates through Mobile Services India, Mobile Services Africa, Mobile Services South Asia, Airtel Business, Tower Infrastructure Services, Homes Services, Digital TV Services, and Others segments.

- The company's product offerings include 2G, 3G, and 4G wireless services, as well as mobile commerce, fixed line services, high speed home broadband, DTH, and enterprise services, including national and international long distance services to carriers.

- The company's revenues grew 18.8% YoY during the quarter backed by strong performance across the businesses, company's consolidated EBITDA margin stood at 48.8% at ₹138 billion in Q2-FY22 as against 44.2% at ₹110 billion.

- Bharti Airtel (Airtel) announced a tariff hike in its prepaid segment with ~20% tariff hike across the board, ~25% hike in base entry level 2G tariff (from | 79 to | 99) with effect from November 26, 2021.

- With prepaid subscriber and revenues forming ~95%, ~87-88% of overall subscribers, revenues, respectively, the tariff hike will result in wireless revenues increasing by ~19%. Hike pass through is likely over the next two quarters

- In its mobile business the company continues to gain a strong share of the 4G customers in the market. 4G data customers for the company increased by 26.1% YoY to 192.5 Mn. Over the last four quarters, the company has added 39.9 Mn 4G customers to its network.

- The company has also announced an investment of ₹50 billion to further cement 'Nxtra by Airtel' as India's largest network of hyper scale and edge data centres by tripling the data center capacity to over 400MW by 2025 to meet the surging demand.

- The company's ARPU stands at 153 for the quarter, average data usage per data customer at 18.6 GBs/month and voice usage per customer at 1,053 mins /month.

Siemens

CMP: 2251	Target: 2677	Upside: 19%	Time Horizon: 1 year

- Greater demand for automation and digitisation augurs well as it has strong digital offerings. Management sounded optimistic on continual private and public capex on strong demand and the infrastructure focus.

- Management iterated its stance on more private capex investment driven by sectors such as buildings, e-charging infra, automotive, pharma and F&B. Demand for digital offerings continue upbeat with greater adoption of automation and digitisation by industries.

- Investments by the central government on infrastructure (railways, metro-rail and power T&D) are strong.

- We expect 17%/30% revenue/ PAT CAGRs over FY21-23. We maintain a Buy with a slightly higher TP of Rs2,677 (earlier Rs2,625).

Coforge

CMP: 4526	Target: 6465	Upside: 43%	Time Horizon: 1 year

- Coforge Limited reported revenue growth from operation of 39.3% YoY at Rs.16,581 million during Q3-FY22 as against Rs.11,906 million in Q3-FY21. In Dollar terms, revenues were up 37.8% to $221.6.

- The company reported EBITDA of Rs.3,033 million in Q3-FY22 as against Rs.2,016 million in Q3-FY21, growth of 50.4% YoY. EBITDA Margins for Q3-FY22 stood at ~18.3%. On a sequential basis EBITDA margin expanded ~140 basis points. On back of higher Offshore Revenue and flattening of delivery Pyramid, the company was able to record expansion in margin at times of supply side pressure in the industry. .

- Total order book executable over the next twelve months has expanded 40% YoY and 2% QoQ to $701 million as on 31st December 2021. Order intake during the quarter stood at $247 million, with USA contributing 36.8% whereas EMEA contributing 44.5% to the order intake. Of the total business during the quarter Repeat business accounted for 92%.

- We expect the growth momentum to continue supported by strong deal pipeline along with consistent large deal wins and healthy revenue and margin guidance.

Navine Flourine

CMP: 3492	Target: 5050	Upside: 45%	Time Horizon: 1 year

- In Indian specialty chemicals Navin's quality of growth is second to none, attributable to added investment in high-value businesses. It continues to focus on new high-margin applications and to explore opportunities in new areas of fluorine chemistry

- Navin has announced capex of Rs750m (to be capitalised by Dec'22) to debottleneck CGMP3 because of the robust opportunity pipeline. Earlier, guidance was $10m per quarter for its CRAMS business. With this expansion, revenue would increase to $65m-70m a year.

- Navin expects growth in specialty chemicals to persist, backed by its strong R&D capabilities and deep fluorination expertise.

- We expect revenue, EBITDA and PAT to clock 40%, 47% and 49% CAGRs respectively over FY22-24 on the good prospects for its high-value business, orders in CRAMS, sound R&D product pipeline and the start of revenue from MPP and HPP in FY23.

Larsen & Toubro

CMP: 1627	Target: 2298	Upside: 41%	Time Horizon: 1 year

- Larsen & Toubro (L&T) is India's largest engineering & construction (E&C) company with interest in EPC projects, Hi-tech manufacturing and services.
- It primarily operates in infrastructure, heavy engineering, defense engineering, power, hydrocarbon, services business segments. Infrastructure segment contributes ~45% to consolidate revenue followed by services (~30%).
- To tap emerging green hydrogen opportunities in India, L&T and Renew Power recently agreed on a partnership, we believe this agreement will help L&T extend its EPC basket to the new and crucial area of Green Hydrogen that is fast taking shape globally.
- Its "green" offerings account for ~30% of revenue (Rs277bn) and its foray into green hydrogen could lead to a further increase. L&T reaffirmed its commitment to carbon neutrality by 2040, and water neutrality by 2035.
- Order inflows came in at | 50359 crore.
- Net working capital to sale expected to remain stable for FY22E, Focus on asset monetisation to further strengthen the balance sheet and improve return ratios, Strong b/s, controlled working capital, & strong cash generation.
- We iterate our positive stance on L&T's execution pace of its robust order backlog (~Rs3.4trn, 2.2x TTM sales), sturdy balance sheet and improving Hyderabad Metros financials.

Tata Consumer Products

TATA CONSUMER PRODUCTS

ANANDRATHI PRIVATE CLIENT GROUP EQUITY

CMP: 655	Target: 908	Upside: 38%	Time Horizon: 1 year

- Tata Consumer Products (TCPL) is one of the major FMCG companies present in tea, coffee & other beverages in India, UK, US, Canada and some other geographies.

- In India, it also has salt, pulses, spices & other food products. Its subsidiary NourishCo is present in packaged water & other beverages. The company is in a JV with Starbucks, which has 233 stores in India.

- The company has 1500 distribution directly reaching to 1.1 million outlets in India. This will be increased to 1.3 million outlets by March 2022. TCPL is also increasing its rural presence by increasing rural distributors to 5000 by March 2022.

- The India business of the company grew 6% in the quarter with India beverages business recording a growth of 1% with 6% volume growth ,India foods business grew 16% with 4% volume growth. The beverages business volume momentum has registered improvement on month-on-month basis with5% volume growth. In tea during the quarter. The company has also recorded market share gains in branded tea segment.

- On Tata Starbucks, the company recorded revenue growth of 60% in Q3 on a relatively low base of last year that was impacted by reduced mobility. Revenue grew 37% when indexed to the same period in FY20

- With its presence in high growing categories like pulses, spices supported by consumption shift to packaged food. Moreover, tailwinds of at-home consumption should continue to aid growth. Higher volume traction in India business, digitization across the supply chain coupled with synergy benefits in upcoming periods are the key growth drivers.

ICICI Bank

CMP: 652	Target: 890	Upside: 36%	Time Horizon: 1 year

- ICICI Bank Limited has reported a net interest income growth of 25% in its Q2-FY22 standalone results at ₹116,900 million as against ₹93,660 million inQ2-FY21, driven by advances growth of 17% and a net interest margin of 4.00%.

- Non-Interest Income, excluding treasury income increased by 26% YoY to ₹44,000 million in Q2-FY22. Provisions(excluding provision for tax) were ₹27,140 million Q2-FY22 compared to ₹29,950 million in Q2-FY21.

- During the quarter, the gross additions to NPAs were ₹55,780 million. Recoveries and upgrades, excluding write-offs, from nonperforming loans were ₹54,80 million in Q2-FY22. The net NPA ratio in September 30, 2021 is at 0.99% from 1.16% in June 30, 2021.

- Total deposits increased by 17% YoY to ₹9,774,490 million at September 30, 2021. Average current account deposits increased by 36% YoY in Q2-FY22. Average savings account deposits increased by 25% YoY in Q2-FY22.

- The fund-based and non-fund based outstanding to borrowers rated BB and below (excluding non-performing assets) was ₹127,140 million at September 30, 2021 compared to ₹139,750 million June 30, 2021.

- We remain positive on ICICIBANK, considering a strong balance sheet, sticky liability base, high provision coverage and adequate capital adequacy, strong growth in advances, high casa ratio and improving asset quality.

UPL

CMP: 701	Target: 940	Upside: 34%	Time Horizon: 1 year

- It manufactures and markets agrochemicals, industrial chemicals, chemical intermediates, and specialty chemicals, and also offers crop protection solutions.

- UPL the fifth largest generic agrochemicals company in the world after Bayer, Dupont, Syngenta and BASF. UPL products are sold in 150+ countries.

- India revenue grew 27% despite (i) delayed monsoons in parts, (ii) the second COVID wave, and (iii) delayed upward price revisions. Brazil with 40% revenue growth and North America revenue grew 19% y/y.

- Management guided the revenue growth of ~7–10%, with EBITDA growth at 12–15% and net debt to EBITDA at <2x. The global Agrochemicals market is set to gain from better farm economics on account of firm/rising global agri commodity prices, which would in turn drive agrochemical consumption.

- Strong demand for key products along with robust product pipeline is driving the momentum for revenue growth. The company's focus on cost control and higher margin products should enable margin improvement thereby improving the medium-term outlook of the business.

CMP: 208	Target: 243	Upside: 17.08%	Time Horizon: 1 year

- Bharat Electronics Limited (BEL) is a Navratna PSU under the Ministry of Defence, Government of India, which provides advanced products and systems for military, government and civilian customers.

- The order book of the Company as on 31 December 2021 is at around ₹ 560 billion. The order book comprises major programmes like Long Range Surfaceto-Air Missile System (LRSAM), the Akash Missile Systems, Command & Control System, Battle Field Surveillance Systems, Fire Control Systems, Software Defined Radios, Coastal Surveillance Systems, Advance Composite Communication System, Naval Systems, Electronic Warfare Suite etc.

- BEL is targeting a healthy growth of 12-15% and management is confident of maintaining margins around 20-22% for FY2022E despite higher commodity prices as it has a strong indigenous portfolio of products.

- BEL is focusing on enhancing interaction at various levels and building long term relationships with customers, emerging Strategic Partners and other key stakeholders in the Indian defence industry as a trusted and committed partner.

Indian Energy Exchange

CMP: 207	Target: 317	Upside: 53%	Time Horizon: 1 year

- The company reported good set of numbers for the quarter under review with revenue from operations increased by 37.9% year-on-year to Rs.1175 million on consolidated basis. During the quarter, electricity volume on the exchange grew by 37.0% on a year-to-year basis and it was 27.6 BU.

- IEX commands a market share of ~95% in the power exchange market, The company has a debt free balance sheet with cash & investments to the tune of ~ | 700 crore.

- The significant growth in volume was driven by growth in overall power consumption and resurgence of trading in REC's and ESCERT's. The national electricity consumption at 321 BU during the third quarter of the fiscal, saw 5.0% YoY growth over last two years.

- The Real-Time Market remained one of the fastest-growing electricity market segments on the Exchange, achieving a growth of 70% YoY with 4.8 BU of volumes traded during the quarter

- The company is gearing to launch the longer duration delivery contracts in electricity and renewable segment. Given the company's leadership in the growing industry, favourable regulatory tailwinds, high operating margins and growth prospects.

Crompton Greaves Consumer

ANANDRATHI PRIVATE CLIENT GROUP EQUITY

CMP: 375	Target: 585	Upside: 56%	Time Horizon: 1 year

- Price hikes and value engineering of Crompton Greaves reduced the impact of rising commodity prices. Factoring in the cautious near-term outlook, we lower our FY22e/FY23e revenue/PAT 2%/7%. Market-share gains continued, the key positive in Q3 FY22.

- Expands market share across categories: Crompton's end-Q3 FY22 fan market-share was 27%, up 230bps y/y (in the premium category its market share was 35% and Crompton is the second largest), 11% in water heaters (up 70bps y/y) and 10% in lighting (except in ceiling lights).

- Crompton continues to invest in brand building, and range & reach expansion. As a result, it is gradually making inroads in rural India, which accounted for 4.8% of its Q3 FY22 revenue.

- At the CMP, the stock trades at 37x/31x the FY23e/FY24e EPS of Rs11.2/13.6. We continue to recommend a Buy, with a higher TP of Rs585 (at 43x FY24e EPS of Rs13.6), earlier Rs549 (at 45x FY23e EPS of Rs12.2).

PSP Projects Ltd.

CMP: 483	Target: 652	Upside: 35%	Time Horizon: 1 year

- PSP Projects Limited is a multidisciplinary construction company offering a diversified range of construction and allied services across industrial, institutional, government and residential projects in India

- In terms of business segments, EPC projects constitutes major chunk of the order book at 56% in FY21 and 60% in 9M FY22. The Turnkey projects constitutes 38% of the order book in FY21 and 31% in 9M FY22 and Civil construction segment contributes the rest.

- In terms of order book the company has historically grown its order book at ~17% CAGR in last four years. The current order book of the stood at ₹40,080 million as of 9M-FY22. The Government projects comprised a major chunk of the order book at 62% in FY21 and 63% in 9MFY22.

- In terms of guidance the management expects to execution pace to further gain momentum in Q4-FY22 and close the year with revenues of about ₹17,000-17,500 million and about 20% growth in subsequent year with operating margins of about 12%-13%.

Thank You

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