

**Top Picks**

Company	CMP (₹)	TP (₹)
<b>FMCG</b>		
Colgate-Palmolive	1,250	1,450
Hindustan Unilever	2,154	2,461
Nestle India	15,150	17,355
P&G Hygiene	10,363	11,670
<b>Other Consumer Goods</b>		
Asian Paints	1,522	2,118
Avenue Supermarts	2,087	2,395
Bata India	1,191	1,650
Hawkins Cookers	3,895	5,500
<b>Healthcare &amp; Pharma</b>		
Dr LalPathlab	1,340	1,768
IPCA Laboratories	1,385	1,900
<b>Others</b>		
Avenue Supermarts	2,087	2,395
Bharti Airtel	424	492

Source: Company, Angel Research

Note: Closing Price as on 3rd April, 2020

**Spread of Covid – 19 globally led to sell-off in March driven by FPI outflows** – Rapid spread of Covid – 19 outside of China from the last week of February led to a sharp fall in global markets in Mar'20. Sentiments turned negative as the Covid - 19 spread beyond mainland China and there was a sharp jump in cases in South Korea, Iran, and Italy initially followed by the US in the second half. As a result FPI's were sellers in Indian equities for the first time since August 2019 and sold stocks worth ₹61,972 cr. in March 2020.

**Unprecedented measures taken to contain spread of Covid – 19** – Rapid spread of Covid – 19 globally has led to Governments resorting to unprecedented measures including nationwide shutdowns which seem to be slowing down the spread of the virus though with a lag of 2-3 weeks. Italy, Spain and France are few of the countries which have announced nationwide lockdowns. Italy which was first to European country to announce a lockdown on the 9<sup>th</sup> of Mar'20 is witnessing a gradual decline in new cases from the last week of Mar'20. Other European countries like Spain and France which imposed nationwide lockdowns at a later date are still reporting elevated number of new cases daily. However addition of new cases in these countries are expected to peak out soon due to the lockdown.

**Economic costs of shutdowns are significant but necessary** – Due to lockdowns the rate of spread of Covid-19 is coming down in various countries, but at a huge economic cost. The biggest worry is that the outbreak can re-emerge if measures are rolled back. However China offers the biggest encouraging data, as they have been able to bring the outbreak under control due to the lockdowns and is now in the process of opening up their economy again. Central banks and Governments globally have provided unprecedented monetary and fiscal stimulus which should limit the fallout from the shutdown.

**Valuations are becoming attractive** – Nifty is currently trading at a P/BV of ~2.2x which is the same levels at which markets bottomed out in 2008-09. Though on a P/E basis markets are still expensive as compared to 2008, we believe that P/E is not the right measure currently given that structural reforms and the NBFC crisis has had an adverse impact on corporate profitability which will normalize over the next 3-5 years. Pickup in growth, increase in profitability and P/E rerating will drive markets over next 3-5 years.

**High quality businesses to out-perform in difficult market environment** - The Indian Government announced a lockdown of the entire country on the 22<sup>nd</sup> of March. The proactive measure by the Indian Government should help prevent a widespread Covid - 19 epidemic though impact of global slowdown could last longer as developed countries may take time to fully roll back all restrictions. Therefore given the uncertainties we would recommend to avoid vulnerable sectors and invest in high quality business in 3-4 tranches.

**Top Picks Performance**

	Return Since Inception (30th Oct, 2015)
Top Picks Return	17.4%
BSE 100	-0.2%
Outperformance	17.6%

Source: Company, Angel Research

# Top Picks

**Stock Info**

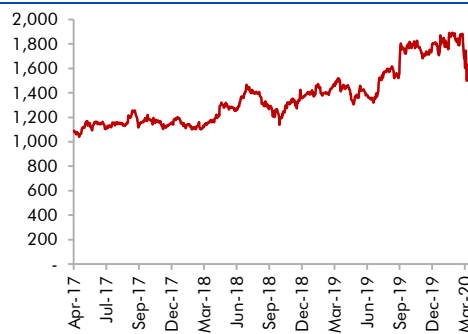
CMP	2,087
TP	2,395
Upside	14.8%
Sector	Retail
Market Cap (₹ cr)	133,891
Beta	0.8
52 Week High / Low	2,560/1,226

**3 year-Chart**


Source: Company, Angel Research

**Stock Info**

CMP	1,522
TP	2,118
Upside	39.2%
Sector	Paints
Market Cap (₹ cr)	145,884
Beta	0.8
52 Week High / Low	1,916/1,291

**3 year-Chart**


Source: Company, Angel Research

**Avenue Supermarts**

- Avenue Supermarts owns and operates the supermarket chain 'D-MART'. Focused on value retailing, it offers a wide range of fast-moving consumer (food and non-food) products, general merchandise and apparel.
- Currently, the company has 196 D-MART stores and it expects to open 30 stores every year through its cluster approach.
- DMART offers significant discount compared to e-commerce, Modern trade (~6%) and General trade (~18%), which would drive revenue growth.
- Operating margin is higher compared to its peers due to the company's low cost structure.
- We expect DMART to report consolidated revenue/PAT CAGR of 18%/26%, respectively over FY2019-22E.

**Key Financials**

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	27,208	9.0	1,470	23.6	17.5	87.8	15.9	4.9
FY2022E	33,238	9.0	1,800	28.8	17.7	71.7	13.1	4.0

Source: Company, Angel Research

**Asian Paints**

- Asian Paints (APL) is India's largest paints company. Decorative Paints contributes ~75% revenue and the balance contribution is from Industrial Paints. APL has strong brand recall and one of the largest distribution networks (60,000+ dealers across the country) in industry.
- Going forward, we expect APL's margins to improve on the back of falling crude prices (more than ~40% within 3 month). APL has strong balance sheet along with free cash flow and higher profitability.
- We expect APL to report healthy bottom-line CAGR of ~19% over FY2019-22E due to leadership position, strong brand, wide distribution network and improvement in operating margins.

**Key Financials**

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	23,658	20.6	3,163	33.0	25.4	46.1	11.7	6.2
FY2022E	26,781	20.6	3,628	37.8	24.8	40.2	10.0	5.4

Source: Company, Angel Research

**Stock Info**

CMP	424
TP	492
Upside	16.0%
Sector	Telecom
Market Cap (₹ cr)	231,288
Beta	0.9
52 Week High / Low	569/305

**3 year-Chart**


Source: Company, Angel Research

**Bharti Airtel**

- There is going to be some impact on subscribers from the low income group especially daily wage earners due to the lockdown. However sharp increase in data consumption should make up for significant portion of the loss. Therefore we expect limited impact on Bharti from the lockdown.
- Bharti has raised capital of USD 2bn from a QIP at ₹445 per share along with FCCB issues of USD 1bn in January 2020. Therefore Bharti is much better placed as compared to Vodafone Idea in terms of liquidity.
- Telecom operators have increased tariffs by ~35% in Nov'19. There is a possibility of another round of tariff hikes by telecom companies in FY21 given that tariffs are still very low. If this were to happen then it would lead to further upsides to our estimates for FY21 and FY22.
- Even if there is no major tariff hike in FY21 and Vodafone Idea goes out of business, Bharti would benefit significantly from addition of subscribers.

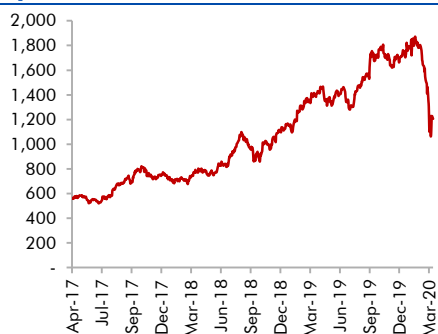
**Key Financials**

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	99,530	44.4	4,405	6.1	3.7	69.0	2.6	3.0
FY2022E	111,755	45.6	8,171	12.7	7.1	33.4	2.4	2.5

Source: Company, Angel Research

**Stock Info**

CMP	1,191
TP	1,650
Upside	38.5%
Sector	Footwear
Market Cap (₹ cr)	15,304
Beta	1.0
52 Week High / Low	1,896/1,000

**3 year-Chart**


Source: Company, Angel Research

**Bata India**

- The Indian footwear industry is valued at ₹50,000-55,000, which is expected to grow at a CAGR of ~15% going ahead. Two third of the industry is mainly dominated by the unorganized sector which suggest huge untapped opportunity.
- Strong retail stores expansion plan to boost growth (500 stores for next 5 years).
- Currently, women's footwear segment accounts for ~30-35% of Bata sales, which the company is targeting to increase to ~40% over the 3 years.
- Currently, Bata's 35-40% sales come from premium products like Hush Puppies, Power, Marie Clarie, etc. Bata has plans to increase premium product sales from current level of total revenue over next two years
- Stock has corrected significantly from peak, providing good buying opportunity.

**Key Financials**

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(x)	(%)	(%)	(x)
FY2021E	3,404	27.7	444	34.5	18.2	34.5	6.3	4.0
FY2022E	3,812	27.7	528	41.1	18.3	29.0	5.3	3.4

Source: Company, Angel Research

**Stock Info**

CMP	1,340
TP	1,768
Upside	31.9%
Sector	Pharmaceuticals
Market Cap (₹ cr)	11,167
Beta	0.7
52 Week High / Low	1,846/955

**3 year-Chart**


Source: Company, Angel Research

**Dr Lal Pathlabs**

- Dr. Lal Pathlabs is a leading Pathology center in India. It is the market leader in Delhi with ~25% market share with a clear focus on high margin B2C business.
- Over the next few years the company is targeting to penetrate north (ex NCR) & east India where competitive intensity is lower as compared to West and South.
- Currently, diagnostic industry is dominated by standalone centers (~48%) followed by hospital based labs (~37%) & diagnostic chains (~15%). It has the largest pathology set up in India with 200 clinical labs (including National Reference Lab at Delhi and Regional Reference lab at Kolkata), 2569 Patient Service Centre and 6426 Pick-up Points as on 31st March, 2019
- We are positive on the long term prospects of the company given expected long term growth rates of ~15% CAGR and stable margins profile.

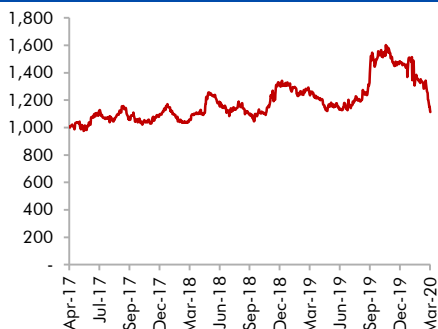
**Key Financials:**

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	1,497	19.4	229	27.5	18.8	48.7	9.2	6.8
FY2022E	1,472	24.2	327	39.3	23.2	34.1	7.9	5.9

Source: Company, Angel Research

**Stock Info**

CMP	1,250
TP	1,450
Upside	16.0%
Sector	FMCG
Market Cap (₹ cr)	33,995
Beta	0.6
52 Week High / Low	1,642/1,065

**3 year-Chart**


Source: Company, Angel Research

**Colgate-Palmolive (India)**

- Colgate-Palmolive India Ltd (CPIL) is engaged in manufacturing & selling of oral care products such as toothpastes and toothbrushes.
- CPIL has leadership position in both toothpastes (52% market share) and toothbrushes (45% market share).
- CPIL continuously invests on ad-spends to strengthen the Colgate brand. Colgate is India's No. 1 Most Trusted Oral Care Brand.
- CPIL has increased its distribution 2.3x over the last 6-7 years and is continuously making efforts to deepen its penetration.
- We believe that CPIL should ultimately be able to see sharper market share gain in toothpastes segment on the back of higher ad-spend and re-launch of Colgate Strong Teeth (decent traction seen in last quarter).

**Key Financials**

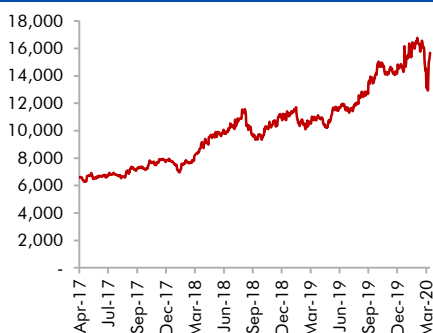
Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	4,873	27.4	865	32.0	40.8	39.0	16.0	6.9
FY2022E	5,263	27.9	948	35.1	38.0	35.6	13.6	6.4

Source: Company, Angel Research

### Stock Info

CMP	15,150
TP	17,355
Upside	14.6%
Sector	FMCG
Market Cap (₹ cr)	145,632
Beta	0.7
52 Week High / Low	16,835/10,120

### 3 year-Chart

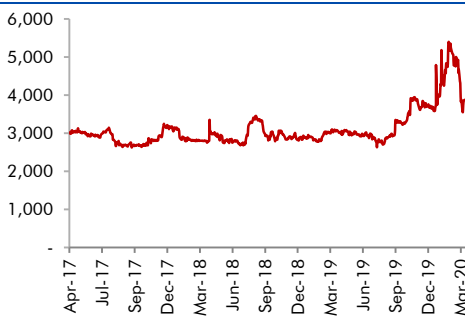


Source: Company, Angel Research

### Stock Info

CMP	3,895
TP	5,500
Upside	41.2%
Sector	Houseware
Market Cap (₹ cr)	2,059
Beta	0.7
52 Week High / Low	5,539/2,606

### 3 year-Chart



Source: Company, Angel Research

## Nestle (India)

- Nestle India Ltd (Nestle) manufactures and sells a variety of food products such as Milk & Nutrition, Prepared Dishes & Cooking Aids, Powdered & Liquid Beverages and Confectionery.
- Nestle enjoys market leadership position in ~85% of its Portfolio. Nestle has wide distribution network (4.6mn outlets) across India and strong brand recall.
- Strong balance sheet coupled with free cash flow and higher profitability.
- Going forward, we expect healthy growth and profitability on the back of strong brand, wide distribution network and new product launches.

### Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(x)	(%)	(%)	(x)
FY2021E	13,235	23.3	2,151	223.0	66.9	67.7	45.3	10.9
FY2022E	14,558	23.4	2,382	247.0	50.4	61.2	30.8	9.9

Source: Company, Angel Research

## Hawkins Cookers

- Hawkins Cookers Ltd (HCL) operates in two segments i.e. Pressure Cookers and Cookware. Over the last two years, the company has outperformed TTK Prestige (market leader) in terms of sales growth ~13% vs. ~4% in Cookers & Cookware segment.
- Cooking gas (LPG) penetration has increased from 56% in FY2014 to 80% in FY2019, which would drive higher growth for Cookers & Cookware compare to past.
- Going forward, we expect HCL's margins to improve 80-100bp on back of lower raw material prices.
- We expect HCL to report healthy top-line CAGR of ~11% on the back of government initiatives, new product launches, strong brand name and wide distribution network, and bottom-line CAGR of ~21% over FY2019-22E due to improvement in operating margins.

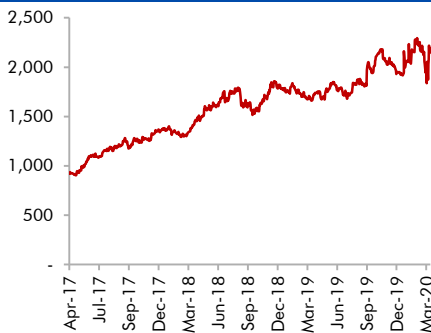
### Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	783	15.1	83	157.2	45.5	24.8	11.3	2.6
FY2022E	892	15.1	95	180.5	42.5	21.6	9.1	2.3

Source: Company, Angel Research

**Stock Info**

CMP	2,154
TP	2,461
Upside	14.3%
Sector	FMCG
Market Cap (₹ cr)	4,66,329
Beta	0.7
52 Week High / Low	2,324/1,650

**3 year-Chart**


Source: Company, Angel Research

**Hindustan Unilever**

- Hindustan Unilever Ltd (HUL) is engaged in manufacturing of branded and packaged FMCG products including soaps & detergents, personal care products and processed food. The company also manufactures ice creams, cooking oils, fertilizers and hybrid seeds.
- HUL's products have strong brand recall coupled with an extensive distribution reach of more than 7mn outlets and direct distribution of 3.5+ million retail outlets.
- HUL has a strong balance sheet along with free cash flow and higher profitability.
- We expect HUL to report healthy bottom-line CAGR of ~12% over FY2019-22E due to better volume growth on the back of strong brand, wide distribution network.

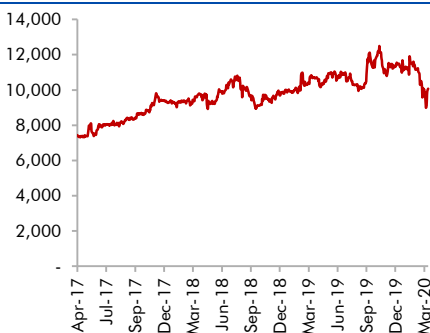
**Key Financials**

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(x)	(%)	(%)	(x)
FY2021E	42,722	24.7	7,686	35.6	68.8	60.5	41.8	10.8
FY2022E	46,994	24.8	8,515	39.4	65.3	54.6	35.8	9.8

Source: Company, Angel Research

**Stock Info**

CMP	10,363
TP	11,670
Upside	12.6%
Sector	FMCG
Market Cap (₹ cr)	33,639
Beta	0.4
52 Week High / Low	12,775/8,400

**3 year-Chart**


Source: Company, Angel Research

**Procter & Gamble Hygiene & Healthcare**

- Company manufactures, distributes and markets three major brands in India – Whisper (sanitary napkins), Vicks (balm, cough drops and tablets), and Old Spice (aftershave lotion and deodorants).
- Whisper being market leader with market share of 56% in sanitary pad segment contributes ~69% of total revenue.
- Sanitary Pads having less than 20% market penetration leaves immense growth opportunity for Whisper. Vicks being market leader with market share of ~30% contributes 30% of total revenue.
- Strong balance sheet coupled with free Cash flow and higher profitability.
- Going forward, we expect healthy growth and profitability on the back of strong brand, wide distribution network and new product launches.

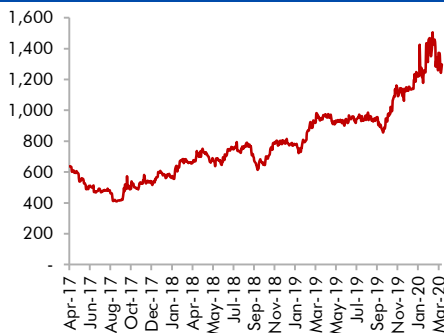
**Key Financials**

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	3,472	24.6	596	183.5	29.0	56.6	16.4	9.7
FY2022E	3,889	24.7	670	206.3	24.6	50.2	12.3	8.6

Source: Company, Angel Research

**Stock Info**

CMP	1,385
TP	1,900
Upside	37.1%
Sector	Pharmaceuticals
Market Cap (₹ cr)	17,506
Beta	0.4
52 Week High / Low	1,622/1,386

**3 year-Chart**


Source: Company, Angel Research

**IPCA Laboratories**

- IPCA's 54% of revenue comes from domestic generic and API business. Generics and API continues to provide revenue growth for Ipca. Expected to outperform the Indian Pharmaceutical market (IPM) by 8%-10% p.a in FY 22.
- EU generic & branded which account for 15% of the company's revenues are on growth trajectory along with higher margins (40% EBITDA margins). Current capacity utilization of plants which supply to Europe is at 20% which is expected to ramp up from current levels. We expect the European business to show 30-35% PAT growth.
- Ipca manufacture over 350 formulations and 80 APIs for various therapeutic segments like Pain management. Currently the company has 18 ANDA approvals, 46 ANDA filled with authorities while 8 products are in clinical trials.

**Key Financials**

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	5,360	22.5	821	65.7	18.8	21.1	4.1	2.5
FY2022E	6,111	23.0	976	78.1	18.6	17.7	3.5	2.2

Source: Company, Angel Research



### Changes in Recommendation

#### Stocks on hold

Hold Date	Stock name	Hold Price
6/6/2019	Inox Wind	55
5/10/2019	Jindal Steel	94
11/3/2020	Shriram Transport Finance	987
11/3/2020	RBL Bank	227
30/3/2020	Safari Industries	392
30/3/2020	Amber Enterprises	1221
30/3/2020	Ultratech Cement	3148
1/4/2020	ICICI Bank	311
1/4/2020	KEI Industries	282
1/4/2020	GMM Pfaudler	2498

#### Stocks sold in last 6 months

Effective date	Stock	Sell Price
6/11/2019	M&M	580
8/11/2019	TTK Prestige	6075
29/11/2019	Yes Bank	65
6/12/2019	Ashok Leyland	76
9/12/2019	Blue star	813
21/01/2020	HDFC Bank	1246
27/01/2020	Siyaram Silk Mills	229
28/01/2020	Maruti Suzuki	7065
29/01/2020	Music Broadcast	28.6
30/01/2020	GIC Housing	153.7
1/2/2020	Parag Food Milks	137.2
7/2/2020	Bata India	1856
25/02/2020	Larsen & Turbo	1249.7
6/3/2020	Aditya Birla Capital	75

**Hold** – While we recommend to Hold on to existing positions at current level, we would await for further data points before recommending any fresh purchases.

Research Team Tel: 022 - 39357800

E-mail: [research@angelbroking.com](mailto:research@angelbroking.com)

Website: [www.angelbroking.com](http://www.angelbroking.com)

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1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No