

Core Purpose : To continuously delight our customers by offering trustworthy services for Wealth creation

Core Values : We meet Statutory and Non-statutory Obligations on Due date.
We do not encourage speculation. Right attitude towards Clients.
Client is always Right. Client deserves Trustworthy Advice. We are Trustee of Client's Assets when in our Custody.

Our Mission : To pursue Quality Advice and Ontime Services in Healthy Atmosphere leading to benefit of all Stakeholders

Index and data indicators

*Global indices corrected sharply in 2008 January, so the data prior to the month is taken for reference, FY21 GDP at -7.3%

| Time period | 31/10/2021 | 30/9/2021 | 31/12/2007 |
|--------------------------|------------|-----------|------------|
| Nifty | 17671.65 | 17618.15 | 6138 |
| Valuation | | | |
| Trailing PE | 25.71 | 26.98 | 27.62 |
| Trailing PB | 4.43 | 4.41 | 6.39 |
| Mcap/GDP | 1.61 | 1.62 | 1.23 |
| Nifty return | | | |
| 1 year | 51.79% | 56.64% | 54.77% |
| 2 year | 21.98% | 23.91% | 47.11% |
| 3 year | 19.38% | 17.25% | 43.43% |
| EPS growth | | | |
| 1 year | 88.33% | 89.79% | 19.13% |
| 2 year | 25.88% | 22.67% | 15.95% |
| 3 year | 18.27% | 16.46% | 17.85% |
| Other data points | | | |
| Credit growth | 6.50% | 6.70% | 25% |
| 10-year bond yield | 6.30 | 6.20 | 7.57 |
| Brent Oil Futures | 83.25 | 78.50 | 93.25 |
| USD/INR | 74.90 | 74.10 | 39.23 |
| Gold (oz/USD) | 1781.25 | 1757.00 | 843.2 |

Source: RBI, NSE, ET, Prowess

MARKET REVIEW

Indices consolidate after hitting new high!

Amid weak global cues and resurfacing Covid lockdowns, indices witnessed profit-booking at higher levels.

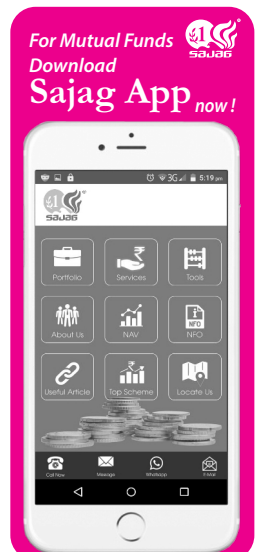
Key developments during the month were,

- ▶ India's industrial production rose 11.9% in August. The manufacturing sector, which constitutes 77.63% of the IIP, grew 9.7% in August, mining sector output rose 23.6% in August, while power generation increased 16%.
- ▶ Retail inflation growth in India based on Consumer Price Index (CPI) eased to 4.35% in the month of September following a 5.30% in August. India's inflation based on wholesale price index (WPI) rose 10.66% in September 2021 compared with 1.32% in September 2020. WPI grew 11.39% in August 2021, while the figure for July was 11.57%.

- ▶ India's merchandise exports in September have risen 22.6% over last year to \$33.79 billion on better performance by key sectors like engineering goods and petroleum products. Imports have increased significantly, by nearly 85% year-on-year to \$56.4 billion. Meanwhile, the trade deficit in September widened to \$22.59 billion as against \$2.96 billion in the same month last year. India's forex reserves crossed \$637 billion at the end of September.
- ▶ India's manufacturing activity gained momentum in October, hitting an eight-month high, as companies scaled up production in anticipation of improvement in demand. IHS Markit Purchasing Managers' Index (PMI) rose to 55.9 in October expanding for the fourth consecutive month even as it stayed below the February reading of 57.5. In addition to reporting a substantial increase in total new orders, Indian companies observed a notable pick-up in international demand for their goods.
- ▶ The gross Goods and Services Tax (GST) revenue collection for the month of October 2021 stood at more than Rs. 1.3 lakh crore. This was the second-highest GST revenue ever collected, second only to that from April this year.

Domestic indices witnessed profit-booking as broader market turned weak. Nifty gave up psychological 18,000 mark and Sensex too lost its psychological 60,000 mark. FIIs were seen on a selling spree as they net sold shares worth Rs. 25,572.19 crores for the month of October. Concerns regarding inflation, crude price increases, resurfacing Covid cases affected the already weak sentiments. Morgan Stanley downgraded India and Brazil equities to equal-weight while upgrading the Indonesian market to overweight position. Morgan Stanley said it expects a structural multi-year earnings recovery in India, but at 24 times forward price to earnings it will look for some consolidation ahead of US Federal Reserve's tapering, an RBI hike and higher energy costs.

Global sentiments somewhat took a hit after the media reported that China has started shutting down schools, cancelling hundreds of flights and ramping up mass testings following a new outbreak of COVID-19.



Performance of key sectoral indices

| | | | |
|-------------------------|--------|----------------------|--------|
| Nifty FMCG | -5.39% | Nifty Metal | -0.14% |
| Nifty Pharma | -3.78% | Nifty Infrastructure | 0.61% |
| Nifty Realty | -2.83% | Nifty Energy | 1.79% |
| Nifty India Consumption | -1.94% | Nifty Bank | 5.32% |
| Nifty IT | -1.56% | Nifty Auto | 7.14% |
| Nifty MNC | -0.57% | | |

Goldman Sachs lowered its 2022 growth estimate for the United States to 4% from 4.4% and took its 2021 estimate down a tick to 5.6% from 5.7%. The firm cited the expiration of fiscal support from Congress and a slower-than-expected recovery in consumer spending, specifically services. US Treasury yield rose to as high as 1.6%, their highest since June.

Market Outlook

The International Monetary Fund (IMF) downgraded its 2021 economic growth forecast for Asia after the highly infectious COVID-19 delta variant caused a spike in cases in parts of the region. The IMF said it expects Asia's economy to grow by 6.5% in 2021, compared with its April forecast for a 7.6% expansion. The region's growth will be led by China and India, the fund added. The IMF expects China to grow 8% this year and India by 9.5% in FY22.

- ▶ China's producer price index for September soared 10.7% as compared with a year ago. China's consumer price index also rose 0.7% in September as compared with a year ago. Economic growth continued to decelerate in the Q3, as GDP came in at 4.9%, softened by zero-tolerance COVID measures and energy shortages. The figure slid from 7.9% for the Q2, weighed down by high commodity prices amid uncertainty kindled by the Evergrande Group's debt crisis, which is piling risk onto the property and banking sectors. Profits at China's industrial firms rose at a faster pace in September even as surging raw material prices and supply bottlenecks squeezed margins and weighed on factory activity. Profits jumped 16.3% on-year to 738.74 billion yuan (\$115.72 billion).
- ▶ The Labor Department's non-farm payrolls report showed the US economy in September created the fewest jobs in nine months as hiring dropped at schools and some businesses were short of workers.

The report said non-farm payroll employment rose by 1,94,000 jobs in September after climbing by an upwardly revised 3,66,000 jobs in August. Despite the much weaker than expected job growth, the unemployment rate fell to 4.8% in September from 5.2% in August. Consumer prices rose 0.4% last month, slightly higher than August's gain and pushing annual inflation back to the highest increase in 13 years. The consumer price index rose 5.4% in September from a year ago, up slightly from August's gain of 5.3%. Industrial production declined in September as supply constraints continued to hinder manufacturing. Output fell almost 1.28% to its lowest level since February, when it fell 3.02%. The consumer confidence index increased to 113.8 in October from 109.8 in September as concerns about high inflation were offset by improving labor market prospects. US IHS Markit's survey of senior business executives in service-oriented companies rebounded to a three-month high of 58.2 from 54.9 in September. A similar survey of manufacturers slipped to 59.2 from 60.7.

- ▶ Japan's retail sales regained ground in September following a sharp drop the month before, an indication that shoppers felt more comfortable spending as virus infections started to fall from August's peak. Higher outlays on clothing, accessories and general merchandise helped receipts at retailers rise 2.7% from the previous month. Sales gained 1.2% in the quarter compared with three months earlier, the fastest increase in a year. Japan's factory output shrank for the third straight month in September as production in the auto sector was hit by a global supply shortage. Factory production slumped 5.4% in September from the previous month.
- ▶ Manufacturing activity remained strong in the euro zone last month but supply chain bottlenecks and logistical problems sent input costs soaring and curtailed growth. IHS Markit's final manufacturing Purchasing Managers' Index (PMI) dipped to an eight-month low of 58.3 in October from September's 58.6.

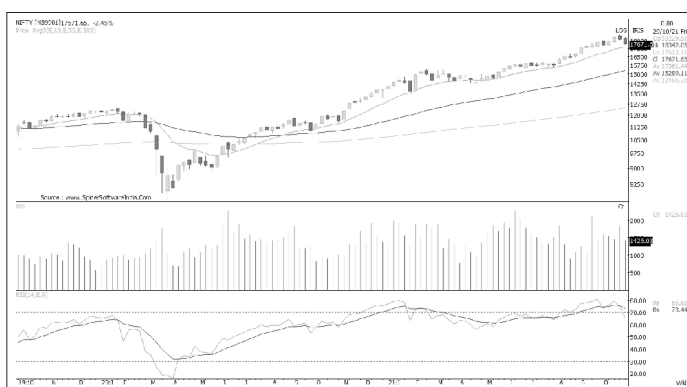
As we move towards a new month, volatility likely to be the hallmark. Stock specific actions are likely to be seen as India INC announces Q2 results. The only thing crystal clear as of now is, investors should avoid being myopic and invest for long term.

TECHNICAL VIEW

Nifty began the month of September on a strong note in an uncharted territory and continued the momentum as it crossed 18000, to mark a high near 18604. At this level, Nifty gave up the gains and closed the month at 17671 with minor gain of 0.3%.

Nifty is placed above its key averages on weekly as well as monthly charts. RSI has moved below its average on weekly chart but remains above on monthly chart. As mentioned in our earlier report, Nifty saw some profit-booking coming in as it hit new highs. Nifty has formed a 'Doji' on monthly chart. It has breached its trendline on daily chart, which indicates at near term volatility.

Going ahead, it is highly likely that Nifty slows down the momentum, as it sees profit-booking where 17450 would act as support. Below this level, 17200 would be the support level. On the other hand, 18200-18350 would act as resistance zone now.



MUTUAL FUNDS PERFORMANCE

NAV as on 29 October 2021

Return %

| Liquid Funds | NAV | 30 DAYS | 3 MON | 6 MON | 1 YR |
|---|----------|---------|-------|-------|-------|
| Mirae Asset Cash Management Fund (G) | 2184.12 | 0.26 | 0.80 | 1.63 | 3.25 |
| Axis Liquid Fund (G) | 2315.02 | 0.25 | 0.81 | 1.62 | 3.19 |
| UTI Liquid Cash Plan Reg (G) | 3415.70 | 0.26 | 0.81 | 1.62 | 3.19 |
| Arbitrage Funds | NAV | 30 DAYS | 3 MON | 6 MON | 1 YR |
| Kotak Equity Arbitrage Fund (G) | 29.76 | 0.31 | 0.79 | 1.89 | 3.96 |
| SBI Arbitrage Opp Fund Reg (G) | 26.90 | 0.60 | 1.09 | 2.13 | 3.90 |
| Aditya Birla SL Arbitrage Fund Reg (G) | 21.31 | 0.29 | 0.76 | 1.87 | 3.88 |
| Hybrid Aggressive Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
| Kotak Equity Hybrid (G) | 39.57 | 46.42 | 24.81 | 21.74 | 13.20 |
| DSP Equity & Bond Fund Reg (G) | 238.66 | 44.94 | 22.63 | 21.62 | 13.30 |
| ICICI Pru Equity & Debt Fund (G) | 217.60 | 73.78 | 28.79 | 21.35 | 15.53 |
| Canara Robeco Equity Hybrid Fund Reg (G) | 246.54 | 38.76 | 23.61 | 20.45 | 14.24 |
| Hybrid Balanced Advantage Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
| Edelweiss Balanced Advantage Fund (G) | 35.95 | 33.70 | 22.75 | 18.19 | 13.47 |
| ICICI Pru Balanced Advantage Fund Reg (G) | 49.11 | 27.14 | 15.65 | 14.56 | 11.01 |
| Kotak Balanced Advantage Fund Reg (G) | 14.42 | 21.79 | 15.34 | 14.52 | N/A |
| Aditya Birla SL Balanced Advantage Fund (G) | 73.58 | 29.91 | 17.03 | 14.07 | 10.46 |
| Equity Value Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
| Nippon India Value Fund (G) | 123.68 | 70.64 | 31.60 | 24.42 | 16.35 |
| UTI Value Opportunities Fund (G) | 101.07 | 57.51 | 30.19 | 22.70 | 15.06 |
| IDFC Sterling Value Fund Reg (G) | 85.98 | 88.85 | 36.62 | 22.41 | 16.08 |
| L&T India Value Fund (G) | 58.39 | 64.20 | 30.62 | 21.56 | 14.45 |
| Equity Focused Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
| IIFL Focused Equity Fund (G) | 30.4356 | 62.62 | 34.74 | 31.86 | 18.93 |
| SBI Focused Equity Fund Reg (G) | 246.6133 | 67.64 | 29.34 | 26.81 | 18.33 |
| Axis Focused 25 Fund Reg (G) | 47.32 | 59.73 | 26.98 | 24.64 | 18.89 |
| Nippon India Focused Equity Fund (G) | 78.3099 | 75.9 | 33.84 | 24.27 | 14.71 |
| Tax Saving Schemes | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
| Canara Robeco Equity Tax saver Fund Reg (G) | 117.33 | 58.00 | 33.62 | 27.78 | 18.87 |
| Mirae Asset Tax Saver Fund Reg (G) | 31.44 | 61.19 | 33.44 | 27.16 | 20.61 |
| DSP Tax Saver Fund Reg Fund (G) | 82.07 | 65.25 | 28.70 | 26.16 | 16.30 |
| Axis Long Term Equity Fund (G) | 75.32 | 60.50 | 26.10 | 25.02 | 17.97 |
| IDFC Tax Advantage Reg (G) | 97.12 | 78.40 | 35.95 | 24.42 | 17.87 |
| Large Cap Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
| Canara Robeco Bluechip Equity Fund (G) | 42.24 | 50.00 | 28.22 | 24.95 | 17.35 |
| Axis Bluechip Fund (G) | 47.19 | 48.94 | 24.05 | 24.41 | 18.47 |
| Kotak Bluechip Fund (G) | 380.95 | 52.93 | 27.41 | 23.48 | 15.38 |
| SBI Blue Chip Fund Reg (G) | 61.91 | 56.40 | 24.81 | 21.91 | 14.04 |
| Mid Cap Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
| Axis Midcap Fund (G) | 69.85 | 64.04 | 34.41 | 29.25 | 20.58 |
| Nippon India Growth Fund (G) | 2059.82 | 78.06 | 38.20 | 28.28 | 17.28 |
| Kotak Emerging Equity (G) | 71.13 | 70.12 | 36.45 | 28.08 | 16.99 |
| SBI Magnum MidCap Fund Reg (G) | 135.58 | 78.62 | 40.76 | 28.02 | 13.38 |
| Other FoFs Domestic | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
| ICICI Pru Asset Allocator Fund (FOF) (G) | 78.19 | 30.50 | 17.17 | 14.45 | 12.73 |

| Large & Mid Cap Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
|---|--------|-------|-------|-------|-------|
| Mirae Asset Emerging Bluechip Fund Reg (G) | 98.57 | 66.14 | 35.99 | 29.34 | 20.49 |
| Axis Growth Opportunities Fund Reg (G) | 21.00 | 69.17 | 35.54 | 28.39 | N/A |
| Canara Robeco Emerging equities Reg (G) | 163.81 | 61.53 | 33.62 | 25.96 | 17.80 |
| Aditya Birla SL Equity Advantage Fund Reg (G) | 687.59 | 64.98 | 30.70 | 24.16 | 14.14 |

| Small Cap Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
|---------------------------------|--------|--------|-------|-------|-------|
| Kotak Smallcap Fund (G) | 161.64 | 100.44 | 51.67 | 35.54 | 19.96 |
| Axis Small Cap Fund Reg (G) | 58.58 | 72.72 | 37.44 | 33.59 | 20.50 |
| ICICI Pru Smallcap Fund Reg (G) | 50.73 | 92.96 | 42.50 | 31.75 | 17.03 |
| SBI Small Cap Fund Reg (G) | 103.04 | 75.59 | 40.24 | 29.20 | 21.71 |

| Flexicap Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
|-------------------------------------|--------|-------|-------|-------|-------|
| Parag Parikh Flexi Cap Fund Reg (G) | 50.27 | 61.23 | 40.29 | 30.43 | 21.79 |
| UTI Flexi Cap Fund Reg (G) | 265.85 | 66.05 | 37.02 | 28.42 | 19.39 |
| DSP Flexi Cap Fund Reg (G) | 67.78 | 62.39 | 28.20 | 27.06 | 16.76 |
| Canara Robeco Flexi Cap Fund (G) | 229.10 | 54.14 | 30.09 | 25.47 | 18.08 |
| Axis Flexi cap Fund (G) | 19.53 | 56.48 | 25.81 | 25.27 | N/A |

| Sector & Thematic Funds | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
|--|--------|-------|-------|-------|-------|
| ICICI Pru Technology Fund (G) | 157.22 | 88.28 | 71.60 | 40.77 | 32.32 |
| Aditya Birla SL Digital India Fund Reg (G) | 133.59 | 79.60 | 62.52 | 39.95 | 31.13 |
| Tata Resources & Energy Fund Reg Plan (G) | 29.06 | 73.88 | 41.62 | 30.95 | 17.59 |
| Mirae Asset Healthcare Fund (G) | 22.70 | 31.76 | 48.27 | 29.85 | N/A |
| Sundaram Services Fund (G) | 21.23 | 80.38 | 34.11 | 28.93 | N/A |
| ICICI Pru Pharma Healthcare And Diagnostics Fund (G) | 20.32 | 29.82 | 45.17 | 26.48 | N/A |
| Aditya Birla SL India Gen Next Fund Reg (G) | 139.02 | 60.22 | 25.69 | 24.12 | 16.45 |
| SBI Banking & Financial Services Fund Reg (G) | 26.18 | 57.09 | 19.93 | 22.64 | 17.08 |
| Tata Banking and Financial Services Fund Reg (G) | 27.04 | 53.58 | 17.66 | 21.78 | 15.99 |
| IDFC Infrastructure Fund Reg (G) | 24.26 | 95.94 | 31.02 | 20.85 | 13.67 |
| Aditya Birla SL Infrastructure Fund Reg (G) | 49.33 | 90.37 | 30.76 | 20.37 | 11.61 |

| Index | NAV | 1 YR | 2 YR | 3 YR | 5 YR |
|----------------|----------|-------|-------|-------|-------|
| S&P BSE Sensex | 59306.93 | 49.96 | 24.90 | 21.21 | 16.7 |
| NSE - Nifty 50 | 17671.65 | 52.27 | 24.99 | 20.90 | 15.80 |

CORPORATE ACTIONS IN NOVEMBER 2021

| COMPANY | RECORD DATE | PURPOSE |
|-----------------------|-------------|--|
| ICICI Lombard | 01/11/2021 | Rs. 4 per share(40%)Interim Dividend |
| Colgate-Palmolive | 02/11/2021 | Rs.19 per share(1900%)First Interim Dividend |
| Container Corporation | 03/11/2021 | Rs.4 per share(80%)Interim Dividend |
| Tech Mahindra | 05/11/2021 | Rs.15 per share(300%)Special Dividend |
| Marico | 09/11/2021 | Rs.3 per share(300%)Interim Dividend |
| Shriram Transport | 10/11/2021 | Interim Dividend |
| Dabur India | 12/11/2021 | Interim Dividend |
| MRF | 19/11/2021 | Interim Dividend |
| Page Industries | 20/11/2021 | Second Interim Dividend |

GAINERS AND LOSERS OF THE MONTH (NIFTY-50)

| GAINERS | | | |
|--------------------------|--------|---------|--------|
| COMPANY | OPEN | CLOSE | % |
| Tata Motors Ltd. | 332.65 | 483.7 | 45.41% |
| I C I C I Bank Ltd. | 693 | 802.05 | 15.74% |
| State Bank Of India | 448.5 | 502.15 | 11.96% |
| Mahindra & Mahindra Ltd. | 800 | 884.25 | 10.53% |
| Titan Company Ltd. | 2157 | 2383.55 | 10.50% |

| LOSERS | | | |
|--------------------------------|---------|---------|---------|
| COMPANY | OPEN | CLOSE | % |
| Hindustan Unilever Ltd. | 2706 | 2393.15 | -11.56% |
| Coal India Ltd. | 185.4 | 164.45 | -11.30% |
| Eicher Motors Ltd. | 2787 | 2484.8 | -10.84% |
| H C L Technologies Ltd. | 1274 | 1143.75 | -10.22% |
| Tata Consultancy Services Ltd. | 3781.75 | 3397.75 | -10.15% |

COMPANY ANALYSIS

SONA COMSTAR LIMITED

CMP (As on 29 October 2021) – 647

INDUSTRY - CASTINGS/FORGING
SENSEX – 59306 NIFTY – 17671

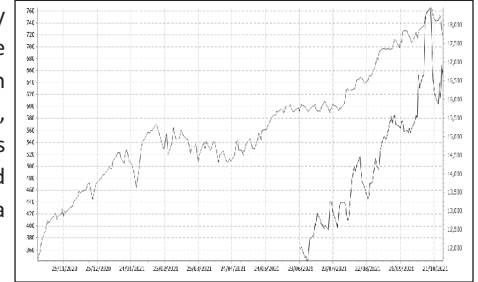
NOVEMBER 2021

| | |
|------------------|---------------|
| Mkt. Cap. | : 37848.53 Cr |
| Equity | : 583.29 |
| Trading Vol. | : 2563167 |
| 52 Week High/Low | : 813/295 |
| Face Value | : 10 |

| | |
|------------|--------------|
| BSE Group | : B |
| BSE Code | : 543300 |
| NSE Symbol | : SONACOMS |
| Bloomberg | : SONACOMSIN |
| Reuters | : NA |

| | | |
|----------------------|------|--|
| Shareholding Pattern | | |
| Promoters | : 67 | |
| Institutions | : 16 | |
| Public | : 11 | |
| Others | : 05 | |

Earlier known as Sona BLW Precision Forgings the company took-over a Chennai based company Comstar and merged the two businesses forming Sona Comstar (now backed by the Blackstone Group). It is primarily engaged in designing, manufacturing and supplying highly engineered, mission critical automotive systems and components such as differential assemblies, differential gears, conventional and micro-hybrid starter motors, BSG systems, electric vehicles (EV) traction motors [brushless direct current (BLDC) motor and permanent magnet synchronous motor (PMSM)] and motor control units to automotive original equipment manufacturers (OEMs) across US, Europe, India and China, for both electrified and non-electrified powertrain segments.



Investment rationale

- ▶ The company is one of a few companies globally, with the ability to design high power density EV systems handling high torque requirements with a lightweight design. It has nine manufacturing and assembly facilities across India, China, Mexico, and USA.
- ▶ Only about 25.1% (34.7% in FY2019 and 26.8% in FY2020) of its revenues is from Internal Combustion Engines (ICE) dependent, with balance revenues coming from EV/Hybrid/Power-Source-Neutral. Chennai manufacturing unit enjoys the status of a 100% export-oriented unit and thus exempted from payment of GST and customs duty on all components and capital goods imported for that unit. Similarly, its unit in Mexico is also entitled to certain tax benefits such as duty exemption for import of goods, as it is set up as a 'Maquiladora' unit.
- ▶ Apart from wide product for diverse vehicles segments, it has diversified market presence across geographies. For FY 2021, it derived 36.1%, 25.0%, 26.5% and 7.6% of its total income from sale of goods with end-use in North America, India, Europe, and China, respectively. Operating margin is around 28%. The merged entity was listed in July 2021, and the proceeds were mainly used to repay debt. RONW is 16%.

The company is a leading supplier to the fast-growing global Electric Vehicle (EV) markets and derived 13.8% revenues from the Battery EV (BEV) market and 26.7% from the Micro Hybrid / Hybrid market in FY2021. Current global trend in the automotive industry is towards electrification of vehicles, which continues to expand, driven by government regulations related to emissions, such as Corporate Average Fuel Economy standards, as well as consumer demand. Battery Electric Vehicles (BEVs) are expected to grow at a CAGR of approximately 36% between calendar years 2020 to 2025 with increased market penetration. We recommend investing with a long term perspective.

Financial Performance (Rs. Crore)

| Year End | Mar-21 | Mar-20 | Mar-19 | Mar-18 |
|------------------|----------|----------|--------|--------|
| Equity | 572.98 | 47.15 | 27.72 | 27.72 |
| Networth | 1,303.90 | 1,177.93 | 173.78 | 0.18 |
| Total debt | 447.19 | 365.9 | 163.35 | 614.22 |
| Sales | 1,566.30 | 1,037.98 | 699.22 | 623.12 |
| Other Income | 2.34 | 237.84 | 76.56 | 2.8 |
| Operating profit | 429.46 | 480.12 | 276.55 | 164.73 |
| PAT | 215.17 | 360.34 | 173.18 | 77.57 |
| Book Value (Rs) | 22.39 | 20.23 | 2.98 | 0.06 |
| EPS (Rs.) | 3.70 | 6.19 | 2.97 | 1.33 |
| Dividend (%) | 189.33 | 424 | 0 | 0 |
| Payout (%) | 48.07 | 115.14 | 0 | 0 |

Latest Results (Rs. Crore)

| Quarter Ended | Sep-21 | Sep-20 | Var [%] |
|---------------|--------|--------|---------|
| Sales | 303.13 | 186.62 | 62.43 |
| Other Income | 0.24 | 46.18 | -99.48 |
| PBIDT | 97.5 | 110.35 | -11.64 |
| PBT | 78.78 | 92.38 | -14.72 |
| PAT | 58.73 | 82.54 | -28.85 |

COMPANY ANALYSIS REVIEW

DIVIS LABORATORIES LIMITED

CMP (As on 29 October 2021) – 5150

| | |
|------------------|----------------|
| Mkt. Cap. | : 136720.30 Cr |
| Equity | : 53.09 |
| Trading Vol. | : 442907 |
| 52 Week High/Low | : 5425/3040 |
| Face Value | : 2 |

INDUSTRY - PHARMACEUTICALS

| | |
|------------|------------|
| BSE Group | : A |
| BSE Code | : 532488 |
| NSE Symbol | : DIVISLAB |
| Bloomberg | : DIVIIN |
| Reuters | : DIVI.BO |

NOVEMBER 2021

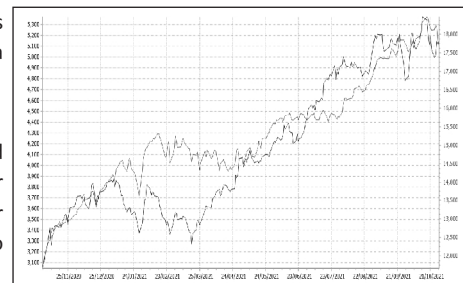
| | |
|----------------------|------|
| Shareholding Pattern | |
| Promoters | : 52 |
| Institutions | : 17 |
| Public | : 21 |
| Others | : 9 |

We had earlier recommended the stock in our Sajag Online publication of February 2016. We remain optimistic about the company owing to strong partnerships, established custom manufacturing and API relationships, alongwith stable financial position.

Divi's has been established for more than 30 years in Hyderabad, India with two manufacturing units and is among the top pharmaceuticals companies in India. It is recognized as a reliable supplier of generic APIs and a trustworthy custom manufacturer to Big Pharma and also is among the top API manufactures in the world.

Investment rationale

- ▶ Its product portfolio comprises two broad categories i) Generic APIs (Active Pharma Ingredients) and Nutraceuticals and ii) Custom Synthesis of APIs, intermediates and specialty ingredients for innovator pharma giants. It operates predominantly in the export markets and has a broad product portfolio under generics and custom synthesis. Exports constituted 88% of sales revenue during FY21. Exports to advanced markets comprising Europe and America accounted for 71% of business.
- ▶ To build capacity for new introductions or base products, it incurred a capex to increase backward integration as well. The company is involved in a proceeding where judgment in favor of DIVI would enable handing over of the remaining land and kick-starting the Kakinada project. Capex in this project is expected to be Rs. 600 crore.
- ▶ Recently, Merck announced successful trial of a COVID drug and Divis is the authorised manufacturer for its API. Merck has supply agreement with US government for this experimental Covid-19 drug.
- ▶ In June 21, sales grew by 14%, and PAT at 12%. A zero debt company, has consistently generated good positive CFO. In last 5 years, EPS has nearly doubled. It has improved its PBDITA margins to 42% in FY21, RONW to 24%.



As per IBEF, the Indian pharmaceutical sector supplies over 50% of the global demand for various vaccines, 40% of the generic demand for the US and 25% of all medicines for the UK. Other things apart, Divis is a leading name in following green chemistry practices as it terms it as sustainable chemistry. Over the years, though Indian manufacturers have gained from growing pharmaceutical industry, environmental issue cannot be ignored as key authorities have started laying down importance for sustainable processes. We recommend investing with a long term perspective.

Consolidated Financial Performance (Rs. Crore)

| Year End | Mar-21 | Mar-20 | Mar-19 | Mar-18 | Mar-17 |
|------------------|----------|----------|----------|----------|----------|
| Equity | 53.09 | 53.09 | 53.09 | 53.09 | 53.09 |
| Networth | 9,294.61 | 7,309.92 | 6,957.15 | 5,924.80 | 5,357.39 |
| Debt | 4.83 | 38.85 | 105.6 | 63.11 | 35.74 |
| Sales | 6,969.40 | 5,394.42 | 4,946.26 | 3,912.78 | 4,106.26 |
| Other Income | 62.56 | 189.63 | 155.63 | 113.44 | 74.89 |
| Operating profit | 2,923.73 | 2,012.84 | 2,028.65 | 1,376.19 | 1,522.03 |
| PAT | 1,984.29 | 1,376.54 | 1,352.74 | 877.01 | 1,060.42 |
| Book Value (Rs) | 350.15 | 275.38 | 262.09 | 223.2 | 201.82 |
| EPS (Rs.) | 74.75 | 51.86 | 50.96 | 33.04 | 39.95 |
| Dividend (%) | 1,000.00 | 800 | 800 | 500 | 500 |
| Payout (%) | 0 | 66.09 | 19.92 | 30.53 | 0 |

Latest Results (Rs. Crore)

| Quarter Ended (standalone) | Jun-21 | Jun-20 | Var [%] |
|----------------------------|----------|----------|---------|
| Sales | 1,950.16 | 1,709.96 | 14.05 |
| Other Income | 35.55 | 17.87 | 98.94 |
| PBIDT | 887.02 | 716.85 | 23.74 |
| PBT | 813.77 | 660.7 | 23.17 |
| PAT | 551.97 | 492.25 | 12.13 |

FAIRCHEM ORGANICS LIMITED

CMP (As on 29 October 2021) – 1924

| | |
|------------------|--------------|
| Mkt. Cap. | : 2505.55 Cr |
| Equity | : 13.02 |
| Trading Vol. | : 43571 |
| 52 Week High/Low | : 2290/511 |
| Face Value | : 10 |

INDUSTRY - CHEMICALS

| | |
|------------|--------------|
| BSE Group | : B |
| BSE Code | : 543252 |
| NSE Symbol | : FAIRCHEMOR |
| Bloomberg | : FAIRORGAIN |
| Reuters | : NA |

NOVEMBER 2021

| | |
|----------------------|------|
| Shareholding Pattern | |
| Promoters | : 74 |
| Institutions | : 1 |
| Public | : 0 |
| Others | : 25 |

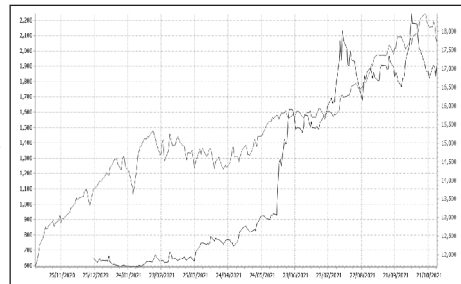
We had earlier recommended the stock in our Sajag Online publication of January 2018. We remain optimistic about the company owing to strong parentage (Fairfax group is the promoter now), presence in a niche growing segment.

Fairchem Organics formed from demerger of Fairchem Specialty Ltd as it demerged its oleo-chemicals and nutraceuticals business into and retained the aroma chemicals business.

Investment rationale

- ▶ Fairchem enjoys leadership position in its area of business. It is mainly in the business of Fatty Acids which is one of the largest segments in Oleo Chemicals. Dimer Acid, Linoleic Acid / Soya Fatty Acid, other Distilled Fatty Acids are the main products of the Company in Oleo Chemical segment. Fairchem Organics is India's only manufacturer of Dimer acid used in many consumer products including paints, printing inks, epoxy hardeners, drilling chemicals and moulds.
- ▶ It also is in the business of (natural) Tocopherols and Sterols - intermediate nutraceuticals and they are exclusively exported. Tocopherol is used in formulating Natural Vitamin-E. Another advantage in favour of the Company is its strong customer and supplier relationship of more than 20 years.
- ▶ D/E ratio is 0.3, with interest coverage of 9. Operating margin is 17%, while RONW is 25%. CFO is positive.

The major strength in Oleo Chemical business is Company's ability to process by-products having no technical specifications and make higher grade fatty acids and nutraceuticals intermediate finished products meeting stringent quality standards. The company saw healthy growth in its scale of operations over last three years ended FY21. We recommend investing with a long term perspective.



Consolidated Financial Performance (Rs. Crore)

| Year End | Mar-21 | Mar-20 |
|------------------|--------|--------|
| Equity | 13.02 | 0 |
| Networth | 168.73 | 126.72 |
| Total debt | 56.81 | 66.68 |
| Sales | 396.57 | 306.49 |
| Other Income | 0.28 | 6.59 |
| Operating Profit | 68.95 | 54.95 |
| PAT | 42.48 | 34.7 |
| Book Value (Rs) | 129.79 | 97.47 |
| EPS (Rs.) | 32.67 | 26.69 |
| Dividend (%) | 35 | 0 |
| Payout (%) | 0 | 0 |

Latest Results (Rs. Crore)

| Quarter Ended (standalone) | Jun-21 | Jun-20 | Var [%] |
|----------------------------|--------|--------|----------|
| Sales | 138.98 | 35.01 | 296.97 |
| Other Income | 0.41 | 0.02 | 1,950.00 |
| PBIDT | 33.26 | 4.46 | 645.74 |
| PBT | 29.93 | 1.32 | 2,167.42 |
| PAT | 22.31 | 1.19 | 1,774.79 |

Source: Company, Prowess, Capital line, Sajag Research

*The company demerged in FY20, data for earlier period is unavailable

Source: Company, Prowess, Capital line, Sajag Research

Systematic investment in different equity oriented Mutual funds at the rate of Rs. 10000/- p.m. and its values at different time intervals.

| Scheme | Value & Return (3 Yr) | % | Value & Return (5 Yr) | % | Value & Return (8 Yr) | % | Value & Return (10 Yr) | % | Value & Return (15 Yr) | % |
|---|-----------------------|----------|-----------------------|----------|-----------------------|----------|------------------------|----------|------------------------|----------|
| Total Investment : | 360000 | % | 600000 | % | 960000 | % | 1200000 | % | 1800000 | % |
| Aditya Birla SL India Gen Next Fund Reg (G) | 564,235 | 31.4 | 1,027,385 | 21.6 | 2,120,185 | 19.2 | 3,348,078 | 19.5 | 8,019,614 | 18.0 |
| Canara Robeco - Emerging equities Reg (G) | 589,820 | 34.8 | 1,056,277 | 22.8 | 2,319,201 | 21.4 | 4,018,876 | 22.8 | 10,196,265 | 20.7 |
| Kotak Equity Opportunities Fund (G) | 552,739 | 29.9 | 990,570 | 20.1 | 1,977,920 | 17.5 | 3,024,901 | 17.6 | 6,360,617 | 15.4 |
| Mirae Asset Emerging Bluechip Fund Reg (G) | 614,002 | 37.9 | 1,139,006 | 25.9 | 2,604,813 | 24.2 | 4,610,063 | 25.4 | N/A | N/A |
| SBI Focused Equity Fund Reg (G) | 591,803 | 35.0 | 1,096,283 | 24.3 | 2,230,579 | 20.4 | 3,446,982 | 20.0 | 8,568,101 | 18.8 |

*Past performance of Mutual Funds is not an indicator for future performance.

INVESTMENT IDEAS - MEDIUM TERM (3-6 MONTHS)

TECH MAHINDRA LIMITED

CMP (AS ON 29 OCTOBER 2021) - 1477 TARGET - 1750

Tech Mahindra Limited is a leading provider of digital transformation, consulting and business re-engineering services and solutions and is a part of the USD 21 Billion Mahindra Group. Befitting its size, the Mahindra Group operates in 20 key industries, providing insightful and ingenious solutions that are global in their ramifications. It has built pioneering systems, processes, and solutions, for enterprise clients across the globe. It reported outstanding all-round revenue growth of 7.2% q-o-q backed by stable margins, strong hiring and good TCV. Communications vertical is in a good shape backed by increasing 5G contribution and good deal wins. The company is likely to be a big beneficiary of 5G services as it has distinguished network infrastructure services. BPO is growing and can sustain momentum for the next 2-3 years. The stock trades at a PE of 29.

AMBUJA CEMENTS LIMITED

CMP (AS ON 29 OCTOBER 2021) - 404 TARGET - 460

Ambuja Cements Limited (ACL), a part of the global conglomerate Lafarge-Holcim, is among the leading cement companies in India. Ambuja Cement has provided hassle-free, home-building solutions with its unique sustainable development projects and environment-friendly practices since it started operations. Currently, Ambuja Cement has a cement capacity of 29.65 million tonnes with five integrated cement manufacturing plants and eight cement grinding units across the country. Its volume increased by 53.22% YoY to 6.42 MMTPA in Q2. The company's sales of value added products rose by 69% y-o-y in Q2 which contributes nearly 12% of the total sales. ACL has commenced production of clinker and cement at its Marwar Greenfield Plant, which would increase the company's clinker capacity by 3 MMTPA and improves cement sales by 5 MMTPA. The stock trades at a PE of 25.

We have the authorised persons at following locations

| Area | Contact Person | Tel. No. |
|------------------|---------------------------------------|------------|
| Aundh | Mr. Jaydeep Doshi | 25890824 |
| Boat Club Road | Mr. Naresh Karpe | 41204584 |
| Camp | Mr. Naresh Karpe | 26346310 |
| Dahanukar Colony | Mr. Abhay Oak | 25444744 |
| ITI Road, Aundh | Mr. Ravi Jadhav | 25888511 |
| Kalyani Nagar | Ms. Bernadette Dias | 9422449266 |
| Karve Nagar | Ms. Prajakta Bedekar | 8600993930 |
| Kondhwa | Mr. Santosh Gupte | 26836366 |
| Koregaon Park | Mr. Ajit Godbole/Mr. Ninad Parundekar | 26158889 |

| Area | Contact Person | Tel. No. |
|---------------|---------------------|-----------------|
| Paud Road | Mr. Sadanand Damle | 9850845567 |
| Phadke Haud | Mr. Jayant Mundada | 9850990766 |
| Sadashiv Peth | Mr. C. V. Sane | 24475457 (Res.) |
| Sahakar Nagar | Mr. Tejas Jaykar | 9765173434 |
| Aurangabad | Mr. Amit Vaidya | 0240-2347584 |
| Aurangabad | Mr. Abhijit Bhaiwal | 0240-2361421 |
| Sangli | Mr. Dattaji Gaikwad | 0233-6600566 |
| Satara | Mr. Vinod Jhamvar | 02162-233906 |
| Shrirampur | Mr. Amit Somani | 02422-228111 |

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