

One Stop Investment Avenue

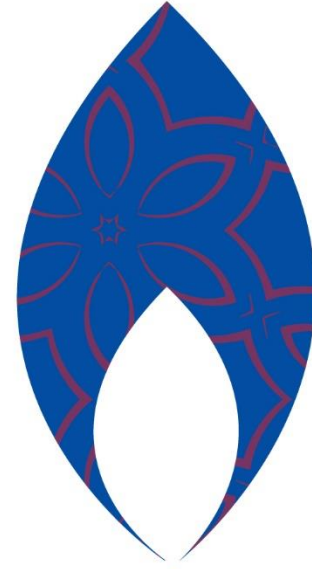


Diwali Picks

Samvat 2077

14th November, 2020

from 06:15pm to 07:15pm



Happy Diwali





DIWALI PICKS

Stock Name	CMP (₹)	Target Price (₹)	Implied Upside
JINDAL STEEL AND POWER	190.55	268.89	41%
CROMPTON GREAVES CONSUMER ELECTRICAL LTD.	298.4	368	23%
CDSL	464	502	8.19%
POLYCAB INDIA LTD.	904	1059	17.15%

Investment Rationale

Profile

JSPL is one of India's leading primary steel producers with a significant presence in power generation and mining. JSPL's product range includes TMT bars, plates, coils, parallel flange beams and columns, rails, angles and channels, wire rods, and fabricated sections among other finished and semi-finished products.

International Presence & Backward Integration

JSPL's international operations include interests in coking coal mining assets in Australia, thermal/coking coal mining assets in Mozambique and anthracite coal mining assets in South Africa.

JSPL also has steel manufacturing capacities in Oman, under Jindal Shaded Iron and Steel Co LLC. The operations in Oman include capacities of 1.8 mtpa of iron making, 2.4 mtpa of liquid steel and 1.4 mtpa of finished steel.

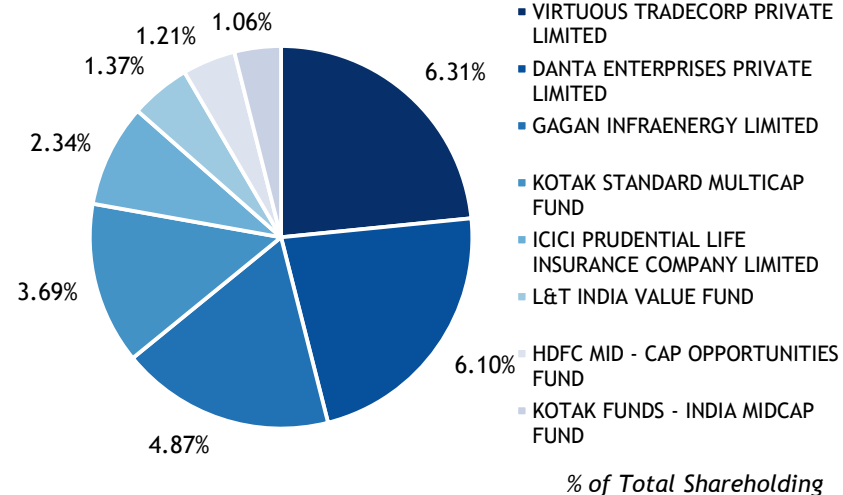
Outperforming Peers

Crude steel production of the Jindal-led mill rose 9.7% year-on-year in the qtr ended June, mainly aided by limited inventory build-up. That compares with a 30% and 41% decline in output for JSW Steel Ltd. and SAIL, respectively. Jindal Steel managed to hold ground, helped by better capacity utilisation and cost advantage of sourcing raw materials.

Focus on de-leveraging

Q1FY21 witnessed ~Rs14bn of reduction in debt, in what was scheduled to be one of the worst quarters in the recent history. It appears JSPL is enroute to achieve ~Rs40bn of debt reduction over FY21E - thus, attributing ~Rs40/share to equity valuations.

Institutional Investors



Financial Summary

Particulars (₹ cr)	FY 22 E	FY 21 E	FY20	FY19	FY18	FY17
Revenue from Operations	42,369.80	38,491.40	36,917.48	39,372.14	27,383.43	21,050.51
EBITDA	9,948.40	9,317.90	7,853.88	8,353.67	6,469.11	4,709.18
EBITDA Margin	23%	24%	21%	21%	24%	22%
Net Income	1,824.90	1,047.60	(399.70)	(2,411.52)	(1,624.24)	(2,540.22)
EPS	4.89	2.80	(1.07)	(17.00)	(14.56)	(24.93)

Source - Company filings, Bloomberg

Relative Valuation

Name	Mkt Cap (INR cr)	NTM P/E	NTM EV/EBITDA	NTM EV/Rev	LF P/BV
JSPL	19,442	13.2	5.1	1.2	0.6
Industry Average	16,147	14.9	6.8	1.0	0.8

NTM - Next Twelve Months LF - Latest Filing

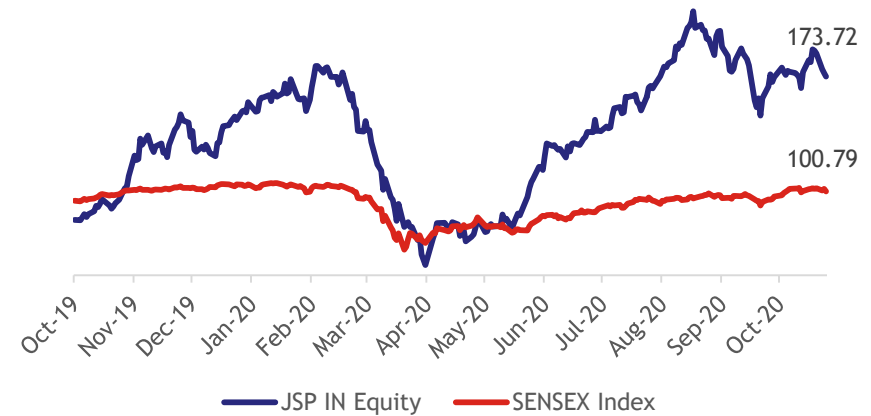
Target Price

Target Price - ₹ 268.89

CMP - ₹ 190.5

Implied Upside - 41%

Share Price Benchmarking



(Indexed to 100)

CROMPTON GREAVES CONSUMER ELECTRICAL LTD.

Investment Rationale

Profile

Crompton Greaves is one of the leading consumer electronics companies in India with a 75+ years old brand legacy. The products range from fans, lighting, home appliances, and pumps.

Strong pull-back in Q2 & Market Share Gains

(a) **ECD** - Revenue saw strong 18% YoY growth to INR9.3b. PBIT margin improved to 21% v/s 19.2% last year.

(b) **Lighting** - Revenue declined 7% to INR2.7b. PBIT margins surprised, rebounding to double digits at 10.4%.

Fans grew 23% YoY, with Super premium category growing at 300% YoY. Appliances business grew 32% YoY in value terms, while pumps business was up 13%.

The company has gained market share across its key product of fans and is now ranked No. 2 player in water heaters.

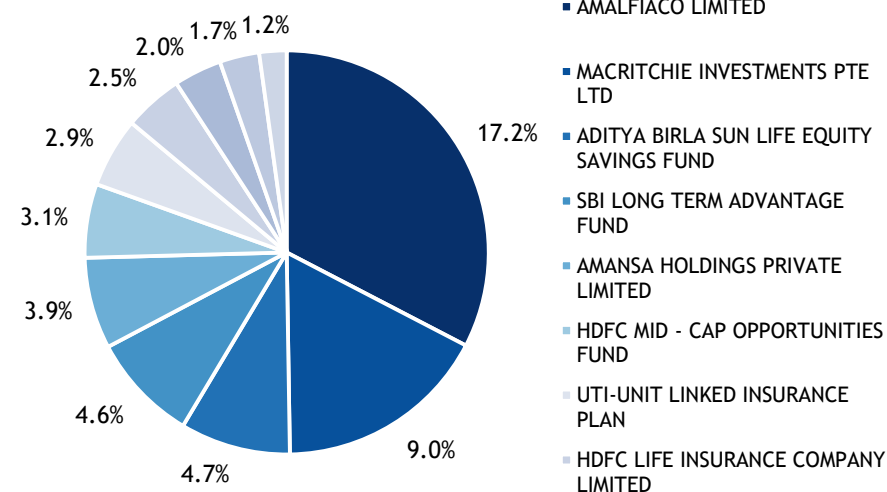
Strict Cost Control Measures

Control on overheads lead to a 172bps and 96bps YoY savings on other expenses and employee cost respectively, led by the cost reduction program. Overall EBITDA margins came in higher by 275bps at 15.8% led by improved mix and cost saving initiatives. The cash conversion has also drastically improved to 6 days in Q2. Crompton saved INR350m in 2QFY21 under various cost saving measures

Price Hike & Market Consolidation

Selected price increase gives management the confidence of tackling the headwind of increasing raw material costs. Management is also confident of retaining the market share and improved mix in the future.

Institutional Investors



Financial Summary

Particulars (₹ cr)	FY 22 E	FY 21 E	FY20	FY19	FY18
Revenue from Operations	5,684.70	4,176.40	4,520.26	4,478.91	4,079.66
EBITDA	823.30	578.00	599.10	584.32	531.04
EBITDA Margin	14%	14%	13%	13%	13%
Net Income	793.80	634.58	496.39	401.39	323.79
EPS	12.65	10.11	7.91	6.40	5.17

Source - Company filings, Bloomberg

Relative Valuation

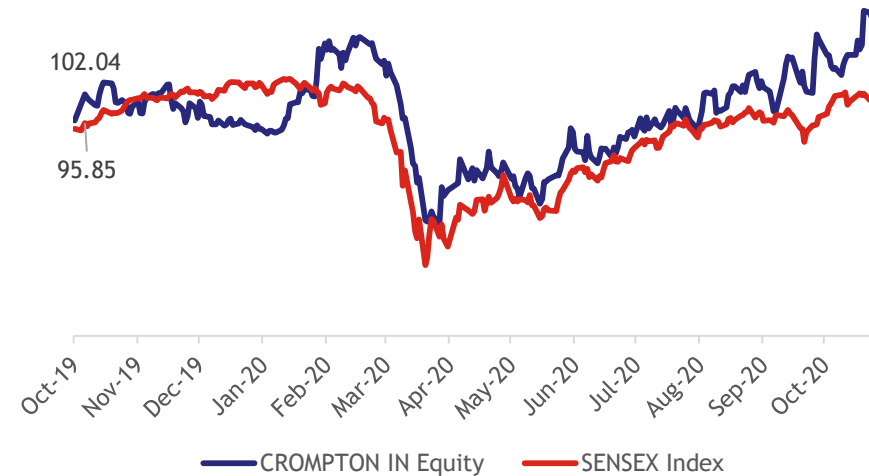
Name	Mkt Cap (INR cr)	NTM P/E	NTM EV/EBITDA	NTM EV/Rev	LF P/BV
Crompton	18,720	38.5	27.5	3.8	11.0
Industry Average	12,163	43.6	30.1	3.6	7.6

NTM - Next Twelve Months LF - Latest Filing

Target Price

Target Price - ₹ 368
CMP - ₹ 298.4
Implied Upside - 23%

Share Price Benchmarking



(Indexed to 100)

Investment Rationale

Profile

Central Depository Services Limited (“CDSL”) was found in 1999 to fulfil one goal: Convenient, Dependable and secured depository services. It is a facilitator for holding of securities in the dematerialised form and an enabler for securities transaction.

It has ~ 2.6 cr investor accounts and ~593 depository participants.

Strong retail activity

CDSL delivered a robust performance, driven by traction in transaction charges (34% of revenue, +48.2% QoQ). The transaction charges surged due to high retail activity, an increase in delivery volume, and strong addition of new accounts (+35% YoY).

Strong digital traction

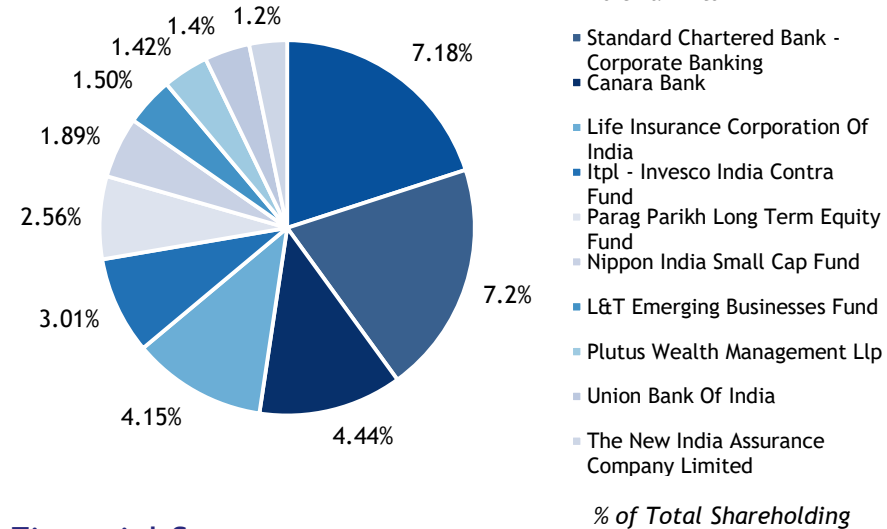
The pandemic has led to increased demand for Digital services (virtual AGMs, evoting, Aadhaar based e-KYC, etc.) and CDSL is the prime beneficiary.

Increased market share

CDSL continued to gain BO account market share from NSDL (stood at 56.1% in Sep-20 vs. 51.8% in FY20). Its incremental market share stood at 87% due to exclusive arrangements with discount brokers.

CDSL plans to expand its margins further by incorporating more technology and making investments there.

Institutional Investors



Financial Summary

Particulars (₹ cr)	FY 22 E	FY 21 E	FY20	FY19	FY18	FY17
Revenue						
from Operations	298.20	265.80	225.06	196.25	187.69	146.00
EBITDA	164.30	141.80	89.02	108.93	110.38	79.42
EBITDA Margin	55%	53%	40%	56%	59%	54%
Net Income	169.00	145.80	106.72	114.83	103.64	86.59
EPS	16.09	13.88	10.16	10.86	9.87	8.21

Source - Company filings, Bloomberg

Relative Valuation

Name	Mkt Cap (INR cr)	NTM P/E	NTM EV/EBITDA	NTM EV/Rev	LF P/BV
CDSL	4,848	32.3	14.3	-	6.7
Industry Average	-	-	-	-	-

NTM - Next Twelve Months LF - Latest Filing

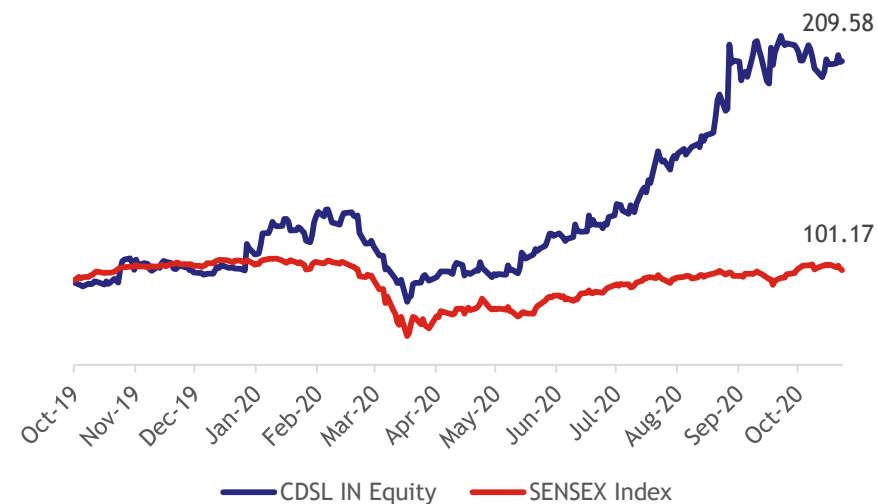
Target Price

Target Price - ₹ 502

CMP - ₹ 464

Implied Upside - 8.19%

Share Price Benchmarking



(Indexed to 100)

Investment Rationale

Profile

Polycab is one of India's leading manufacturers of cables and wires and allied products such as uPVC conduits and lugs and glands. More recently Polycab has also launched a wide range of consumer electrical products like Fans, Switches, Switchgear, LED lights and Luminaries, Solar Inverters and Pumps.

Polycab has ~ 18% market share with 25 manufacturing facilities and 1,25,000

Long Term Strategy

Focus on working capital management (inventory reduction, channel financing) and optimizing costs are a few strategic moves to keep Polycab on the sustainable growth path in the long run. The company is guiding a Rs2bn capex in building capacities and technology upgrading, even in a tough FY21.

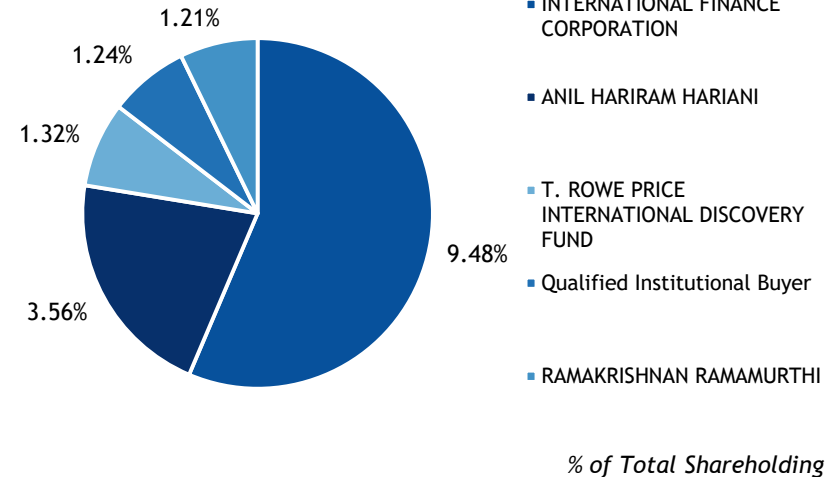
All round improvement in performance

Wires posted double-digit growth, coming mainly from T1-and-below towns. FMEG grew 25% y/y with a healthy margin which should be sustainable due to pre-misisation. Exports, up 47% y/y to ~Rs2.3bn, includes Rs440m sales to Dangote. Domestic cables (down 30-40% y/y) recovered slower and is likely to be normal in Q3.

Despite such a challenging scenario, gross margins increased approximately 180 basis points YoY led by better mix.

The management has indicated at continuous demand improvement QoQ post opening up of the economy.

Institutional Investors



Financial Summary

Particulars (₹ cr)	FY 22 E	FY 21 E	FY20	FY19	FY18	FY17
Revenue	9,499.40	7,869.40	8,829.96	7,985.55	6,770.31	5,500.12
from Operations						
EBITDA	1,206.50	902.60	1,135.03	952.76	728.88	479.95
EBITDA Margin	13%	11%	13%	12%	11%	9%
Net Income	811.70	616.20	773.03	502.63	358.46	233.08
EPS	53.53	40.64	50.98	35.39	25.35	16.46

Source - Company filings, Bloomberg

Relative Valuation

Name	Mkt Cap (INR cr)	NTM P/E	NTM EV/EBITDA	NTM EV/Rev	LF P/BV
Polycab	13,487	18.4	12.3	1.5	3.4
Industry Average	17,563	33.2	21.8	2.5	5.5

NTM - Next Twelve Months LF - Latest Filing

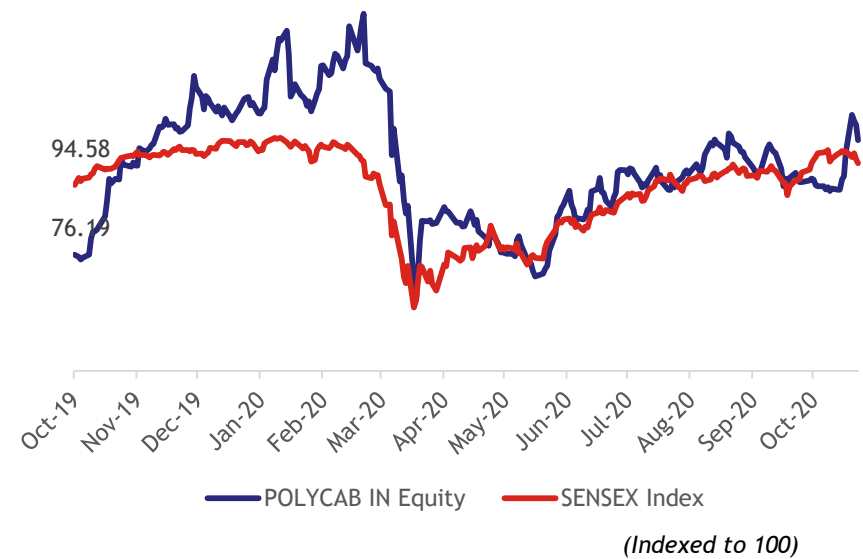
Target Price

Target Price - ₹ 1059

CMP - ₹ 904

Implied Upside - 17.15%

Share Price Benchmarking



Thank you

GEPL CAPITAL Pvt Ltd

Reg Office: D-21 Dhanraj mahal, CSM Marg, Colaba, Mumbai 400001

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