

Top Picks

Company	CMP (₹)	TP (₹)
Healthcare & Pharma		
Metropolis Healthcare	2,203	2,593
Narayana Hrudayalaya	473	550
IT		
Mindtree	1,699	2,010
Auto		
Ashok Leyland	134	150
NRB Bearings	113	135
Escorts	1,384	1,573
Banking		
IDFC First Bank	48	61
Federal Bank	82	95
Chemicals		
Galaxy Surfact.	2,179	2,569
Cement & Infra		
JK Lakshmi Cement	357	422
PNC Infratech	225	268

Source: Company, Angel Research

Note: Closing price as on 3rd February, 2021

Indian equities closed in the red for the first time in four months – Indian equities closed in the red for the first time in four months down by 2.75% post a 7.8% rally in December. The markets sold off in the second half of the month as FPI flows slowed down over concerns that the Democrats will find it difficult to push through an enhanced stimulus package anytime soon. FII inflows too slowed down to ₹19,742 crore in January post record inflows of ₹62,016 crore in December 2020. The sell off in the second half of the month could also be partly attributed to profit booking prior to the Union Budget.

India's economic recovery continued to pick pace in January- High frequency indicators like PMI numbers, GST collections etc. continues to point to a quicker than expected recovery in the economy. Indian manufacturing PMI for January improved to 57.7 from a reading of 56.4 in December. Moreover auto companies also continued to report better than expected monthly sales numbers for the month of January 2020.

Significant deficit spending by Government in Union Budget surprised markets positively - The Government surprised the markets with a bold budget which focused on reviving growth by deficit spending. Government expenditure for the year was revised to ₹34.5 Lakh Cr. from the budget estimate of ₹30.4 Lakh Cr. The Government surprised the markets and went for much needed deficit spending with the fiscal deficit for the year being relaxed to 9.5% from 3.5%. The fiscal deficit figure was significantly above market estimates of ~7% for FY21. Moreover the Fiscal deficit figure for FY22 has been revised upwards to 6.8%.

Prospects of more stimulus announcements by the US leading to risk-on environment globally - After months of delay the US Government successfully passed the second US stimulus package of USD 900bn in December post the US elections which was a positive development for the markets. However with the Democrats winning both the senate seats in the Georgia runoff chances of more stimulus announcements by the US Government have increased significantly which has led to the continuation of the risk on environment globally.

We expect the broad based rally to continue for now - The rally in the past few months has become broader with more sectors participating in the rally. We expect the broad based rally to continue given a positive Union Budget and risk-on environment globally. We expect sectors like auto, BFSI, consumer durables infrastructure and cement will continue to outperform. While we expect cyclical sectors will continue to do well we also continue to remain positive on chemicals and IT given strong revenue visibility in these sectors.

Top Picks Performance

	Return Since Inception (30th Oct, 2015)
Top Picks Return	74.1%
BSE 100	39.0%
Outperformance	35.1%

Source: Company, Angel Research

Top Picks

Stock Info

CMP	1,699
TP	2,010
Upside	18.3%
Sector	IT
Market Cap (₹ cr)	27,983
Beta	0.8
52 Week High / Low	1,821/692

3 year-Chart


Source: Company, Angel Research

MindTree

- Mindtree is one of the leading mid cap IT service provider and part of the L&T group with revenues of over USD 1bn in FY20. The company has a very strong presence in BFSI, Communications, Media & Technology, Retail, CPG & Manufacturing, and Travel & Hospitality segment.
- Company has posted a very strong set of numbers for Q2FY21 with dollar revenue growth of 5.0 qoq. EBITDA grew by 23.7% qoq to ₹467.9 crore while margins expanded by 345bps qoq to 23.1%. Net profit for the quarter grew by 28.7% qoq to ₹326.5 crore. During the quarter the company reported new deal wins of USD 312mn as compared to USD 303mn in Q2FY2021
- We expect the company to post revenue/PAT growth of 11.7%/35.2% between FY20-FY23 given strong pick up revenues due to ramp up of new deals. We also expect margins to remain stable at over 20% going forward in line with management guidance.

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	8,317	19.7	1128	68.5	29.7	24.8	7.2	3.2
FY2022E	9,583	20.4	1314	79.8	28.6	21.3	6.1	2.8

Source: Company, Angel Research

Stock Info

CMP	225
TP	268
Upside	19.1%
Sector	Infrastructure
Market Cap (₹ cr)	5,900
Beta	1.2
52 Week High / Low	236 /80

3 year-Chart


Source: Company, Angel Research

PNC Infratech

- PNC Infratech is a mid-sized road EPC player. It has more than two decades of experience in executing projects for marquee clients such as NHAI, UPEIDA, MSRDC, UPPCL etc.
- Company has a strong and healthy order book. On an F20 basis it has a book to bill ratio of more than 3.5x. PNC has a track record of completing projects ahead of timelines, as a result of which it is eligible for early completion bonus from its clients.
- Company has a strong balance sheet . Unlike PNC Infratech, most of its listed competitors, promoters shares are pledged as their financials are not strong.
- The stock is trading at discount to historical average valuations.

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	4,862	13.8	343	13.4	12.7	17.1	2.1	1.1
FY2022E	5,574	14.1	445	17.4	14.5	13.2	1.8	1.0

Source: Company, Angel Research

Stock Info

CMP	48
TP	61
Upside	28.0%
Sector	Financials
Market Cap (₹ cr)	27,031
Beta	1.3
52 Week High / Low	52/18

3 year-Chart


Source: Company, Angel Research

IDFC First Bank

- The Ability to raise sufficient liquidity at Low cost would be The Key criteria for banks to navigate the current situation, as asset side inflow would be limited. IDFC First Bank, Post management change has clearly outperformed in building liability franchise and retail lending.
- Since new management took charge, every qtr. liability franchise has been strengthened. CASA ratio improved from 10.4% in Q3FY19 to ~43% In Q3FY21. NIM's have also been stable for the bank despite interest reversals in Q3FY21. Moreover the bank is back on the growth path driven by strong growth in Retail AUM.
- The Bank had raised Rs. 2,000 crores of fresh equity capital during Q1FY21. Post the capital raise, the company has been aggressively looking to expand its retail book.

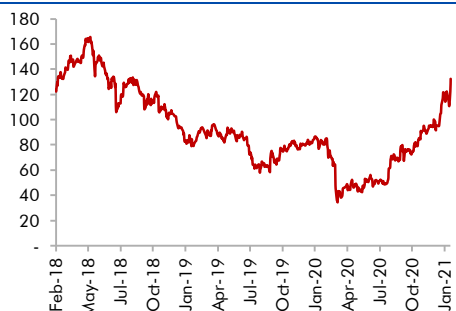
Key Financials

Y/E	NII	NIM	PAT	EPS	ABV	ROA	ROE	P/E	P/ABV
	(₹ cr)	(%)	(₹ cr)	(₹)	(₹)	(%)	(%)	(x)	(x)
March									
FY2021E	6,908	4.6	554	1.0	30	0.3	3.3	49	1.6
FY2022E	8,179	4.7	1,149	2.0	32	0.6	6.2	24	1.5

Source: Company, Angel Research

Stock Info

CMP	134
TP	150
Upside	11.6%
Sector	Auto
Market Cap (₹ cr)	39,468
Beta	1.2
52 Week High / Low	137/34

3 year-Chart


Source: Company, Angel Research

Ashok Leyland

- Ashok Leyland Ltd (ALL) is one of the leading players in India CV industry with a 32% market share in the MHCV segment. The company also has a strong presence in the fast growing LCV segment.
- Demand for MHCV was adversely impacted post peaking out due to multiple factors including changes in axel norms, increase in prices due to implementation of BS 6 norms followed by sharp drop in demand due the ongoing Covid-19 crisis.
- While demand for the LCV segment has been growing smartly post the pandemic, demand for the MHCV segment has also started to recover over the past few months. However demand for buses is expected to remain muted due to greater preference for personal transportation.

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
	(₹ cr)	(%)	(₹ cr)	(₹)	(x)	(%)	(%)	(x)
March								
FY2021E	13,952	4.9	-178	-0.6	-0.6	-221.0	5.6	2.3
FY2022E	20,958	9.2	758	2.6	2.5	51.9	5.2	1.5

Source: Company, Angel Research

Stock Info

CMP	113
TP	135
Upside	19.8%
Sector	Auto
Market Cap (₹ cr)	1,092
Beta	0.7
52 Week High / Low	120 / 49

3 year-Chart



Source: Company, Angel Research

Stock Info

CMP	2,203
TP	2,593
Upside	17.7%
Sector	Healthcare
Market Cap (₹ cr)	11,260
Beta	0.7
52 Week High / Low	2,321 / 993

3 year-Chart



Source: Company, Angel Research

NRB Bearings

- NRB is one of the leading supplier of bearings to Auto companies. The company supplies bearings to two wheelers, PV, CV, Three wheelers and tractors OEMs and has a wide customer base. The company has also been focusing on exports markets in order to diversify its revenue base.
- The company has posted a good set of numbers for Q2FY21 as revenues grew by 4.6% YoY while PAT was up by 56% YoY. This was led by strong revival in demand in the auto industry while exports also did well for the company.
- With the Auto industry back on growth track and exports also doing well for the company we expect the company to do well going forward. The management has highlighted that exports growth should be in excess of 20% for FY21 driven by demand from existing customers as well as new customers.

Key Financials:

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	697	12.2	33	3.4	6.8	33.2	2.3	1.8
FY2022E	898	15.5	72	7.4	13.2	15.3	2.1	1.4

Source: Company, Angel Research

Metropolis Healthcare

- Metropolis is a leading Pathology centre in India. Company has an asset light model with a strong balance sheet having cash and cash equivalents to the tune of ₹325cr as on 30st September, 2020.
- Currently, the diagnostic industry is dominated by standalone centers (~48%) followed by hospital based labs (~37%) and diagnostic chains (~15%)
- Covid revenue is making up for the losses in non-covid revenue. We expect non-covid business to be almost back to normal by the end of Q4FY21 onwards.
- We are positive on the long term prospects of the company given expected long term growth rates of ~15% CAGR, stable margins profile and moderating competitive intensity.

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(x)	(%)	(%)	(x)
FY2021E	991	27.0	173	34.3	26.4	64.2	17.0	11.0
FY2022E	1163	27.7	217	43.0	26.4	51.2	13.5	9.2

Source: Company, Angel Research

Stock Info

CMP	473
TP	550
Upside	16.3%
Sector	Hospital
Market Cap (₹ cr)	9,663
Beta	0.4
52 Week High / Low	488 / 210

3 year-Chart


Source: Company, Angel Research

Stock info

CMP	357
TP	422
Upside	18.1%
Sector	Cement
Market Cap (₹ cr)	4,203
Beta	0.8
52 Week High / Low	369 / 180

3 year-Chart


Source: Company, Angel Research

Narayana Hrudayalaya

- Narayana Hrudayalaya is engaged in providing economical healthcare services, specifically surgery related to cardiac. Company has 21 hospitals with Operational beds of 5920. Company major revenue comes from Bangalore and Kolkata region with 38% and 28% respectively.
- Better than expected recovery in revenue post Covid hit in Q1FY21. In September revenue was at 90% of pre Covid levels, Cayman island hospital at highest every sales due to Covid related benefit. We expect strong recovery in Q3FY21 and growth momentum to start in Q4FY21.
- Company has total capacity of 6,656 beds out of which only 5,920 beds are operational. The company is not looking for any major green field expansion. Northern region contribution to revenue increase further as hospitals moving to mature hospitals. We expect further margin expansion and benefit of operating leverage.

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	2643	5.6	-60	-	-5.7	-	8.1	3.8
FY2022E	3930	13.7	235	11.5	18.5	38.6	7.5	2.6

Source: Company, Angel Research

J.K. Lakshmi Cement

- JK Lakshmi promoted by Singhanian group is a predominantly north India cement company with capacity of 13.3 Mn Mt.
- Currently, north India is favorable location for the cement industry as it is consolidated to a large extent as well as demand and supply outlook is better compared to other locations. So far FY21 numbers of the company were better compared to its peers due to favorable regional presence.
- Power & fuel are important line items of cost for cement companies. Lower cost inventory of petcoke will help the company to report better margins for the upcoming quarter on YoY basis.
- It is also trading at a significant discount compared to other north based cement company such as JK Cement as well as historical valuation.

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(%)	(x)	(x)	(x)
FY2021E	4359	18.2	326	27.7	17.5	12.9	2.1	1.1
FY2022E	4429	17.2	356	30.3	16.4	11.8	1.8	0.9

Source: Company, Angel Research (Standalone nos.)

Stock Info

CMP	82
TP	95
Upside	16.4%
Sector	Financials
Market Cap (₹ cr)	16,287
Beta	1.4
52 Week High / Low	94 / 36

3 year-Chart


Source: Company, Angel Research

Federal Bank

- Federal bank is one of India's largest old generation private sector banks. At the end of FY2021 the bank had total assets of Rs. 1.9 lakh cr. with deposits of Rs. 1.56 lakh cr. and a loan book of Rs. 1.2 lakh cr.
- NPA's have remained steady for the bank over the past few years with GNPA for Q3FY21 at 3.38% while NNPA ratio stood at 1.14%. PCR at the end of Q3FY21 stood at ~67% which we believe is adequate. Restructuring book is expected to be at Rs. 1,500-1,600 crore out of which Rs. 1,067 crore has already been restructured. This is against earlier expectations of total restructuring of Rs. 3,000-3,500 crore.
- The company has posted a decent set of numbers for Q3FY21 as the loan book grew by 6.0% YoY led by strong growth in retail portfolio. NIM's for the quarter was up by 9bps QoQ to 3.22% while NII grew by a strong 24.4% YoY to Rs. 1,437 crore. Operating profit for the quarter was up by 29.5% YoY while net profits for the quarter was down by 8.3% YoY which was ahead of street estimates.

Key Financials

Y/E	NII (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	ROA (%)	ROE (%)	P/E (x)	P/ABV (x)
March									
FY2021E	5,911	3.1	1,428	7.2	65	1	9.4	11	1
FY2022E	7,064	3.4	1,940	9.7	83	1	11.5	8	1

Source: Company, Angel Research

Stock Info

CMP	2,179
TP	2,569
Upside	17.9%
Sector	Chemicals
Market Cap (₹ cr)	7,525
Beta	0.6
52 Week High / Low	2,310 / 975

3 year-Chart


Source: Company, Angel Research

Galaxy Surfact.

- Galaxy Surfactants is a market leader in oleochemical-based surfactants, which is used in personal and home care products including skin care, oral care, hair care, cosmetics, toiletries and detergent products.
- The company has been increasing its share of high margin specialty care products in its portfolio which now accounts for ~ 40% of its revenues while the balance is accounted for by the performance surfactant business.
- Company has very strong relationship with MNC clients like Unilever, P&G, Henkel, Colgate-Palmolive and supplies raw materials to them not only in India but also in US, EU and MENA region.

Key Financials

Y/E	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	ROE (%)	P/E (x)	P/BV (x)	EV/Sales (x)
March								
FY2021E	2,797	15.8	272	76.8	0.2	28.4	6.1	2.8
FY2022E	3,223	15.9	324	91.3	0.2	23.9	5.1	2.4

Source: Company, Angel Research

Stock Info

CMP	1,384
TP	1,573
Upside	13.7%
Sector	Auto
Market Cap (₹ cr)	18,658
Beta	1.3
52 Week High / Low	1,453 / 527

3 year-Chart



Source: Company, Angel Research

Escorts

- Escorts is a prominent tractor player domestically with market share in excess of 11%. The company's brand of tractors is particularly strong in the northern as well as the eastern belt of India.
- With rural India relatively less impacted due to Covid-19, record food-grain procurement by government agencies as well as better than expected Kharif crop in 2020, we expect the tractor industry will continue to outperform the larger automobile space in FY21 with Escorts a key beneficiary .
- Escorts in the recent past has also entered into a strategic partnership with Kubota Corporation of Japan (one of the global leaders in farm machinery and implements), which provides further visibility of growth for the company, going forward. The company has been reporting strong growth in monthly sales numbers so far in FY21 with sales growth of 12.5% YoY to 74,153 units in 9MFY21.

Key Financials

Y/E	Sales	OPM	PAT	EPS	ROE	P/E	P/BV	EV/Sales
March	(₹ cr)	(%)	(₹ cr)	(₹)	(x)	(%)	(%)	(x)
FY2021E	6,562	16.1	801	59.4	15.7	23.3	3.6	2.9
FY2022E	7,415	15.6	873	64.6	14.9	21.4	3.2	2.5

Source: Company, Angel Research

Changes in Recommendation

Stocks bought in last 6 months

Stock Name	Buy Call Date	Buy Price
Alembic Pharma	8/4/2020	1,023
J.K. Lakshmi Cement	8/24/2020	287
Cholamandalam Inv & Fin Comp	8/24/2020	232
VIP Industries	8/27/2020	303
Hawkins Cookers	8/27/2020	4,918
Inox Leisure	8/28/2020	304
Chalet Hotel	8/28/2020	165
Metropolis Healthcare	8/28/2020	1,832
Hindustan Aeronautics	9/3/2020	926
Atul	10/28/2020	6,072
Galaxy Surfactants	11/4/2020	1,664
Gujarat Gas	11/24/2020	329.70
Bandhan Bank	11/25/2020	365.5
Whirlpool India	12/16/2020	2,174
Narayana Hrudayalaya	12/17/2020	414.7
NRB Bearings	12/18/2020	95.7
Ashok Leyland	1/4/2021	100.4
Escorts	1/13/2021	1387.0
L&T Fin. Holdings	1/13/2021	105.0
MindTree	1/20/2021	1756.0
Federal Bank	1/21/2021	77.6
PNC Infratech	2/4/2021	230.6

Source: Company, Angel Research

Stocks sold in last 6 months

Stock Name	Sell Date	Exit Price
Escorts	8/3/2020	1,110
Ipca Lab	8/11/2020	2,037
Aarti Industries	8/13/2020	1,012
Galaxy Surfactants	8/13/2020	1,751
L&T Infotech	8/13/2020	2,504
HDFC Ltd.	8/14/2020	1,813
ICICI Bank	8/17/2020	359
Dr. Reddy Lab	8/20/2020	4,481
Jindal Steel	8/24/2020	224
Bharti Airtel	8/24/2020	520
PI Industries	8/31/2020	1,920
Alembic Pharma	9/2/2020	921
Britannia Industries	9/14/2020	3,786
Chalet Hotels	9/28/2020	142
Zensar Technologies	10/30/2020	179
Reliance Industries	11/2/2020	1,912
Hindustan Aeronautics	11/3/2020	681
V I P Inds.	11/17/2020	311
Endurance Tech.	11/19/2020	1,036
Inox Leisure	12/17/2020	285.2
Cholamandalam Inv & Fin Comp	12/24/2020	376.3
Bandhan Bank	1/13/2021	387
Swaraj Engines	1/13/2021	1415
Gujarat Gas	1/15/2021	371
Persistent Sys	1/15/2021	1620
L&T Fin. Holdings	1/20/2021	104.5
Atul	2/1/2021	6470
Hawkins Cookers	2/4/2021	5,710
Whirlpool India	2/4/2021	2,465

Source: Company, Angel Research

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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

**Ratings (Based on Expected Returns:
Over 12 months investment period)**

Buy (> 15%)

Accumulate (5% to 15%)

Neutral (-5 to 5%)

Reduce (-5% to -15%)

Sell (< -15%)

Hold (Fresh purchase not recommended)