



# Muhurat Picks 2021



**HAPPY DIWALI & A  
PROSPEROUS SAMVAT 2078**



happy  
diwali



The Festival of Lights  
"Deepavali"  
will mark the Beginning of  
the Trading New Year  
– SAMVAT 2078  
We hope that it turns out to be a  
Very Prosperous Year  
for All of Us  
&  
Keeps the  
Market Momentum Going...

happy  
diwali



**The auspicious  
Muhurat trading session  
will be conducted on  
4th of November 2021  
from 6.15PM to 7.15PM.**



# MD's Desk...



Dear Friends

Wish you all a very Happy Diwali & Prosperous New Year!!

In the AC (After Corona ) era, there are precious few nations that qualify as rising stars by the standards of BC (Before Corona) era. Currently ,Indian economy is the only largest economy in the world after China ,that is growing faster than advanced and developing economies at 9.5% in FY22 as per the latest IMF report released in October. The global economy is expected to grow 4.9% during the same period.

India's recovery gained momentum in September enthused by ebbing of second wave and faster vaccination drive which surpassed one billion mark in October and is expected to reach 40% of population by December 2021. The good news is that doctors have learnt a lot about how to deal with the disease and death rates have fallen drastically.

The domestic equity market remained buoyant on reassuring indications of both global and domestic economic recovery. The Nifty50 index has risen over 41% from last Diwali and its counter part Sensex mirrored the same so far. These historic highs have engendered a bullish run in equity markets as record additions of new Demat accounts broaden the base of equity investment in the country.

Drawing support from bullish equity markets, the Indian rupee marginally depreciated by 1.7% to end the October month at 74.23 INR/USD. Gross fiscal deficit for April to August FY22 is 31% of budgeted estimates and one of the lowest in last 22 years. The country's Foreign Exchange reserves comfortably stood at \$638 billion as on September FY22.

The gap between retail and wholesale inflation trajectory widened further in September for the third month in a row, thanks to a significant drop in food prices which has higher share in the retail basket. The estimated record kharif production this season due to satisfactory monsoon would contain food price inflation going ahead. WPI inflation is likely to soften over the coming months as the latest reading signals a potential peaking out but going forward crude oil and commodity prices and continued supply-side bottlenecks may impart significant upside risks.

The shift in global market for zero carbon emission has bought sudden disruption in Automobile sector with the launch of electric vehicle and gradual shift from petrol and diesel vehicles. This throws big challenge for developing nation like India . Even in electricity generation India is highly dependent on coal and third largest energy consuming country after China. India had set to achieve 450 GW renewable energy installed capacity by 2030 and Zero carbon emission by 2070.

Cash is now gradually becoming thing of the past the way rapid digitization and fintech companies are changing the transaction scenario from off line to online. Days are not far when majority of home makers shall buy vegetable by swiping a card and farmers shall pay hired labour in digital mode. India's fintech companies like Paytm, Phone Pe, Razor pe etc.. are revolutionizing by bringing down transaction cost with higher speed.

**On political front protests are taking place across nation on farm bills and Right to privacy (with recent Pegasus spyware) used on political leaders , media personalities, election strategist would be a few dampener. But there are plenty of other good news that indicates that worst is behind.**

**Thus, let's start with the exciting eventful year ahead along with the celebration of auspicious festival of light.**

Best Regards,

Dinesh Jain

(Managing Director)

## *The Year in Retrospect...*

**Samvat 2077” saw** the Benchmark indices recovering most of the February-March 2020 losses by early July and the Sensex claimed its new all-time high of 62245.43 on October 18, 2021. The Nifty 50 index was up nearly by 130% from the lows of March 2020, making it one of the clear outliers in Emerging Market basket. This was on back of 100 measures taken by the RBI and the Government that responded to the crisis proactively and decisively.

Recovery in aggregate demand gathered pace in August-September with high frequency indicators for Q2FY22 suggesting that economic recovery has gained momentum, supported by robust pace of vaccination, which crossed 1 billion mark recently, expected record kharif food grain production, government focus on capital expenditure, benign monetary and financial conditions and buoyant external demand. This trend is expected to continue in H2FY22 thanks to realization of festive-led demand and high government spending.

**Contact intensive sector like tourism, hotels and restaurants, however, may take longer to revert to pre-pandemic levels till 70% of population are vaccinated and international travel resumes.** Having impressed the world by taming the virus India is expected to grow 9.5% in FY22 and 8.5% in FY23 as per the latest IMF projections.

Although the pandemic protocols drifted us apart, technology like ADHAAR, the instant payment system UPI, Aarogya Setu and the CoWin apps tied Indians with incredible success towards faster digital payments and registration for vaccination during the last 20 months.

India is one of the largest vaccine producers and is expected to contribute to global progress by supplying vaccines. COVAX which provides vaccines to low and middle-income countries relies on production from India (Covishield-Serum Institute of India).

**In the Samvat gone by the two major reforms were undertaken by the Union Cabinet which seeks to infuse liquidity, encourage investment and competition and reduce regulatory burden a) Moratorium of up to four years for outstanding dues to the telecom service providers and b) to set up a National Asset Reconstruction Company Ltd. with approved Government guarantee of Rs.30,600 crs in which PSUs will own 51% of ownership.**

**Precious metals like Gold and Silver which are popular investment option and hedge against inflation** proved to be the worst performing global asset class when compared to other investment avenues, like Nifty 50, Nifty 500, S&P 500 etc.. due to low interest rate scenario in most of the developed and developing economies. FII inflows in equity till date stood at Rs.507 bn in CY21.

Comparing the market performance segment wise, retail segment has outperformed FPIs and DIIs with net investment of Rs.860 bn registering a whopping growth of 68% yoy showing inclination towards high-risk reward asset class like equities over conventional investments like gold, real estate, government bonds.

On Global front, the Chinese economy has been hit by a triple shock stemming from power cuts, pandemic and a property slowdown exacerbated by financial woes of its leading property developer Evergrande that led to economic growth slowdown to 4.9% in third quarter of CY21, rates that were unheard of before the pandemic.

**The Federal Reserve Bank** had announced that it will soon begin to slow the pace of asset purchases and indicated that it would come to an end by around middle of next year.

In spite of uncertainty that clouds the underlying global recovery, trends in FDI continue to endorse the country as a preferred investment destination.

## *The Year Ahead...*

- **Going into “Samvat 2078”**, Indian economy continues to recover gradually , aided by improved vaccine drive , receding infections and further opening up of contact-intensive segments of the economy.
- With Joe Biden’s administration confirming that it would keep Donald Trumps tariffs on China , India becomes the hot destination for investment with business friendly government and sound macro economy indicators.
- So far this year 42 companies have hit the primary market raising a record Rs.69676 crs and as many as 35 companies are planning to raise a record Rs.80000 crs in Q3FY22, with five companies including Paytm, policybazaar, to raise over Rs.27000 crs in November.
- The Nifty 50 now trades at ~23x 12-month forward earnings , up 53% premium to the long period average of 15.1x over the last 14 year period thereby making it one of the best performing among EM markets.
- The NPAs of PSBs peaked in 2018, as a result of Government’s strategy to recognition, resolution, recapitalization and Reforms. As on March 2021 the GNPA and NNPA stood lowest in last five years at 7.5% and 2.4% respectively. Government had timely recapitalized the PSUs with more than Rs.3.4 lac crs since 2015 to ensure they meet Tier I capital requirement under Basel III norms and also cater to the future credit growth.
- Its not all gloom doom, though. GST collection in October (for sales in September) rose 23.7% to Rs.1.3 lac crs , registering the second highest collection since introduced in 2017. This indicates certain sectors of economy doing well.
- E-commerce sector has done much better this festive season than previous year.
- The risks emanating from the COVID-19 pandemic seems to be diminishing with a decline in active cases and increasing recovery rate. The continued pick up in COVID-19 vaccination pace is also expected to act as a supporting factor for the markets. India imports more than 80% of its oil requirements and thus a boiling crude is a major cause of concern. On the global front, developments in China will be closely tracked.
- **Economy driven sectors like Automobiles, Infrastructure. Cement, Steel and the new age technology stocks like the ones having exposure to Digital and Cloud should be on radar. On the other hand, Hospitality sector can be the biggest play on the unlock theme.**
- On the whole we expect the Indian markets to maintain it’s move with a fair share of volatility. The crux however lies in sticking to quality, where strong balance sheets, ethical managements and growth prospects should be the deciding factor.

## ***Stock Picks***

- 1. Bajaj Finserv Ltd.**
- 2. Bank of Baroda Ltd.**
- 3. Bharti Airtel Ltd.**
- 4. Grasim Ltd.**
- 5. Sona BLW Precision Forgings Ltd.**
- 6. Sun TV Network Ltd.**
- 7. Vardhman Textiles Ltd.**



# 1. Bajaj Finserv Ltd.

## Company Background

Set up in 2007, Bajaj Finserv Ltd. (BFS) is a diversified company across lending (consumer, rural, SME, commercial & mortgage space) General Insurance, Health Insurance, Life Insurance, Investment/Wealth management and income protection and having a pan-India presence. BFS is the holding company of various financial services businesses under the Bajaj group. BFS holds 52.82% stake in Bajaj Finance (BFL), a listed company and 74% stake each in Bajaj Allianz General Insurance Company (BAGIC) and Bajaj Allianz Life Insurance Company (BALIC). The insurance businesses are unlisted.

## Investment Rationale

- Bajaj finserv businesses have a strong emphasis on the retail segment with a pan-India brand presence. Retail consumer is served through D2C (Direct to Customer) at Point of Sale, online, dealers for consumer lending, banc assurance and insurance agents.
- Bajaj finserv remains a debt free company. Bajaj Finserv's surplus funds (excluding group investments) stood at Rs.1500 crores as on September 2021. Consolidated Book Value per share for the same period stood at Rs.2381.
- In Q2FY22 consolidated net sales registered a growth of Rs 19.66% YoY to Rs.18008.22 crores and PAT grew by 13.77% YoY to Rs.1122.13 crores due to moderation in overall lending business and contingent provisioning of Rs.1370 crores .
- BFL holds 100% shareholding in Bajaj Housing Finance Ltd & Bajaj financial securities Ltd and is a NBFC with strategy and structure of a Bank.
- BFL is Present in 1049 urban locations and 1359 rural locations in India with over 1, 14,400 point of sale and large customer franchise of 52.80 Million and cross sell client base of 29.37 Mn (76% of the new loans in Q2 FY22 were to existing clients).

- Asset under Management (AUM) of BFL stood at Rs.166936.60 crores as of September 2021 registering a growth of 22% YoY. In September quarter, the company booked 6.33mn new loans as against 3.62 mn in Q2FY21.
- The company incorporated an AMC after getting due approval from SEBI. BFS can bring to the table its vast investment experience and ready customer base for this AMC.
- BFL Gross and Net NPA as of 30 September 2021 stood at 2.45% and 1.10%, respectively. Capital adequacy ratio stood at 27.68% as of September 2021. ROA (not annualized) improved to 0.9% in Q2FY21 from 0.7% in previous year. During the period the PCR stood at 55% of GNPA. The total provision stood at Rs.1300 crores.
- BALIC posted a PAT of Rs. 104.00 crores, an increase of 6% YoY on account of lower new business strain, higher realized gains which were offset by higher death claims on account of Covid-19. Gross Written Premium increased by 70.56% YoY to Rs.3813.10 crores in Q2FY22. Solvency ratio stood at a healthy 626% as on September 30, 2021.
- BAGIC posted a PAT of Rs 425.20 crs, an increase of 28% YoY, and the Gross Written Premium (GWP) increased by 21% YoY at Rs 5034.50 crs, in Q2Y22. Solvency ratio during the quarter under review stood at 350% as against regulatory requirement of 150%.

Particulars (Rs. Crs)	Q2FY22	Q2FY21	Var%	H1FY22	H1FY21	Var%	FY21	FY20
Revenue	18,008.22	15,049.58	19.66	31957.67	29239.57	9.30	60591.20	54832.60
Other Income	0.00	2.01	0.00	0.00	4.03	na	0.37	4.78
Operating Profit	5312.47	4610.90	15.22	9402.36	9699.84	-3.07	19634.60	18257.40
PAT	1,122.13	986.29	13.77	1954.90	2201.44	-11.20	4470.46	3369.13
EPS (Rs.)	70.51	61.98	13.77	122.84	138.33	-11.20	280.91	211.71
PBIDTM%	29.50	30.64	-3.71	29.42	33.17	-11.31	32.41	33.30
PATM%	6.23	6.55	-4.94	6.12	7.53	-18.73	7.38	6.14

Consolidated Numbers



## 2. Bank of Baroda.

### Company Background

Bank of Baroda is one of India's largest banks with a strong domestic presence spanning 8,192 branches and 11,637 ATMs and Cash Recyclers supported by self-service channels. The Bank has a significant international presence with a network of 96 overseas offices spanning 19 countries.

### Investment Rationale

- Bank of Baroda is enhancing & restructuring its business offerings in the marketplace across revenue lines with a special focus on corporate, MSME, international and wealth verticals.
- The bank has launched initiatives such as corporate fee booster campaign, sales war room and revamping the trade finance and supply chain finance platforms. The Bank is reshaping its wealth management strategy as well to retain, activate and deepen relationships with existing customers.
- The bank has a global loan book of ~Rs.7.1 lakh crores and has a comparatively better operating metrics among PSBs. Credit growth is likely to pick up as economic recovery takes place.
- To attain perpetuity, BoB is doubling the number of Business Correspondents (BCs) to ~50,000 for the financial inclusion and to reach out to people who don't have digital access.
- Net Interest Income (NII) increased to Rs.7,892 crore in Q1FY22 compared with Rs.6,816 crore in Q1FY21, an increase of 15.8% YoY. Global Net Interest Margins (NIMs) increased to ~3.04% in Q1FY22 compared with ~2.52% in Q1FY21 led by domestic margins which have now increased to ~3.12% in Q1FY22 from ~2.59% in Q1FY21.
- Operating Profit for Q1FY22 increased to Rs.5,707 crore thus registering an increase of ~41.2% YoY. Cost to income ratio fell by ~574 bps YoY to 47.45% in Q1FY22. Credit cost in Q1FY22 fell to ~1.36% as against ~1.78% in Q1FY21, a decline of 42 bps YoY.
- Gross NPA ratio declined to ~8.86% as on June 30, 2021 against ~9.39% as on June 30, 2020. Recovery and upgrades increased to Rs.4,435 crore in Q1FY22 as against Rs.818 crore in Q1FY22. Bank's Net NPA ratio increased to 3.03% as on June 30, 2021 as against 2.83% as on June 30, 2020.
- In Q1FY22 bank reported a PAT of ~1169 crores on back of robust 54% growth in other income to ~3330 crores. Resultantly, there has been a significant rise in Return on Asset (RoA) at 0.42% and Return on Equity (RoE) of 8.63%.
- Transfer of NPAs to bad bank would lower broad NPA numbers and aid recovery. Further recovery from resolution accounts like DHFL & Air India should boost earnings going forward. Margins are expected to remain stable despite reduced lending rates due to lower funding costs & lesser reversals due to moderation in stress formation.
- The bank is adequately Capitalised at 15.4%. Synergies from the merger with Dena Bank & Vijaya Bank would help the bank in reporting improved numbers going forward.

Particulars (Rs. Crs)	Q1FY22	Q1FY21	Var%	H2FY21	H2FY20	Var%	FY21	FY20
Interest Earned	18,025.78	19,523.65	-7.67	36,323.01	39,094.71	-7.09	74,313.98	78,894.70
Other Income	3,329.75	2,161.06	54.08	9,509.60	6,629.80	43.44	14,687.20	12,191.33
PAT	1186.54	-678.71	L to P	455.17	-759.62	L to P	1547.67	927.75
EPS	2.29	-1.47	L to P	0.60	-1.59	L to P	2.99	2.01
PBIDTM %	33.87	23.85	42.03	68.92	53.52	28.78	8.58	-1.56
PATM%	6.49	-3.33	294.74	0.85	-1.89	145.21	1.96	1.19

Consolidated Numbers



### 3. Bharti Airtel Ltd.

#### Company Background

Bharti Airtel Limited (BAL) is one of the largest homegrown consumer brands to have emerged out of India. Over the last ~25 years, it has grown to become a global communications solutions provider with over ~474 million customers in ~18 countries (including JVs in Ghana and Bangladesh) across South Asia and Africa. The company ranks amongst the top three mobile operators globally and its networks cover over two-billion people. BAL is India's largest integrated communications solutions provider and the second largest mobile operator in Africa. Its retail portfolio encompasses high speed 4G/4.5G mobile broadband, Airtel Xstream Fiber that promises speeds up to ~1 Gbps with convergence across linear and on-demand entertainment, streaming services spanning music and video, digital payments and financial services.

#### Investment Rationale

- BAL has successfully raised Rs.5246.85 crores in a first tranche of its Rs.21000 crore rights issue programme and has also approved the allotment of ~39.23 crores rights equity shares @535/- in the ratio of 1:14. Rights issue proceeds will underpin BAL to strengthen its balance sheet, build a war chest to clear its statutory dues, expand ~4G networks and prepare for an upcoming auction of ~5G airwaves. SingTel holding in the entity is stacked at ~31.72%, while debt of the firm as on 30th September'21 stand reduced to ~1.45 Lac crores from ~1.6 Lac crores in preceding quarter.
- BAL poses in its kitty healthy subscriber base and revenue market share, with a pan-India network. As per Telecom Regulatory Authority of India (TRAI), the company had a wireless subscriber base of ~35.41 crores as of August 2021 (market share of ~29.85%).
- The company also continues to steadily increase its ~4G customer base which are high Average Revenue Per User (ARPU) accretive. As on September 30, 2021, BAL's 4G subscribers stood at 19.25 crore. It had the highest ARPU for India mobile services in the industry at Rs.153/- during the quarter through September 2021.
- During the quarter, holistic consolidated topline grew ~13% to Rs.28326 crores on back of which operating profit flourished to Rs.13919 crores a growth of over ~24%, which in turn propelled operating margins to ~49.14% and thereby witnessed an expansion of ~456basis points YoY.
- The consistent improvement in BAL's Africa operations is demonstrated by increase in the revenue on account of rising ARPUs and increasing subscriber base. EBITDA margins of Africa business improved by ~340 bps to ~48.5% during the quarter ended September 30, 2021.
- In FY22 hitherto, Airtel Africa Plc has sold its stake worth ~\$500 million in Airtel Money. Furthermore, it also sold its tower portfolio belonging to Airtel Tanzania and entered into agreements for sale of its tower assets in Madagascar, Malawi & Chad
- Homes business segment witnessed a revenue growth of ~21.35% YoY with highest ever customer additions of ~467,000 during the quarter to reach to a total base of ~3.82 million. Airtel Business continues to accelerate its momentum with 11.5% YoY growth, driven by demand for connectivity and solutions across global business and domestic businesses.
- With BAL's emergence as a premier digital communications company with its suite of services including mobile wireless, home broadband, DTH, enterprise connectivity, data centres, security, clouds and cloud communication, video conferencing, AdTech and many more – **the Company is well-positioned to capture a much bigger pie in the market opportunity across different segments.** The ability to offer digital services, one-home solutions through quad play (mobile, landline, broadband, DTH) and bundled offerings to enterprises, puts it in a **sweet spot to participate in and accelerate the digital wave in the country.**

Particulars (Rs. Crs)	Q2FY21	Q2FY20	Var%	H1FY22	HFY21	Var%	FY21	FY20
Revenue	28,326.40	25,060.40	13.03	55,180.00	49,723.70	10.97	1,02,517.40	87,938.00
Other Income	108.80	103.10	5.53	318.60	629.40	-49.38	642.80	1,535.70
Operating Profit	13,919.30	11,172.80	24.58	27,109.40	22,679.30	19.53	47,151.20	37,757.90
PAT	1,134.00	-763.20	L to P	1,417.50	-16,696.30	L to P	-15,083.50	-32,183.20
EPS (Rs.)	2.06	-1.40	L to P	3.36	-28.14	L to P	-27.46	-58.99
PBIDTM%	49.14	44.58	10.22	49.13	45.61	7.71	45.99	42.94
PATM%	4.94	-1.47	L to P	3.35	-30.87	L to P	-21.95	-35.61

## 4. Grasim Industries Ltd.

### Company Background

Grasim Industries Ltd. (GIL) is majorly into production of chemicals and cement. It operates through the following segments: Viscose, Chemicals, Cement, Financial Services, and Others. The Viscose Staple Fibre segment offers man made bio-degradable fiber which is used in apparel, home textile dress material etc. The Chemicals segment produces caustic soda, allied chemicals and epoxy. Through its subsidiaries, the Cement segment provides grey cement, white cement, and allied products. The Financial Services segment is responsible for the non-bank financial services, life insurance services, housing finance, private equity, equity and commodity broking, wealth management, general insurance advisory, and health insurance. The others segment relates to textiles, insulators, agri-business and solar power.

### Investment Rationale

- GIL is the flagship company of Aditya Birla Group and a leading global player in VSF (Viscose Staple Fiber), an alternative to cotton. The Company plans to expand its VSF capacity from current 5.78 lac tonne to 8.10 lac tonne by FY22. The demand for VSF comes from widening gap between cotton (up by 40% yoy, at 2.08\$/kg) vis a vis VSF prices (up by 59% yoy, at 1.65\$/kg) due to rising textile consumption globally. VSF is projected to grow at ~7% CAGR over 2020-2022. The VSF business saw an increase in share of exports in overall sales mix to 31% in Q1FY22 from 11% in Q4FY21 to mitigate the drop in domestic demand due to intermittent lockdowns.
- Through its subsidiaries, UltraTech Cement (stake-57.28%) and Aditya Birla Capital (stake-54.20%) it is also India's largest cement producer and a leading diversified financial services player. GIL also holds 10.41% stake in Aditya Birla Fashion and Retail, 11.55% in Vodafone Idea and 3.92% stake in Hindalco.
- GIL plans to divest its non-core fertilizer business to Indorama India Pvt Ltd for an enterprise value of Rs. 1600 crs, from its earlier guidance of Rs.2609 crs, as a part of its strategic portfolio churning and unlocking value to its shareholders. The reduction of Rs.1000 crs is due to the realization of fertilizer subsidy from the government which

was due earlier. The process to be completed shortly..

- The company had recently announced its foray into decorative paint business for which the board has approved a capex of Rs 5000 crs and the amount would be invested over the next three years. The decorative paint business has witnessed double-digit growth rate for the last many years. The company as a part of its strategic investment has identified this business as a new engine of growth.
- VSF expansion at Vilayat has progressed as per schedule, and the first line of 300TPD is expected to be commissioned in 2QFY22. Another line of 300TPD will be commissioned in 3QFY22.
- The management has guided capex of Rs.2500 crs in FY22 (Excluding Paints and Fertilizer business.) of which Rs.376 crs had been spent in Q1FY22. The capex is planned to increase VAP (Value added products) mix to 40% by 2025 in both VSF and Chemical businesses and lower cost of production across its all businesses.
- Epoxy expansion of 125kt is expected to be commissioned in FY24. The demand in this business is majorly driven by wind and auto segment.
- The company reported consolidated net revenue of Rs.76, 560.60 crs, EBITDA of Rs.18, 765.92 and PAT of Rs.4,365.87 crs respectively in FY21.

Particulars (Rs. Crs)	Q1FY22	Q1FY21	Var%	H2FY21	H2FY20	Var%	FY21	FY20
Revenue	19,919.40	13,043.51	52.72	45385.3	39106.6	16.06	76,560.60	75,491.08
Other Income	269.89	377.38	-28.48	460.99	515.95	-10.59	1051.96	968.81
Operating Profit	5593.03	3609.46	54.95	11438.92	8470.78	35.04	19817.88	18339.08
PAT	1667.30	234.19	611.94	3099.45	2186.14	41.78	4,365.87	4,411.74
EPS (Rs.)	25.34	3.56	611.80	69.54	49.85	39.50	66.35	67.07
PBIDTM%	28.08	27.67	1.48	25.20	21.66	16.36	25.89	24.29
PATM%	8.37	1.80	366.18	6.83	5.59	22.16	5.70	5.84

Consolidated Numbers

## 5. Sona BLW Precision Forgings Ltd.

### Company Background

Sona BLW Precision Forgings Limited (SBPFL), (Sona Comstar) is one of India's leading automotive technology companies. Sona Comstar is primarily engaged in designing, manufacturing, and supplying highly engineered, mission-critical automotive systems and components to automotive Original Equipment Manufacturers (OEMs). Sona Comstar is a **leading supplier to the fast-growing global Electric Vehicle (EV) market**.

The company has strong R&D, engineering, and technological capabilities in precision forging, mechanical and electrical systems, base, and application software development. It is diversified across geographies, products, vehicle segments, and customers. Headquartered in Gurugram, India, it has emerged as a **global supplier with nine manufacturing and assembly facilities across India, the USA, Mexico, and China**.

### Investment Rationale

- SBPFL has been supplying components for electric vehicles to automakers in North America, Europe and China. Underpinned with ~58.5% of its new order book of ~\$1.9 billion over the next ~10 years coming in from the Battery Electrical Vehicles (BEV) or PHEV (plug-in hybrid) segment, the company's revenue dependence on components for Internal Combustion Engine (ICE) dependent vehicles has reduced considerably from ~25.1% in FY21 to 19.2% in H1FY22.
- At the end of Q2FY22 company had an aggregate order book ~13,600 crores which is diversified across electric (including BEV and plug-in hybrids) and non-electric segments contributing around ~58.5% and 41.5% respectively.
- SBPF has ~9 manufacturing and assembly facilities of which ~6 are located in India and one each in China, Mexico and the US. Also it has eight warehouses across India, USA, Germany and Belgium. Its newest Chakan plant, which will manufacture both gears and differential assemblies, will be operational by the end of this year.
- With product offerings spanning across all types of conventional and electrified powertrains, the Company is one of the few automotive technology manufacturers, which is well-positioned to gain from conventional platforms as well as the evolving high growth industry trend of electrification.
- Over the years, SBPFL has widened its offerings to bring focus on the electrification trend which is sweeping the automotive landscape. The Company has fortified its R&D capabilities and has built an experienced and able team with expertise in its areas of focus. It serves large global OEM and Tier-1 customers and boasts of a rich track record of delivering high-quality automotive systems and components for EV as well as conventional powertrains.
- In Q2FY22 net sales of the company jumped ~52% to Rs.586 crores while operating profit swelled 23.5% to Rs.155 crores. However, operating margins contracted sharply to ~26.5% as input cost spiked & other expenses soared. Albeit, profitability and return ratios remain strong, despite the impact of sharply rising input prices. Profit After tax (PAT) came in at Rs.88 crores viz.-a-viz. 72 crores corresponding quarter last year. EPS for the quarter stood at Rs. 1.51
- Growth in EV segment and global market share would be the cornerstones of the company's growth strategy. Recovery in the global automotive market after ~3 years of contraction should act as a tailwind. Electrification is set to gain further traction and projections by renowned industry publications indicate acceleration in the customer preference for electrification due to multiple factors such as improved infrastructure, reduced total cost of ownership and fiscal incentives among others over the coming years. We feel, SBPF is well positioned to gain from this megatrend.

Particulars (Rs. Crs)	Q2FY22	Q2FY21	Var%	H1FY22	H1FY20	Var%	FY21	FY20
Revenue	585.69	384.30	52.40	1,086.44	537.67	102.07	1,566.30	1,037.98
Other Income	0.55	0.50	11.52	0.72	2.08	-65.48	2.34	5.78
Operating Profit	154.96	125.51	23.46	293.87	156.29	88.02	443.36	248.06
PAT	88.23	72.16	22.28	170.46	72.11	136.39	215.17	360.34
EPS (Rs.) Adjusted	1.51	1.24	22.28	2.92	1.24	136.39	3.76	6.37
PBIDTM%	26.46	32.66	-18.99	27.05	29.07	-6.95	28.31	23.90
PATM%	15.06	18.78	-19.77	15.69	13.41	16.99	13.74	34.72

Consolidated Numbers



## 6. Sun TV Network Ltd.

### Company Background

Sun TV Network Limited (STNL), one of the largest Television Broadcasters in India, operates Satellite Tele vision Channels across five languages of Tamil, Telugu, Kannada, Malayalam and Bangla, airs FM radio stations across India and owns the SunRisers Hyderabad Cricket Franchise of the Indian Premier League and the Digital Over-The-Top (OTT) Platform Sun NXT. It is the second largest television network in India, with ~33 channels and ~43 FM radios in several Indian languages. STNL is world's ~#1 Tamil channel that features movies, news, serials and shows -- 24 hours a day. In the print media segment the company has six publications under this segment namely Dinakaran, Tamizh Murasu, Kungumum, Mutharam, Vannathirai and Kunguma Chimizh.

### Investment Rationale

- STNL delivers a steady flow of highly popular programs and a dominant share of audience viewership which has given the network tremendous pricing power viz-a-viz competitors. Its sheer presence across genres like general entertainment, movies, music, news, kids, action, life and a **dominant market share** in the five southern states of India (Tamil Nadu, Kerala, Karnataka, Andhra Pradesh and Telangana) ensures continued **sustained viewership** and prominent role in the Media and Entertainment (M&E) industry.
- It is expected that the stream of revenue for the company arising from the increased Direct-To-Home (DTH) / OTT subscriber base in South India would maintain a positive momentum in a perpetual manner. This would be achieved through digitalization and addressability for cable television which would help STNL, being the largest regional television network, to be one of the major beneficiaries of the ongoing growth in the DTH / OTT space.
- In ~Q1FY22 its OTT platform i.e. Sun NXT attained ~23.5 million paid subscribers mostly driven by its collaboration with telecom distribution partnerships. Over a medium to long term, the company is endeavoring to add another ~11 million paid subscriber base. Going ahead, Sun NXT is going to be an integral of overall content strategy because it has a profoundly promising & enduring future.
- On the movies arena, STNL has envisaged ~600 crores budget for five movies which are currently under various stages of production. It is intending to release five movies across ~Q3 & ~Q4 of ~FY22, provided the pandemic tail does not impact theatrical releases.

- The company has changed the method of movie useful life estimation of satellite rights of movies (both acquired and produced). It will now be amortized over four years (~30% in each of first two and ~20% each in two years, thereafter). It indicated that the change in method is in line with global standards. The same impacted the amortization by ~70 crores in Q1FY22; consequently, acquired movie amortization guidance for FY22 is pegged ~150 crores.
- Overall revenues for the quarter zoomed ~34% to ~819 crores. Operating profit grew marginally to ~546 crores. PAT witnessed a phenomenal growth of ~42% to ~365 crores which in turn elicited an EPS of Rs. 9.30. Advertising revenues for the quarter saw an astounding growth of ~94% to ~244 crores Y-o-Y.
- STNL senior management has said that the company will not see a major impact from the implementation of the Telecom Regulatory Authority of India's (TRAI) New Tariff Order (NTO) 2.0.
- STNL has consistently obtained the maximum number of impressions in regional general entertainment space and across genres, pan India. This has aided the company in expanding its revenues consistently over the last few years. By virtue of the consistently high Target Rating Points (TRPs), popularity of content and its established presence, the company has significant bargaining power over its content providers. This, in turn, has aided its control over telecasted content

Particulars (Rs. Crs)	Q1FY22	Q1FY21	Var%	H2FY21	H2FY20	Var%	FY21	FY20
Net Sales	818.87	611.51	33.91	1,796.69	1,605.94	11.88	3,176.89	3,519.85
Other Income	58.88	111.59	-47.24	142.22	127.04	11.95	306.84	260.65
Operating Profit	546.06	520.70	4.87	1,301.19	1,228.05	5.96	2,378.22	2,536.57
PAT	365.23	257.41	41.89	933.00	629.74	48.16	1,525.03	1,385.16
EPS (Rs.)	9.27	6.53	41.89	23.29	16.07	44.96	38.70	35.15
PBIDTM%	66.68	85.15	-21.69	72.42	76.47	-5.29	74.86	72.06
PATM%	46.25	44.42	4.12	51.09	39.43	29.57	48.21	39.48

Consolidated Numbers

## 7. Vardhman Textiles Ltd.

### Company Background

Vardhman Textiles Ltd. (VTL) is one of the leading textile manufacturers of India having its presence across a wide spectrum from manufacturing yarns to fabric. The Company is engaged in manufacturing of cotton yarn synthetic yarn and woven fabric. It expanded its product offerings and entered into strategic alliance with leading global textile players to gain access to state-of-the-art technologies. Yarn constitutes the largest business for VTL with over ~12 lakhs spindles and has a capacity to manufacture over ~588 MT of yarn per day. The company's fabric division has a weaving capacity above ~180 million meters per annum and processing capacity of over ~140 million meters per annum across a wide specialty fabrics' range. VTL has expansive manufacturing setup spanning ~22 units across ~6 states in India. It is one of the very few vertically integrated fabric manufacturers in India producing fabrics for both tops and bottoms in the apparel segment serving large retailers across USA Europe Asia and other emerging nations.

### Investment Rationale

- VTL is one of the few vertically integrated fabric suppliers in India offering a range of high-quality specialty fabrics. It constantly upgrades its design and products that are cost competitive and are of superior quality. This has made it one of the most preferred brand for major retailers in India as well as across major export markets including US, Europe, Asia and Middle East.
- At the current reckoning, existing Capacity of ~12 lakh equivalent spindles is running at capacity utilization of ~95%. Oflate VTL proposed/envisaged capacity addition of ~1.65 lakhs equivalent spindles in 2-3 years. The investment outlay for said expansion is pegged at Rs.1400 crores (approx.). VTL is among the few textile companies to maintain the debt-equity ratio below one despite continuous capacity addition. The funding for the aforesaid expansion plan will be completely met through a mix of internal accruals and debt.
- VTL pared down its debt from ~2133 crores in ~FY21 to about ~1713 crores in ~H1FY22. VTL in the last decade has invested more than ~ 5000 crores behind augmenting and modernizing its capacities. The company's track record of timely execution has been un-parallel in Indian textile industry which is clearly evident from VTL's strong balance sheet.
- In September'21 quarter, VTL achieved a whopping topline growth of 47% to Rs.

2385 crores; operating profit jumped to Rs.744 crores, operating margins bolstered to 31.2% which led to an invariable expansions of ~1895 basis points. EPS for the quarter burgeoned to Rs.85/- as compared to Rs.10.65 corresponding quarter last year.

- VTL has one of the largest spinning capacities in India and is among the largest domestic yarn producers, with a significant presence in the export market. In wake of US-China trade war, particularly the restrictions imposed by US on import of cotton products made of Xinjiang region, has beelined a compelling opportunity for VTL in the form of China plus one Policy wherein the demand of yarn is going through the roof and VTL is capitalizing well on this.
- On the fabric side, woven fabric demand will firm up leading the company to achieve cent percent capacity utilization. Further, with sustained operational efficiency & increasing capacities; commitment towards customer gratification, the company has been able to serve some of the leading global brands which will go a long way in enhancement of stakeholder value. Going forward, the company is well poised to gain from the opportunities in global market as well as in domestic market with normalization of economic activities with increased sense of security associated with rapid pace of vaccination and other efforts made by government.

Particulars (Rs. Crs)	Q2FY22	Q2FY21	Var%	H1FY22	H1FY21	Var%	FY21	FY20
Net Sales	2,385.08	1,625.23	46.75	4,312.05	2,442.70	76.53	6,139.87	6,735.00
Other Income	67.46	54.25	24.35	112.45	97.41	15.44	201.56	174.47
Operating Profit	743.93	198.90	274.02	1,267.72	240.34	427.47	1,015.40	1,111.82
PAT	481.49	60.22	699.55	796.19	-4.07	L to P	409.91	577.52
EPS (Rs.)	84.98	10.65	697.58	137.73	-0.45	L to P	72.47	102.18
PBIDTM%	31.19	12.24	154.86	29.40	9.84	198.80	16.54	16.51
PATM%	19.82	3.50	466.29	18.10	-0.10	17,435.69	6.54	8.59

## Financial Highlights

Company Name	Equity (Rs. in Crs)	Market Cap (Rs. in Crs)	Price (3rd Nov, 2021)	52 Week High	52 Week Low
<b>Bajaj Finserv Ltd.</b>	<b>79.57</b>	<b>278,640.00</b>	<b>17,509.45</b>	<b>19,325.00</b>	<b>5,696.70</b>
<b>Bank of Baroda Ltd.</b>	<b>1,034.27</b>	<b>52,179.00</b>	<b>100.90</b>	<b>104.35</b>	<b>43.40</b>
<b>Bharti Airtel Ltd.</b>	<b>2,942.16</b>	<b>390,747.00</b>	<b>699.00</b>	<b>738.79</b>	<b>422.77</b>
<b>Grasim Industries Ltd.</b>	<b>131.65</b>	<b>117,529.00</b>	<b>1,785.55</b>	<b>1,805.00</b>	<b>778.70</b>
<b>Sona BLW Precision Forgings Ltd.</b>	<b>584.35</b>	<b>37,565.00</b>	<b>642.85</b>	<b>813.25</b>	<b>291.00</b>
<b>Sun TV Network Ltd.</b>	<b>197.04</b>	<b>23,383.00</b>	<b>593.35</b>	<b>603.90</b>	<b>381.25</b>
<b>Vardhman Textiles Ltd.</b>	<b>57.69</b>	<b>12,030.00</b>	<b>2,085.50</b>	<b>2,145.00</b>	<b>751.00</b>



## Performance of Diwali Picks Samvat 2077

Company Name	Equity (Rs. in Crs)	Recommended Price	High after Call	Var(%)
Balaji Amines Ltd.	6.48	873.05	5220.00	497.90
Bajaj Finserve Ltd.	79.57	6686.95	19319.95	188.92
HDFC Life Insurance Company Ltd.	2023.13	609.50	775.65	27.26
Jindal Steel & Power Ltd.	102.00	213.80	501.60	134.61
Polycab India Ltd.	149.06	926.90	2647.40	185.62



## Disclosure & Disclaimer

### Aum Capital RESEARCH DESK

**Rajesh Agarwal**  
**Tanya Kothary**

**Head of Research**  
**Manager Research –Equity Research**

**033 – 40572122**  
**033 – 40572124**

[Rajesh.agarwal@aumcap.com](mailto:Rajesh.agarwal@aumcap.com)  
[Tanya.kothary@aumcap.com](mailto:Tanya.kothary@aumcap.com)

This document is solely for the personal information of the recipient and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved) and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. AUM Capital Market Private Limited (hereinafter referred to as "AUM Cap") or any of its affiliates/group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. AUM Cap has not independently verified all the information contained within this document. Accordingly, we cannot testify nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document.

While, AUM Cap endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory compliance or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly. Neither, AUM Cap nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

AUM Cap is registered under SEBI (Research Analysts) Regulations, 2014. Further, AUM Cap hereby declares that –

- AUM Cap/its associates/research analysts do not have any financial interest/beneficial interest of more than one percent/material conflict of interest in the subject company.
- AUM Cap/its associates/research analysts have not received any compensation from the subject company(s) during the past twelve months.
- AUM Cap/its research analysts has not served as an officer, director or employee of company covered by analysts and has not been engaged in market making activity of the company covered by analysts.

AUM Capital Market Private Limited

Registered Office: 5, Lower Rawdon Street, Akashdeep building 1st Floor, Kolkata – 700020;

Phone: +91(33) 40572222/43; Fax: +91(33) 24760191

Website: [www.aumcap.com](http://www.aumcap.com); Email: [aumresearch@aumcap.com](mailto:aumresearch@aumcap.com)

SEBI Research Analyst Registration No.: INH300002423