

One Stop Investment Avenue



DIWALI PICKS

Samvat 2078

4th November, 2021

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DIWALI PICKS

Stock Name	Sector	CMP (₹)	Target Price (₹)	Implied Upside
K P R Mill	Textile	436	570	30.70%
CANARA BANK	PSU Bank	201	237	17.89%
NALCO	Metals	105	165	57.14%
NTPC Ltd.	Power	146	200	36.98%

Investment Rationale

KPR has 12 Manufacturing units of advanced technology equipped with a capacity to produce 1,00,000 MT of yarn per annum; 40,000 MT fabrics per annum; 115 million ready-made knitted apparel per annum, one of the largest Garment Producers in India. It also has a co-gen Cum Sugar Plant with a capacity of 40 MW & 10,000 TCD and Ethanol Plant with 130 KLPD capacity. Prompted by the growth prospects, KPR is expanding its Garment and Sugar based Ethanol Capacities which are in progress.

Planned Capex

The overall capacity will increase to 20,000 of TCD of sugar, 90 megawatt of power and 340 KLPD of ethanol. This will be operational by the end of FY22. Revenue at full capacity is expected to be at Rs 1,100 cr, with targeted margins of 25%+. Capital deployment towards value accretive projects (targeted RoCE: garmenting: 30%, ethanol: 22%) augurs well for KPR.

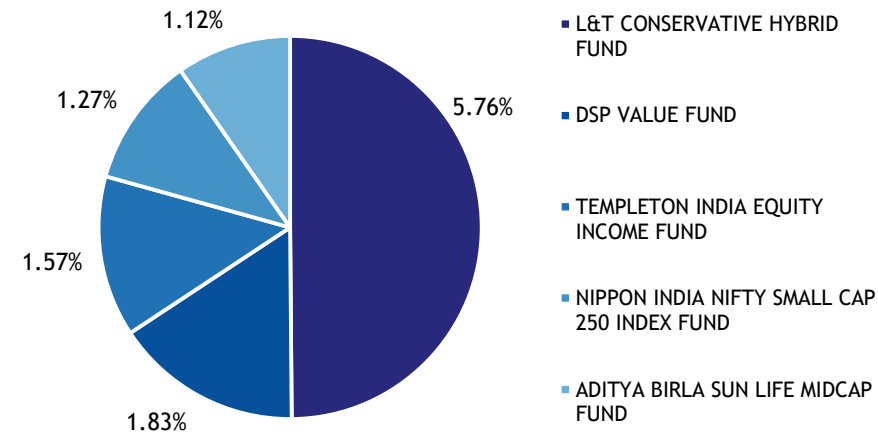
Robust Order Book

The garment order book, which was around Rs 575 crore in Q4FY21, is now close to Rs 700 crore. Indian yarn prices continue to be lower than international prices. The sustained quality and prompt deliveiy continue to enable KPR to attract more Garment orders from the customers whose activities revived after relaxations

Vertical Integration

KPR strategically has a vertically integrated alignment from yarn to apparels. This has translated into lower RM volatility and steady EBITDA margins over the years. Higher proportion of garmenting enhances overall margin profile as the segment yields margins in the range of 22-23%.

Institutional Investors



(View Clockwise), % of Total Shareholding

Financial Summary

Particulars	FY18	FY19	FY20	FY21	FY22E	FY23E
Revenue	29,011	32,642	32,058	35,302	42,900	50,570
EBITDA	5,744	6,132	6,398	8,327	10,075	11,836
Margin %	19.80%	18.80%	20.00%	23.60%	23.50%	23.40%
PAT	2,912	3,334	3,839	5,146	6,330	7,574
EPS	8	9	11	15	20	23
Capex	(432.50)	(924.60)	(2,966.40)	(2,850.10)	(6,746.75)	(700.00)

In Rs million except EPS

Source - Company filings, Bloomberg

Relative Valuation

Name	Mkt Cap (INR cr)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
KPR Mill Ltd	15,029.82	20.25	13.87	15.75	3.25	6.40
Industry Average	11,666.63	17.95	11.61	13.62	2.47	5.44

BF - Blended Forward LF - Latest Filing

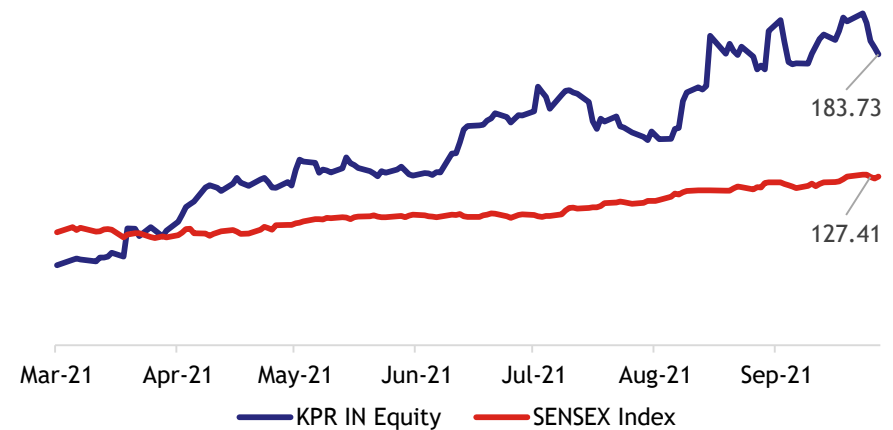
Target Price

Target Price - ₹ 570

CMP - ₹ 436

Implied Upside - 30.7%

Share Price Benchmarking



(Indexed to 100)

Investment Rationale

Profile

Set up in 1906, Canara Bank is a one of the larger PSBs. It made its initial public offering in 2002. As on August 24, 2021, Gol's ownership in the bank stood at 62.93%.

Comfortable Capital Position

The bank had a networth of Rs 60,017 crore as on June 30, 2021, also supported by Rs 2,000 crore equity raised by the bank via QIP during fiscal 2021. Further, the bank has raised Rs 2,500 crore equity in August 2021. CET1, Tier-I capital adequacy ratio (CAR) and overall CAR stood at 8.85%, 10.34% and 13.36%, respectively.

Improvement in credit costs

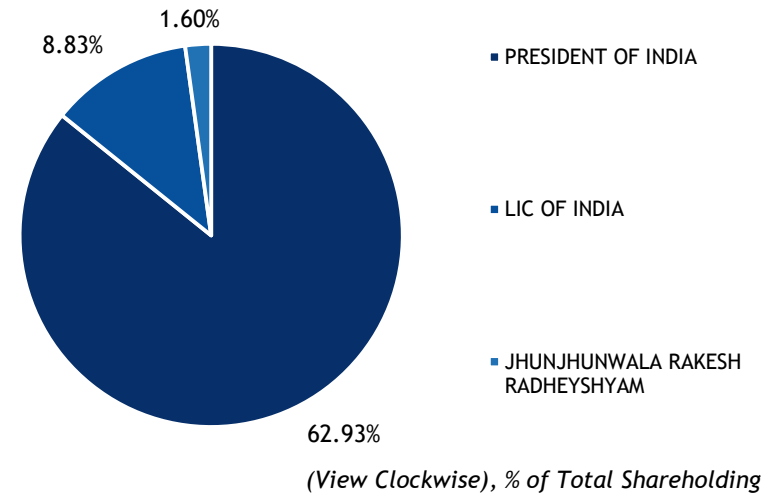
While the earnings profile of the bank has been impacted over the last few years primarily because of high credit costs, the same has also seen an improvement in since fiscal 2021. The bank reported profit after tax (PAT) of Rs 2,558 crore during fiscal 2021, as compared to substantial losses incurred over the last couple of years (loss of Rs 5839 crore reported for fiscal 2020). For the quarter ended June 30, 2021, the bank reported a PAT of Rs 1,177 crore.

Prudent Provisioning

Excess provisioning has done on a prudent and conservative basis, including that on restructured accounts. Provision of Rs6.7bn towards fraud accounts in Q4FY21 has also helped lower provisioning requirements.

Undemanding valuations, improvement in asset quality and healthy expected recoveries make us positive on the bank.

Institutional Investors



Financial Summary

Particulars	FY17	FY18	FY19	FY20	FY21
NII	99,739	122,819	146,019	139,822	250,807
Provision for Loan Losses	79,228	138,799	102,769	116,965	174,904
Operating Income	12,323	-40,828	5,500	-20,212	26,733
PBT	14,108	-38,725	6,961	-19,210	29,566
PAT	13,583	(39,514)	6,019	(19,864)	28,906
EPS	24.98	(65.95)	8.18	(23.55)	19.11

In Rs million except EPS

Source - Company filings, Bloomberg

Relative Valuation

Name	Mkt Cap (INR cr)	LF P/BV	Net Int Margin	P/E ratio
Canara Bank	36,346.10	0.52	2.85%	9.09
Industry Average	212,512.92	1.82	3.39%	21.98

LF - Latest Filing

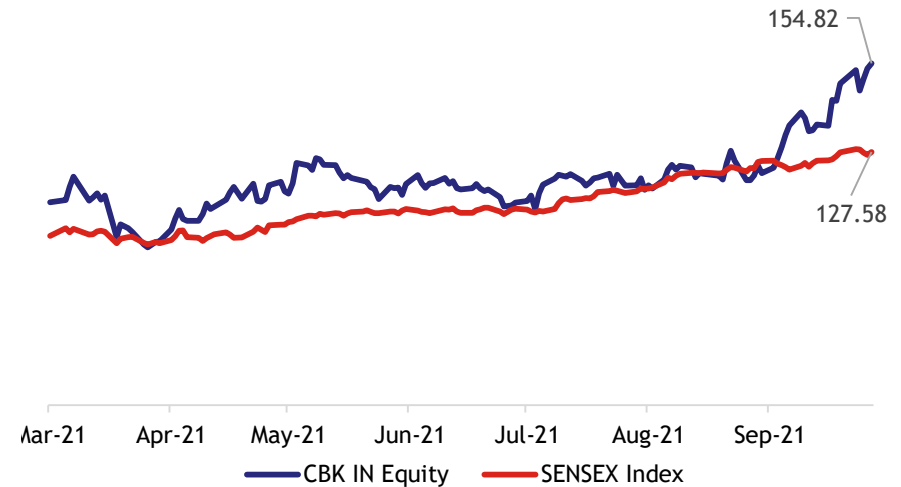
Target Price

Target Price - ₹ 237

CMP - ₹ 201

Implied Upside - 18%

Share Price Benchmarking



(Indexed to 100)

Investment Rationale

Profile

NALCO operates captive high-quality bauxite mines, which meet 100% of its alumina requirement for manufacturing aluminium. It also operates 1,200MW coal-based captive power plants, which are sufficient for its entire aluminium smelting capacity. For feeding coal, it has a fuel supply agreement with Mahanadi Coalfield Limited for around 85% of its requirements. This integration confers significant cost advantages, making NALCO one of the few low-cost producers of alumina across the world.

Increased refinery capacity

The management has announced a 1mtpa alumina refinery expansion at a capex of ~INR64b, and expects to complete the project in FY23. This increases the refining capacity by 44%.

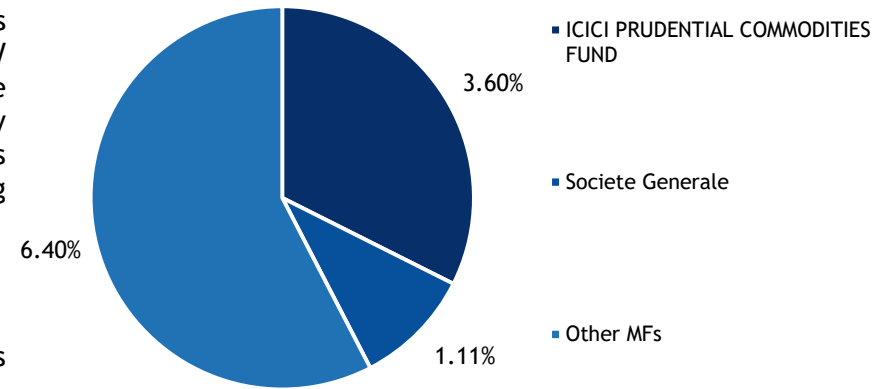
Integrated operations & high LME aluminium prices

As an integrated player, NALCO has nearly fixed production costs, and any fluctuations in realisations directly affect its revenues and margins.

The average LME aluminum price rose 52% vs. a year earlier in fiscal 2Q on better demand and less supply from China, the largest aluminum-producing country. China's output of aluminum in fiscal 2Q was 9.6 million tons, down 2% from 1Q, as smelters cut production and commissioning of new capacity slowed due to power shortages.

With integrated mining operations, NALCO is the best play on higher LME prices. Alumina prices have not yet reacted to the strength in aluminum and could surprise positively in 2HFY22.

Institutional Investors



(View Clockwise), % of Total Shareholding

Financial Summary

Particulars	FY19	FY20	FY21	TTM	FY22E	FY23E
Revenue	114,993	84,718	89,558	100,497	115,100	112,100
EBITDA	28,925	4,868	18,045	22,345	31,100	28,000
Margin %	25.15%	5.75%	20.15%	22.23%	27.02%	24.98%
Net Income	17,337	1,345	13,146	16,302	19,500	16,600
EPS	9.1	0.7	7.1	8.8	10.6	9.0
Capex	(7,495)	(8,448)	(14,438)			

In Rs million except EPS
 Source - Company filings, Bloomberg

Relative Valuation

Name	Mkt Cap (INR cr)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
NALCO	19,505.03	10.95	6.00	--	1.55	1.83
Industry Average	44,621.57	9.65	5.68	7.35	1.10	2.31

BF - Blended Forward LF - Latest Filing

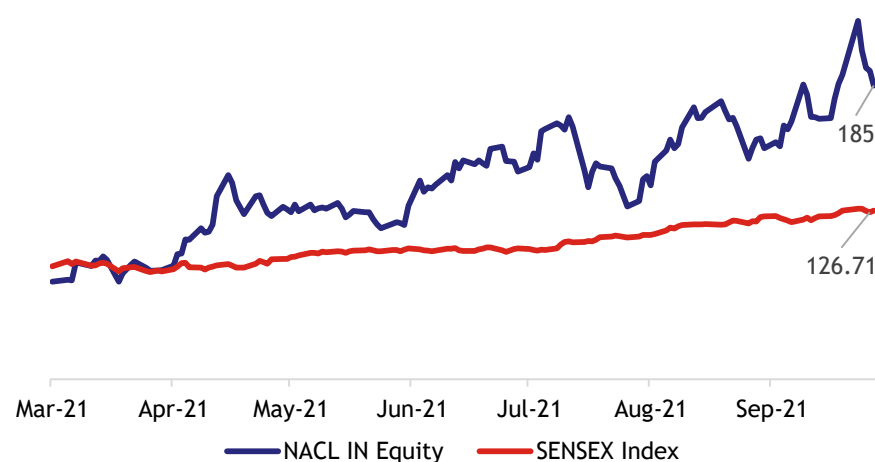
Target Price

Target Price - ₹ 165

CMP - ₹ 105

Implied Upside - 57%

Share Price Benchmarking



(Indexed to 100)

Investment Rationale

Profile

NTPC is India's largest power generation company with a total installed capacity of 66,885 MW. It has 17% of total installed capacity in India with 23% generation share. The company's vision is to become a 130 GW+ company by 2032 of which 60 GW would be contributed by renewable energy.

Aggressive Expansion

NTPC aims to be a 130 GW company by 2032 with diversified fuel mix and a 600 BU company in terms of generation, with a share of RE (including hydro) to be 28%. 17 GW capacity is already under construction.

Captive Coal Production

The company has coal blocks with estimated geological reserves of about 5 BT, which has an ultimate capacity of 71 Million Metric Tonnes of coal per annum when all mines reach their peak capacity.

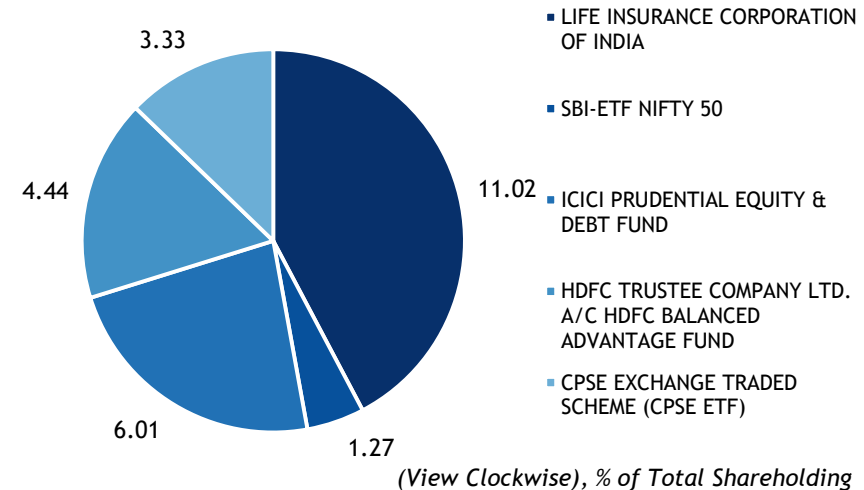
Building Case for Spin Off of Renewable Portfolio

NTPC has created a wholly owned subsidiary for renewables, which is now operational and all of the new renewable capacity is being put out through this subsidiary only.

New Business Initiatives

- ✓ Pilot project with complete value chain of Hydrogen being designed
- ✓ Participating in RfP for privatization of discoms of UTs
- ✓ Exploring manufacturing of methanol from CO2 in NTPC plants

Institutional Investors



Financial Summary

Particulars	FY19	FY20	FY21	TTM	FY22E	FY23E
Revenue	996,150	1,090,786	1,112,679	1,152,244	1,234,495	1,366,289
EBITDA	268,579	316,021	341,270	338,882	398,517	444,178
Margin %	26.96%	28.97%	30.67%	29.41%	32.28%	32.51%
Net Income	138,523	116,353	147,395	153,734	157,089	175,444
EPS	14.0	11.8	15.2	14.5	16.3	18.1
Capex	(216,069)	(182,304)	(233,123)	-	(211,803)	(332,499)

In Rs million except EPS

Source - Company filings, Bloomberg

Relative Valuation

Name	Mkt Cap (INR cr)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
NTPC Ltd	142,444.03	8.48	8.28	12.34	2.68	1.13
Industry Average	63,492.99	27.59	10.93	16.76	5.25	2.11

BF - Blended Forward LF - Latest Filing

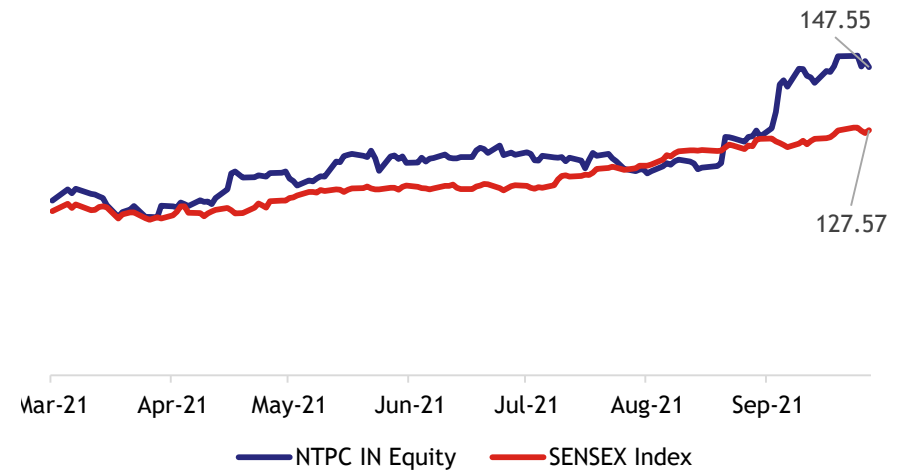
Target Price

Target Price - ₹ 200

CMP - ₹ 146

Implied Upside - 37%

Share Price Benchmarking



(Indexed to 100)

Thank you

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