We present herewith two sets of stocks – Better Known Stocks and Lesser Known Stocks, which investors, based on their risk profile and return expectations, can invest in from a medium-term perspective. Though lumpsum investment can also be made in these, considering the fact that the markets are close to their all-time highs, one can look at taking the route of a Systematic Investment Plan (SIP).

These stocks have the potential to generate 12-16% p.a. return under SIP investing. However one needs to review the SIP for any major changes in the overall sentiments in the markets or adverse developments in the individual stocks.

**Better Known Stocks**

| Sr No | Company | Industry | Equity Latest | FV | CMP | Mkt Cap | Book Value latest | Net Sales FY19 | Change in sales y-o-y | PAT FY19 | Change in PAT y-o-y | EPS TTM | P/E TTM | P/BV | Last Div %. | Dividend Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Bharti Airtel | Telecommunications | 2727.8 | 5 | 565.0 | 308239 | 154.7 | 80780.2 | -2.2% | -580.2 | -140.0% | 6.2 | 91.7 | 3.7 | 50 | 0.4% |
| 2 | I O C L | Refineries | 9414.2 | 10 | 115.1 | 108357 | 120.1 | 528148.9 | 25.3% | 17376.7 | -21.7% | 13.7 | 8.4 | 1.0 | 92.5 | 8.0% |
| 3 | ICICI Bank | Banks - Private Sector | 1294.2 | 2 | 545.8 | 353179 | 184.2 | 71981.7 | 15.8% | 4254.2 | -44.8% | 14.7 | 37.2 | 3.0 | 50 | 0.2% |
| 4 | M & M | Automobiles - passenger cars | 621.6 | 5 | 523.0 | 65019 | 331.7 | 104720.7 | 13.7% | 5163.3 | -6.7% | 18.4 | 28.5 | 1.6 | 170 | 1.6% |
| 5 | Reliance Inds. | Refineries | 6339.2 | 10 | 1487.6 | 943025 | 639.5 | 568960.0 | 45.3% | 39588.0 | 12.2% | 68.6 | 21.7 | 2.3 | 65 | 0.4% |
| 6 | SBI Life Insuran* | Life Insurance | 1000.0 | 10 | 914.3 | 91425 | 84.9 | 32890.4 | 30.7% | 1326.8 | 15.3% | 13.5 | 67.8 | 10.8 | 20 | 0.2% |
| 7 | St Bk of India | Banks - Public Sector | 892.5 | 1 | 319.4 | 285052 | 250.7 | 253322.1 | 10.6% | 2025.4 | 121.1% | 13.6 | 23.4 | 1.3 | 0 | 0.0% |

Source: Capitaline Database, *= Standalone Number. All figures are consolidated and in Rs except for Equity, Sales FY19 and PAT FY19 which are in Rs Cr, CMP is as of 14-Feb-20, EPS is adjusted for extraordinary items. Past dividend yield may not necessarily sustain in the future.

**A brief write-up on seven stocks is given below:**

### Bharti Airtel Ltd (M Cap Rs 308239 Cr)

- Bharti Airtel Limited is a global telecommunications company, and one of the leaders in the Indian mobile telephone space with operations in 18 countries across Asia and Africa. In India, the Company's product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high-speed home broadband, DTH and enterprise services, including national and international long-distance services to carriers. In the rest of the geographies, it offers 2G, 3G and 4G wireless services and mobile commerce. Its subsidiary, Bharti Infratel Ltd, provides tower and related infrastructure.
- The Supreme Court on 14th of Feb 2020, ended the long legal battle fought between the telecom companies and the DoT, where, the former owed over Rs 1.47 trillion to the department of telecommunications (DoT) as adjusted gross revenues (AGR). Vodafone Idea owes over Rs 50,000cr to DoT, while Bharti Airtel has to pay Rs 35,586cr. The modification application came after SC earlier dismissed pleas of these operators to review its earlier judgement that had found them guilty of under-reporting their revenues. Supreme Court denied any relief to the Telcos, on the AGR (adjusted gross revenues) issue on Feb 14th. The court took a tough stance against them, and asked to pay up the dues of Rs 1.47-lakh crore by the end of February 14.
- Soon after the court’s judgement, Airtel said that it's in the process of doing self-assessment of the dues, and shall submit Rs 10,000cr (out of the total dues of about Rs 35,586cr) by February 20. Airtel has recently raised some $3 billion - through qualified institutional placement (QIP) and overseas bond - to pay up the dues, which will ease the pain of AGR penalty. Though weak, Airtel is in a much better condition, and not as fragile as Vodafone Idea. Bharti’s cash and bank balances stood at Rs 10,206cr, and net debt at 1.15 lakh crore as on December 2019, as against a market cap of 3 lakh crore. The AGR liabilities of Airtel are just within the reach of its recent fund raising and existing cash balance, and it continues to remain on a strong footing with improving operating performances. This judgement is going to hit

Bharti's other rivals, rising the chances of them going bankrupt, for e.g. Vodafone, which will limit number of players in the industry. It would be net beneficial for Bharti as it is well placed to gain the revenue market from the weaker competitor. This has further raised the chances of a duopoly in the telecom sector.

- Bharti and VIL (Vodafone) announced to increase tariffs of their prepaid services by 15-50%, effective from December 3, 2019. Bharti has raised tariff of its popular bundled plans by 20-40% [Rs. 249 and Rs. 448 plans increased to Rs. 298 and Rs. 598, respectively], ahead of expectations. Notably, Bharti has taken 40%/22% price hike in low-end plans. The tariff increase has the potential to boost Bharti's EBITDA, and cash flow profile. A 15-50% increase in tariff across the prepaid plans has the potential to improve blended ARPU by 20-23% for Bharti.
- The company has managed to maintain its revenue market share of around 30% despite the launch of Reliance Jio. The company is expected to see a healthy subscriber addition for the FY20 period. Bharti Airtel added 12 million 4G subscribers during October-November, according to data submitted by the company to the Telecom Regulatory of Authority India Ltd (Trai). Of this, the company added 5 million 4G users in October and 7 million in November. This is a five-fold jump over the monthly average of around 1.5 million additions. During Q3FY20 consolidated, revenue increased by 8.5% on a yearly basis to Rs 21947.1cr, while EBITDA saw a Y-o-Y 10.6% growth to Rs 8422.7cr. However, PAT declined by 221.5% to a loss incurred of Rs 464.8cr. The decline in profitability, was owing to higher interest, depreciation, and tax expenses. It is expected that stabilizing revenues in India, and growth in Africa should provide positive boost to earnings in coming quarters.
- Current situation in the Indian telecom sector continues to be dull with predatory pricing from new entrants (R Jio), ongoing consolidation, and post SC's verdict resulting in financial liabilities (including license fees and spectrum usage charges) on Bharti Airtel and Vodafone Idea respectively. As there is no relief from the government on the AGR case, the leverage ratio of the incumbents would increase or force them for another round of large equity raise to fund these pay-outs. The recent tariff hike alone may not be able to alleviate the concerns of significant pay-outs relating to the AGR case. Although, Bharti has an upper hand in the case, it would depend on a faster rise in ARPU post the sector becoming duopoly for improving cash flows and margins.

### IOCL Ltd (IOCL) (M Cap Rs 108357 Cr)

- Indian Oil Corporation Limited is engaged in Sale of Petroleum Products, Sale of Petrochemicals and Other businesses. Its other businesses segment includes sale of gas, explosives and cryogenics, wind mill and solar power generation, and oil and gas exploration activities. Its business interests span the entire hydrocarbon value-chain ranging from refining, pipeline transportation and marketing of petroleum products to exploration and production of crude oil and gas, marketing of natural gas and petrochemicals. It has a portfolio of energy brands that include Indane liquefied petroleum gas (LPG) cooking gas, SERVO lubricants, XTRAPREMIUM petrol, XTRAMILE diesel and PROPEL petrochemicals. It operates approximately 25,000 petrol and diesel stations, including over 6,200 Kisan Seva Kendra outlets in the rural markets. It owns and operates over 9 (as of FY19 annual report) refineries with a combined refining capacity of over 69.20 million metric tons per annum (mmtpa).
- Oil prices are down and so is demand, as the world's biggest importer (China) of crude oil tries to tackle the deadly Coronavirus, which is a good news for India's oil marketing companies (OMC) and the country in general. Weaker oil demand would keep a lid on oil prices, which is positive for OMCs in terms of pricing flexibility, and maintaining margins. There could be inventory losses, for Indian companies in the short-term, because of the recent sharp drop in crude oil prices but, if prices stay at this level it will help the economy, as inflation is rising and could help refiners cut down on production cost.
- IOCL remains strategically important to GoI, and continues to play a key role in implementing the government's socio-economic policies. IOCL dominates the oil refining and marketing sector. As of FY19 it has 9 refineries, which did exceedingly well in physical parameters to achieve the highest ever crude oil throughput of 71.82 million metric tonnes as against 69 million metric tonnes in FY18. As per news reports, IOCL accounts for 32% of the country's 250 mmtpa refining capacity (as of Jan 13$^{th}$ 2020). Large, integrated operations; geographically distributed refining capacity; and high capacity utilisation support operations. The market position is underpinned by its entrenched marketing and distribution infrastructure, with around 48,500 touch points, and by aggressive branding and marketing exercises. These initiatives should help IOCL maintain its dominant share in the domestic petroleum market.

- IOCL has signed 3 sale agreements for its Ennore LNG Terminal. The utilisation is intended to be ~15% (0.75MTPA) by the end of FY20. Growth in diesel and MS sales volume, inventory gains along with growth in marketing volumes augur well for the company. Improvement in diesel spreads due to IMO regulations is likely to improve the GRMs.
- The company plans to spend close to Rs 2 lakh crore in the next five to seven years across its operations and has targeted to expand its refining capacity to 150 mmtpa per annum by 2030 from 69.2 mmtpa currently as well as increase its petrochemical production capacity to 13 mmtpa. There are large investment plans that are in the pipeline which, include upgradation of refineries for delivering BS-VI compliant fuels, modernising and augmenting of pipeline infrastructure, and investments in exploration and production at an expected investment of about Rs 22,000cr per annum.
- Although, revenue during the third quarter saw a decline of 10% on a yearly basis (consol), where it de-grew form Rs 163325.23cr to Rs 146952.5cr, but, EBITDA, and PAT saw a growth of 81.5%, and 251.1% on a yearly basis, even after higher depreciation, interest, and tax growth. EBITDA grew from Rs 4341.75cr to Rs 7880.32cr, on account of lower expenses, which were lower by 15.1% Y-o-Y, and PAT grew from Rs 767.66cr to Rs 2695.09cr. IOC plans to spend Rs 250bn in FY20; of this Rs 98bn has been spent in H1. Post the slide in its stock price, the dividend yield on the stock is quite attractive.
- Weaker refining crack spreads, weaker throughput on maintenance shutdowns, and high CAPEX, and a gloomy H2FY20 due to these shut downs are few of its ongoing concerns. This apart GoI being the owner, the stock price could react to developments and expectations on strategic divestment front. Also the decisions taken by the promoter management may not always be in the interest of the minority shareholders.

### ICICI Bank (MCap Rs 353179 cr)

- ICICI Bank (IBL) has transformed itself from a corporate focussed bank to a retail bank in the last 5 years. The focus of the management has shifted to lower risk retail loans to increase granularity in the lending book. Consequently the share of retail advances in the total advances of the bank has increased from 39% to 60% in 5 years.
- CASA ratio of IBL is amongst the best in the industry and second only to Kotak Mahindra Bank. Due to this strong CASA franchise, the bank has managed to keep its cost of deposits low (one of the lowest in financial space), which helps the bank in a current tight liquidity environment. IBL's cost of deposit has compressed from 5.72% in FY14 to 4.37% in FY19 on account of increasing CASA ratio and moderation in deposit rates. Overall cost of funds improved by 16bps in Q3FY20 to 5.03%.
- Increasing share of retail loans in the loan mix would drive higher fee income. In FY19 fee income increased by 16.4% to Rs 10230cr. Share of retail fees increased from 56.5% in FY14 to 77% in Q3FY20. The management expects the recent changes in regulations on MDR to have a limited impact on its fee income.
- Asset quality has been improving for the bank in recent quarters. In Q3FY20, IBL reported its third consecutive quarter of improvement in headline NPA ratios. Gross NPAs declined 80 bps qoq to 8.5% of loans, a two-year low while net NPA declined 120 bps qoq to 2.9% of loans, a three-year low. Slippages have normalized to 1.5% of loans, which is at an 18-quarter low. The outstanding share of below investment grade portfolio is at 3.3% of loans, a decline of 70 bps qoq. Provision coverage ratio stands comfortable at ~70% levels.
- IBL is well capitalised with a CAR of 16.5% as at Q3FY20 and Tier-1 capital at 15.0%. It has been funding its capital requirement mainly through internal accruals and stake sale in subsidiaries (Rs 155bn raised in last few years).
- IBL's image has recovered after suffering from allegations about its previous CEO and sharp increase in NPAs until last year. The structural change in the bank's Balance sheet (increasing retailisation) and P&L fortification (better margins, lower LLPs due to better coverage) appear to be sustainable and are likely to persist over the medium term. Improvement in corporate sector NPA due to resolution of stressed loans could mean higher than expected recoveries for the bank and addition to its profitability.
- IBL is well positioned to tap the strong growth opportunities available in the banking space. Limited exposure to known stressed names gives us some comfort and we believe the worst in terms of asset quality is long past IBL.

- Slowdown in economy, deterioration in asset quality, rising competition from existing and new Banks, lack of credit demand and slow growth in subsidiaries are some concerns faced by the Bank.

**M&M Ltd (MCap Rs 65019 cr)**

- Mahindra & Mahindra Ltd. is an India-based mobility products and farm solutions provider. The Company's segments include Automotive, Farm Equipment, Financial Services, Real Estate, Hospitality and Others. Automotive segment comprises of sale of automobiles, spares, mobility solutions and construction equipment. Its Farm Equipment segment comprises of sale of tractors, implements and spares. Financial Services segment comprises of offering financial products ranging from retail and other loans, housing finance, mutual funds and insurance broking services. Real Estate segment comprises of projects, project management and development, and operating of commercial complexes. Its Hospitality segment comprises of sale of timeshare and vacation ownership. Its Others segment include after-market, defense and steel trading. It provides taxi service through its subsidiary Meru Travel Solutions Pvt Ltd.
- In the wake of ongoing sharp slowdown in the domestic auto space, M&M has performed quite well. Net realizations grew ~1.5% YoY (-2% QoQ) to ~Rs559k. The company saw its PV sales rising a 4% YoY on discount-driven demand during the quarter. The overall on-year growth in December sales was driven by sales of utility vehicles and three-wheeler models. M&M's utility vehicle portfolio, recorded sales volumes at 15,225 units in December 2019, up 10% YoY. M&M's farm equipment sector has reported a YoY growth of 4% in domestic tractor sales, which stood at 17,213 units in December 2019.
- M&M is going to benefit from its diversified product portfolio, where, it serves across the automotive and farm equipment industry segments. Under farm equipment segment, the subsidy support from various state governments is expected to rise, which will aid the industry volumes in H2FY20. This augurs well for the company. Improving rural sentiments and good Rabi season will help in growth of volumes of farm equipment. In the year 2019, monsoon season ended with a surplus of 10% from LPA, which was highest in last 25 years.
- Festive sales have resulted in 13% Q-o-Q growth in volumes, during the third quarter FY20. Auto segment OPM came in at 13.7% vs 11.2% last year. This was achieved through robust cost focus, material cost management and favourable model mix. Dealer inventory was below normal levels. According to the management, during FY21, PV industry could grow at 2-4%, CV industry (incl. MHCV) could grow at 4-6% leading to an overall industry growth of around 3-5%.
- M&M is uniquely positioned among Indian automakers wherein, the company's PV and CV presence is tilted towards the faster growing segments within those industries, i.e. UV and LCV, respectively, (as of FY19, M&M's UV share in PV portfolio 92% vs. 27% for industry; LCV share in CV portfolio 95% vs. 60% for industry). By virtue of this product profile, M&M has been able to limit volume decline during the ongoing sharp slowdown in the domestic auto space. M&M's UV market share was at 25% in FY19.
- M&M is the dominant player in the tractor industry with ~40% market share, with the segment supporting total company volumes. The company is confident that over time tractor sales will grow at 8-10%, due to, increased govt spend on irrigation, horticulture growing at faster pace as compared to food grains (where multiple cropping, higher yields, higher realisations and lower degree of mechanization will drive growth), and shortage of labour.
- The recent tie up with Ford will enable the company to save Rs 10bn in product development cost. The company has CAPEX plans of Rs 17000cr for FY20-22, and is putting efforts to reduce earlier stated position of Rs 18,000 cr of capex + investments over FY20-22, to Rs 15000cr.
- Its North American subsidiary reduced dealer inventory by 20%, and plant inventory was reduced by 40% in the last 12 months. With this the American subsidiary is expected to achieve profitability in CY2021.
- Revenue rose by 11.46% to Rs. 12345.3 Cr in Q3FY20 when compared to the previous quarter. EBITDA was Rs. 1255.2 Cr for Q3FY20, a drop of 43.43% compared to Q2FY20, PAT for Q3FY20 was Rs. 306.6 Cr, a fall of 74.72% when compared to Q2FY20. The OPM fell to 10.2% in Q3FY20, a fall of 980.0 bps compared to the last quarter. It was due to a rise in other and raw material expenses as a proportion of sales. This resulted in a drop in PATM where, it fell from 11.0% in Q2FY20 to 2.5% this quarter. The company has suffered from lower operating leverage and losses in subsidiaries. However tractors sales outlook remains promising.

- Severe competition, lagging automotive sector, and overhang of subsidiaries might offset the other efforts that the company takes. Continued losses in SsangYong, inefficient capital allocation and complex group structure resulting in holding company discount are some other concerns.

### Reliance Industries Ltd (MCap Rs 943025 cr)

- Reliance Industries Ltd. (RIL) is one of the largest private sector companies in India with businesses in telecommunication, petrochemicals, synthetic fibers, fiber intermediates, textiles, retail and energy.
- RIL's consolidated net revenue dipped marginally by 2.5% (YoY) to Rs 1,52,939cr in Q3FY20 due to weakness in Refining, Petrochemicals and Oil and Gas segments, which was offset by robust performance of Digital Services and retail business. EBITDA margin rose 100bps (YoY) to 14.6% and recorded highest ever quarterly Net profit, grew +13.5% (YoY) to Rs. 11,841cr in Q3FY20 with considerable decline in costs and tax rates. RIL's added 456 retail store and total count stood at 11,316 in Q3FY20 and Gross Refining Margins declined to $9.2 in Q3FY20 vs $9.4 in Q2FY20.
- RIL is constructing 10 gasifiers and cost disclosed at Rs 540bn. This will allow RIL to convert its existing petcoke production to natural gas and thereby stop the import of LNG which it uses for its energy needs. RIL is also spending US$5bn gross (US$3.3bn net) to develop three sets of fields (R series, Satellite and MJ) from the KG-D6 block which together are likely to produce a peak output of 30mmscmd. Production from the R series (12mmscmd peak output) is likely to start in Q1FY21, followed by Satellite field by Q1FY22 (5- 7mmscmd peak output) and MJ-1 field by Q1FY23 (12mmscmd peak output).
- Post implementation of tariff hikes of up to 40% for prepaid customers (90% of subscriber base) from Dec 19, Jio's tariffs remain at a discount of around 25% to peers'. Its digital/Jio average revenue per subscriber (ARPU) is expected to rise from Rs 128 in Q3FY20 to Rs155/175 in FY21/22 and new subscribers to 120 mn (34%) by FY22 (Total subscribers stood at 370mn as on 31st Dec, 2019).The success in Jio/retail has been on the back of massive investments which have resulted in a higher gearing. We expect, benefits of Interconnect Usage Charge (IUC) and subsequent tariff hike would be fully reflected in the next 1-2 quarters.
- The Abu Dhabi National Oil Company (ADNOC) signed Framework Agreement with RIL to explore development of Ethylene Dichloride (EDC) facility in Ruwais (UAE). RIL will evaluate the potential creation of EDC manufacturing facility. Reliance and BP bought Niko ltd.'s 10% stake in KG-D6 for $36 mn. RIL and BP's participating Interest now stands at 66.7% and 33.3% respectively and the deal has been approved by GoI.
- RIL plans to bring down its reported net debt (Rs 1,545bn, US$22bn) to zero by March 21. RIL will need to execute on the Aramco transaction as well as execute asset/stake sale in telecom/retail to address the large debt issue. Saudi Aramco to take a 20% stake in the refining/petchem business for US$15bn (implying enterprise value of US$75bn). Apart from this, any potential stake-sale or IPO of Retail business (as stated by the Chairman) could act as a catalyst.
- Geo political tension, currency volatility, competition in Indian telecoms, low return ratios, delay in bringing down debt and lower utilization of recently started downstream energy projects are key concerns for RIL.

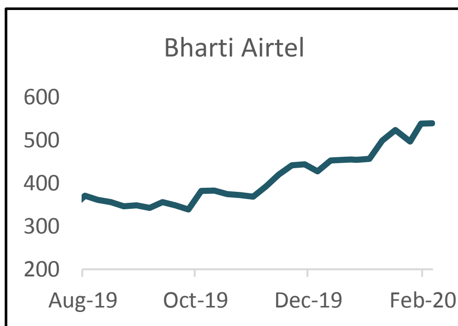
### SBI Life (MCap Rs 91425 cr)

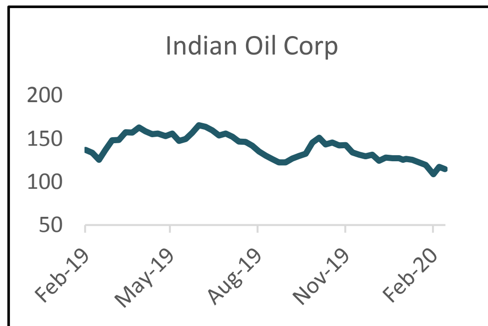
- SBI Life (SBIL) is one of the leading life insurance companies in India offering a comprehensive range of life insurance and pension products at competitive prices. It is the lowest cost life insurer with an operating cost to premium ratio of 6.1% (9MFY20), ~200bps lower than closest competitor.
- Even now, only 61% of SBI's branches are activated (business > Rs 6 lakh p.a.) and SBI contributed ~Rs 38 lakh/branch in FY19, which SBILIFE expects to increase to Rs 45 lakh in FY20E. Also, SBI has increased its commission targets from SBIL to Rs 1250cr (+25% YoY, in FY20E) without increase in payout rates. We believe branch activations will increase and the SBI channel will easily grow at 15- 20% p.a. over next 3-5 years. Incentives and competition amongst branches are successfully driving branch interest in selling insurance.
- Management stated that relatively newer tie-ups such as ALBK, Syndicate, Repco, P&S Bank continue to do better than expectations. It expects contribution from these banks to touch 10% in new business sales as early as FY22E. Management also indicated that it is looking to add new partners shortly.

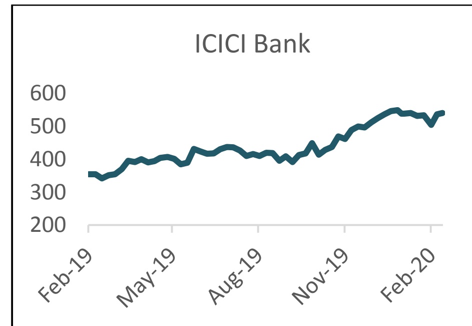
- SBI Life is eyeing APE (annual Premium Equivalent) growth of 20% over the next three years with ULIP, par and non-par (savings, protection and annuities) mix of 65%, 15% and 20%, respectively from the current mix of ULIP (70%), par (15%) and non-par (15%). It is looking to diversify product mix with segments such as annuities and non-par guaranteed products. It also plans to correct term plan pricing to be more competitive and expects any VNB (value of new business) margin losses to be compensated by increase in volumes.
- Focus on the higher share of protection business and increased traction in the non-par savings segment, driven by the launch of newer products in FY20 is likely to result in VNB margins expansion to expand to 22.6% by FY22E.
- SBIL's performance in Q3FY20 was a mixed bag. Total APE grew 16.3% YoY to Rs 33.6bn. Renewal premium grew 28.8/21.7% YoY/QoQ to Rs 67.9bn. Individual protection at Rs 110cr (0.0/-8.3% YoY/QoQ) disappointed. Management stated that decline is due to focus on premium growth (which is driven by savings LOB) and that it expected growth to return in Q4FY20. Q3FY20 was dominated by growth in ULIP, which at Rs 2490cr grew 18.0/33.9% YoY/QoQ, contributing to 74.1% of APE. For 9MFY20 VNB Margin improved 30bps vs. H1FY20 to 20.5% despite adverse product mix. Q3FY20 RPAT was Rs 410cr (+51.9%/3.4x YoY/QoQ) as investment income bounced back.
- SBI has also invested heavily on analytics and integration of SBILIFE's products on its digital platform. Credit protect continues to be a large growth area as attachment rates in mortgages is just 42%. Increasing attachment rates, higher disbursements and activation of partners to drive growth.
- Lower than expected growth, lower protection share and lower margins remain key risks. Rising competition (esp. via digital disruptors) poses pricing risk.

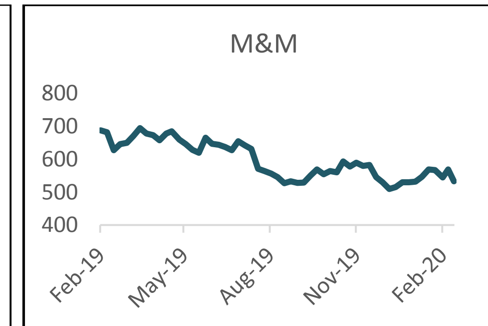
### State Bank of India (MCap Rs 285052 cr)

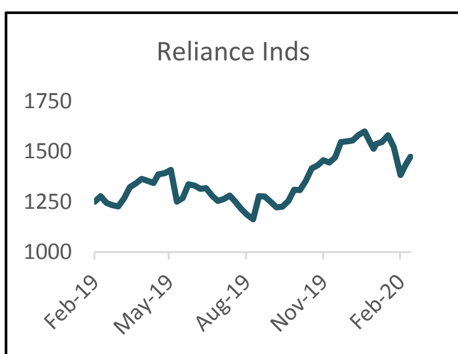
- SBI is the oldest and the largest bank in India offering a wide range of banking products and services as well as financial services through its subsidiaries and joint ventures.
- SBI's Q3 results indicate that the worst in terms of asset quality is behind SBI and that eventual healing is highly likely. Higher recoveries and upgrades (~Rs 13600cr, 2x/3.5x YoY/QoQ, aided by recoveries in ESSAR and other NCLT cases) kept GNPAs (Rs 1.6 lakh crore, 6.9%) in check even as slippages jumped 3x/2x to ~Rs 20,100cr (3.7%). In Q3FY20, NII grew by 22.4% YoY with overall NIMs improving 15bps sequentially to 3.05% & 37bps in domestic to 3.59% on back of interest booking (15-17bps positive impact) and slightly lower cost of funding. Advances growth slowed down to 7.4% YoY and deposits growth rose to 9.9% YoY. The Retail book continued to grow well at 18% YoY, while corporate book de-grew/remained almost flattish.
- SBI has increased coverage dramatically in the past year (+~900bps) and coverage on exposure to historically vulnerable sectors, too, is high. Consequently, we expect credit costs to trend downwards and RoAAs to expand. Management has guided for RoAA of 0.6% for FY20 and NIMs to stay stable.
- Faster resolutions could result in positive surprises on this front. Although the credit cycle improvement will be at a slow pace and in a nonlinear manner, the direction is likely to be positive.
- Value unlocking from SBI's unlisted subs/strategic holdings (across cards, AMC, GI) over next few years will likely boost its SoTP value. Also, its listed subsidiary SBI Life is doing well and growth surprises coupled with better product mix will add to SBI's value.
- SBIN's funding franchise remains robust with the CASA ratio at 44.7%. Capital position remains strong (Tier1/CET1 at 11.6%/10.2%).
- Around 63% of accounts today are being opened on YONO. The cost / income benefit from digitalisation is not visible as yet, but is expected to reflect on numbers in due course of time. SBI plans to launch a massive (HR) reorganization from May 2020, which will lead to a visible improvement in customer service and the capability to compete in Micro and retail markets.
- Continued delay in the resolution of large assets could delay expected asset quality improvement. SBIN's current chairman is set to retire in Oct-20. The impact on strategic changes and financial performance is uncertain. Standard exposure to stressed names/sectors and broader macros could adversely impact SBIN's asset quality.

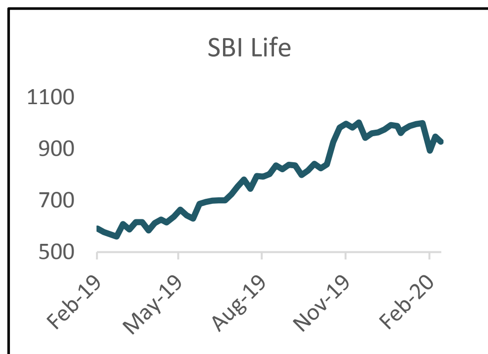


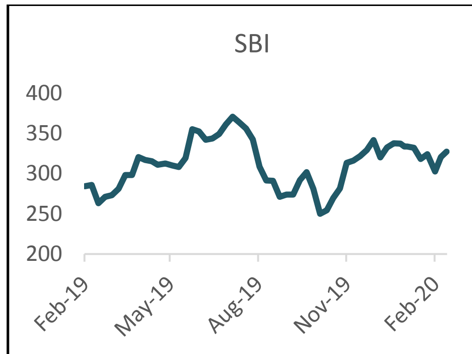




## Lesser Known Stocks

| Sr No | Company | Industry | Equity Latest | FV | CMP | Market cap | Book Value latest | Net Sales FY19 | Change in sales y-o-y | PAT FY19 | Change in PAT y-o-y | EPS TTM | P/E TTM | P/BV | Last Div %. | Dividend Yield |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Amara Raja Batt. | Auto Ancillaries | 17.1 | 1 | 755.8 | 12909 | 210.0 | 6793.1 | 0.0% | 483.2 | 0.0% | 37.6 | 20.1 | 3.6 | 708 | 0.9% |
| 2 | Apollo Hospitals | Hospitals / Medical Services | 69.6 | 5 | 1704.4 | 23712 | 219.2 | 9617.4 | 16.7% | 236.0 | 101.0% | 23.0 | 74.0 | 7.8 | 120 | 0.4% |
| 3 | Birla Corpn. | Cement - Major - North India | 77.0 | 10 | 748.4 | 5763 | 498.5 | 6548.7 | 14.3% | 255.7 | 55.4% | 57.0 | 13.1 | 1.5 | 75 | 1.0% |
| 4 | Century Textiles | Paper - Large | 111.7 | 10 | 583.3 | 6515 | 306.2 | 3633.3 | -2.8% | 6063.2 | 1531.4% | 55.0 | 10.6 | 1.9 | 75 | 1.3% |
| 5 | Coromandel Inter | Fertilizers | 29.3 | 1 | 633.2 | 18540 | 129.8 | 13224.6 | 19.3% | 744.3 | 7.7% | 32.1 | 19.7 | 4.9 | 650 | 1.0% |
| 6 | Guj.St.Petronet | Gas Distribution | 564.1 | 10 | 241.3 | 13611 | 74.2 | 9345.1 | 28.7% | 1010.6 | 36.3% | 27.6 | 8.7 | 3.3 | 20 | 0.8% |
| 7 | Torrent Pharma. | Pharmaceuticals | 84.6 | 5 | 2112.5 | 35748 | 299.76 | 7462 | 28.1% | 614.5 | -9.4% | 50.4 | 41.9 | 7.0 | 340 | 0.8% |
| 8 | Welspun Corp | Steel - Tubes / Pipes | 130.4 | 5 | 207.4 | 5409 | 118.1 | 8675.1 | 41.9% | -13.3 | -108.7% | 13.4 | 15.5 | 1.8 | 10 | 0.2% |

All figures are consolidated and in Rs. except for Equity, Sales FY19 and PAT FY19 which are in RsCr., CMP is as of February 14, 2020, EPS is adjusted for extraordinary items. Past dividend yield may not necessarily sustain in future

**A brief write-up on the Eight stocks is given below:**

## Amara Raja Batteries Ltd (MCap Rs 12909 cr)

- Amara Raja Batteries Ltd (ARBL) is India's second largest Lead-acid battery manufacturer. Its segment includes automotive and industrial lead acid batteries, with market leadership in Telecom segment. It was promoted by Galla family, who holds 28% as on 31st Dec, 2019.
- ARBL reported 3.1% revenue growth to Rs 1747.5cr in Q3FY20 led by the automotive replacement segment, which grew in the low double-digits for 4W replacement and in the midteens for the 2W replacement segment. EBITDA Margin ramped up by 230bps (YoY) to 16.2% impacted by lower raw material cost and PAT grew 25.5% to Rs 164.2cr on account of lower tax expenses.
- ARBL has been a technology leader in India, introduced VRLA (valve-regulated lead acid) batteries for the first time for industrial applications and two wheelers. In the automotive segment too, ARBL was first to introduce batteries with five-year warranties and zero maintenance fully charged batteries. Its business model is derisked as it caters to automotive as well as industrial segments. Sales are well diversified among automotive and industrial segments at 60% and 40%, respectively.
- ARBL's investments in capacity expansion is in line with the future demand. Its 2W capacity is likely to touch 19mn units (from 14.0mn units in FY19) while the new greenfield expansion (adding 6.5mn units) will take the 4W capacity to 14mn units. Company also approved an investment of Rs 5.40bn for the capacity of advanced stamped grid technology that will enable high performance batteries. All investments are likely to come over the next three to five years while the guidance for FY20E and FY21E is Rs 400cr each. ARBL will benefit from the new capacity addition and could enter into newer verticals like home ups, solar & motive power.
- Increase in the lead price in the last 8 quarters has affected the margins. Over the last 5 months the price started to soften by 13% (YoY) from Rs160/Kg to Rs.140/kg) which will benefit ARBL in subsequent quarters. Current price of lead is moving at a range of Rs143-146. We expect the raw material price to moderate and the recent price correction in lead is expected to support margin from H2FY20.
- ARBL is gearing up to be a leader through (i) consolidating in existing areas, (ii) entering new business opportunities within battery space, mainly home UPS, Solar and Motive Power and (iii) aided by capacity and network expansion.
- Competition from the unorganized sector, slowdown in auto industry, exit of Johnson Controls (former promoter), electrification of 3Ws/2Ws and delay in capacity expansion are key concerns for ARBL.

## Apollo Hospital Enterprise Ltd. (MCap Rs 23712 cr)

- Apollo Hospital Enterprise Ltd (AHEL) is Asia's one of the leading integrated healthcare service providers. It has presence in Hospital, Pharmaceutical, Primary Care & Diagnostic Clinics; Telemedicine units, Health Insurance Services, Global Projects Consultancy, Colleges of Nursing and Hospital Management and a Research Foundation, epidemiological studies, stem cell & genetic research. As on 31st Dec 2019, AHEL had nineteen direct subsidiaries, eleven step down subsidiaries, four joint ventures and four associate companies.
- AHEL reported better numbers than expectations in Q3FY20, consolidated revenue grew 16.7% to Rs 2911.7cr led by 8% volume growth. Revenue from Tamilnadu region grew by 13%, AP and Telangana by 10%, Karnataka up by 14%, new hospitals grew by 18% and Standalone Pharmacies grew by 21% on YoY basis. EBITDA margin ramped up up by 100bps (YoY) to 12.2% and PAT margin was up by 100bps (YoY) to 3.2% in Q3FY20. AHEL approved the proposal of amalgamation of Apollo Home Healthcare and Western Hospitals Corporation into Apollo Hospitals Enterprise on 13th Feb, 2020.
- AHEL is currently the market leader in the Indian private healthcare segment. It operates the largest chain of hospitals in India with 71 hospitals (45 owned, with capacity of 8,816 beds; 5 managed with 909 beds; 11 day-care/short-surgery centers with 274 beds; and 10 cradles with 283 beds) as on Dec 31, 2019. Besides its hospital-based pharmacies, AHEL runs pharmacy operations through a retail pharmacy chain of 3,700 stores as on 31st Dec, 2019. Its market leadership is driven by strong brand equity and superior quality of service due to strong relationships with highly qualified consultants.
- It has presence in Chennai and Hyderabad clusters, and has expanded to regions such as Mumbai, Ahmedabad and tier-2 and 3 towns. AHEL is constantly looking and evaluating include location, demographics, revenue potential, and the cost of setting up new facilities for new opportunities in existing and new markets. With the

objective of making high quality healthcare services and advanced medical technology available in semi-urban and rural areas, company could add capacity of around 100 to 200 beds, which will be located in Tier II and Tier III cities in India.

- AHEL's recent announcements of transfer of front-end retail pharmacy business to a separate entity and sale of investment in Apollo Munich Health Insurance Limited (Apollo Munich) by the group is expected to reduce debt levels and thereby supports management's stance on deleveraging the balance-sheet in the near future and reducing pledged shares by promoters. Company expects to reduce its debt by 25% in next one year.
- On account of increased pricing, better occupancy and improved case mix, AHEL witnessed improvement in its hospital segment's profitability (increased from 17% in FY18 to 18% in FY19). The pharmacy segment's profitability improved to 5.2% in FY19 from 4.5% in FY18 aided by store addition, increase in revenue per store, increased share of private label sales and cost rationalization. Company is continuing to add 400 new pharmacies every year.
- Regulatory risk, project execution risk, higher competition, discontinuation of leases and high debt are key concerns.

**Birla Corporation (MCap Rs 5763 cr)**

- Established in 1919, Birla Corporation (BCL) is the flagship company of the MP Birla group. It has transformed from manufacturer of jute goods to the manufacturing of cement as its core business activity. Cement constitutes about 95% of its revenue. BCL acquired the cement business of Reliance Infrastructure for an EV of Rs 48 bn in Feb-2016 taking its total capacity from 10 MTPA to 15.5 MTPA. It has cement plants in Rajasthan, Madhya Pradesh, Uttar Pradesh and West Bengal.
- The company achieved a turnaround in the performance of the Chanderia unit in FY19 – despite low prices in the northern markets throughout the year – driven by a series of cost-reduction measures and marketing initiatives. The Chanderia unit has systematically enhanced its capability of mechanical mining, reducing its dependence on purchased limestone, which has resulted in significant savings in the cost of production.
- BCL is adding clinker capacity of 480,000 tons, which, in turn, can feed the additional clinker needs of the Kundanganj grinding unit in eastern Uttar Pradesh. Its 3.9mt Mukutban Greenfield integrated unit is likely to get commissioned by FY22. Equipped with 40MW of CPP and 10.6MW of WHRS, the total cost of the project is Rs 2450cr. Financial closure of the project has been achieved by way of a 12-year term loan of INR16.3b from a consortium of four banks led by Bank of Baroda at an interest rate of less than 9%.
- BCL is focusing on increasing the sale of its premium cement, aiming to make the segment its key driver for profits. It plans to invest more in its new flagship brand: Perfect Plus. The company has a strong presence on the retail front. Further, it has been pushing more of premium cement via its trade channels and higher ad spends. Consequently, share of premium portfolio has increased from 22% of the company's total sales to 39% in the past three years.
- Management highlighted that MP Birla Perfect Wall Putty and construction chemicals, were tested in markets of UP, MP and Rajasthan and were received well by the trade channel and end-consumers. The company is targeting for full-scale launch in FY21.
- Despite a weak demand scenario, BCL posted robust results in Q3FY20. With industry-leading capacity utilisation (87%), volumes/realisations grew 7%/4% (YoY). Sales EBITDA and PAT were up by 10%, 42% and 198% (YoY), respectively. EBITDA/ton grew a robust 33% y/y to Rs.839, backed by the combined effort in improving the product mix and in cost savings. Management indicated ~4-5% volume growth and 90% capacity utilisation in FY21, backed by improving demand.
- The company has been working on various cost initiatives to improve the overall efficiency. Limestone requirements of the unit at Maihar are met through Sadhera and Salaiya mines which is around 10 kms from the site and clinker requirements of two grinding units are met from the Maihar site. The unit at Maihar is well equipped with railway sidings which provide smooth and cost-effective transportation. Also WHRS and solar power units in Maihar and Chanderia have become operational.
- Cyclicality, volatility in input prices, and project risk associated with large debt funded capex are key concerns for BCL.

## Century Textiles and Industries Ltd (MCap Rs 6515 cr)

- Century Textiles & Industries is BK Birla Group Company and engaged in manufacturing of Textiles, Pulp and Paper and Real estate business. As on 31st Dec, 2019, the promoters held a 50.21% stake in the company.
- Century's standalone revenue was down by 9% (YoY) to Rs 854cr, impacted by sluggish demand in Q3FY20, EBITDA was down by 16% (YoY) to Rs 173cr and PAT was down by 33.7%(YoY) to Rs 57cr. Paper Business continues to operate at 104% capacity utilisation and Textiles business is operating at 95% capacity in Q3FY20.
- On October 11, 2019, Century demerged its cement division and merged its Cement business into UltraTech Cement at Rs 8,621 cr through a share swap. The shareholders of Century Textiles & Industries got 1 new equity share of UltraTech for every 8 equity shares held in the company. Century's capital structure has improved substantially, with significant debt reduction post demerger of the cement business and Century is focused on operational efficiencies and cost control.
- Century benefits from its established market position in the pulp, paper, paper board and textile segments. Paper segment's revenue and profitability have consistently improved, backed by increased capacity utilisation and realisation over the last three years. This is expected to continue over the medium term, with completion of capex in high margin tissue segment and de-bottlenecking, despite some headwinds in realisations. The textile business is also expected to generate steady cashflows with growing share of exports over the medium term.
- Century's 22-storey (15 floors for lease and the rest for car parking) commercial building, Birla Aurora, at Worli in Mumbai, has been fully leased out, and generate steady rentals. Century's second commercial building, Birla Centurion, located at its Worli mill compound, was also fully leased out in FY19. Both these properties benefit from the diversified clientele, and long-term lease contracts with in-built escalation of 9-15% every three years. Steady annual gross lease rental of Rs 140-150 cr from the commercial real estate assets is expected to support cashflows over the medium term.
- The Kalyan project in Mumbai, Birla Vanya launched in Q1FY20 is progressing well on execution fronts with ~88% of the launched inventory already sold till date. The recently launched project in Bengaluru, Birla Alokya has commenced its construction and progress is as per plan also achieved a robust sales performance. The Company has further signed a Definitive Agreement in Q3FY20 for its 4th project in Magadi road, Bengaluru.
- Century is entering development of residential projects through a mix of owned land and JDA (Joint Development agreement), through BEPL (Birla Estate Pvt Ltd). The initial project funding will be done by Century, while a large portion of funding will be from customer advances and only 15-20% from construction loan. The investment requirement in the residential real estate development is expected to be upto Rs 400cr per annum, which could be comfortably met with Century's cash accruals. BEPL plans to launch its 3rd residential project in Gurugram, NCR with a booking value potential of Rs 4000cr.
- Commoditised nature of paper and textiles business, intense competition in real estate and slower than expected sales and cashflows in the ongoing real estate projects are key concerns.

## Coromandel International (MCap Rs 18540 cr)

- Coromandel International (CIL) is part of the Rs 36,893cr Murugappa Group and manufactures a wide range of fertilisers and speciality nutrients as well as deals in the business segments of crop protection and retail.
- CIL commissioned a new new Phosphatic acid plant at Vizag in Sep-2019 which will increase its raw material integration to 55-60% (including tie-ups; total requirement at ~1mn tons). This coupled with new technology adaption (ability to handle low-grade Rock Phosphate as well) will aid the margin expansion. The management expects savings of ~Rs 100cr from the additional capacity. It is also working with JV partners for efficient RM procurement which will offer stable medium-term supply.
- CIL is focusing on unique grade products which fetch a higher margin. These grade products contributed 38% to the total revenue in FY19 and the company plans to raise it to half its output in the next couple of years.
- Water levels in reservoirs at the company's key addressable markets—notably Andhra Pradesh, Telangana, Karnataka and Tamil Nadu—are significantly higher than year-ago levels. Due to the improvement in water availability and irrigation facilities there has been higher sowing of crops and fertilizer sales are expectedly seeing good growth.

- The Government in its budget for FY21 announced that it shall encourage balanced use of all kinds of fertilizers including the traditional organic and other innovative fertilizers. This is an important step to change the prevailing incentive regime, which encourages excessive use of chemical fertilisers. This move is likely to benefit complex fertilizer manufacturing companies like CIL.
- Over the past few years CIL has made a strategic shift in expanding its presence in the non-subsidy segment. It plans to scale up new product offerings in its crop protection business and targets to launch 4-6 molecules per year as it explores to work with global partners with focus on margin-accretive products. Its new R&D center at Hyderabad to focus on combination molecules.
- CIL reported revenue of Rs 3279cr (+8%/-33% yoy/qoq) driven by growth in Nutrient and allied business. Nutrient and allied segment revenue was Rs 2841cr (+8%/-35% yoy/qoq), led by phosphatics volumes growth of 27% yoy. Crop protection revenue was Rs 463cr (+4%/-9% yoy/qoq). EBITDA margins expanded 320bps yoy to 13.2% on back of softening RM prices and improved product mix, resulting in a 42% yoy jump in EBITDA at Rs 432cr. Thanks to lower tax rates, reported PAT grew +71% yoy to Rs 265cr.
- The direct benefit transfer (DBT) of fertilizer subsidies, which was expected to reduce the burden on producers, has in fact worsened the working capital situation of producers. Newer varieties of seeds resistant to infection could reduce demand in crop protection business segment. Apart from this, volatility in prices of and availability of raw material, delay in disbursement of subsidy, regulatory disruptions, and forex fluctuations as well as translation losses are also key concerns

### GSPL (MCap Rs 13611 cr)

- Gujarat State Petronet Ltd (GSPL) is a Gujarat state Petroleum Corporation Ltd (GSPC) group company. GSPC is engaged in oil and gas exploration and production (E&P) as well as gas trading business through transmission and distribution network of its subsidiaries including GSPL. GSPL provides development of systematic and seamless pipeline network across Gujarat connecting various suppliers and users.
- GSPL reported better revenue growth in Q3FY20, consolidated revenue grew by 23.3% (YoY) to Rs 3027.3cr led by 7.3%(YoY) growth in gas transmission volume to 36.9mmscmd (Volume break-up in mmscmd was: Refinery 11.8, Fertiliser 4.1, Power 5.9, CGD 10.7 and other 4.4). EBITDA was up by 11.3% (YoY) to Rs 753.8cr and PAT grew by 31.5% (YoY) to Rs 408.8cr supported by lower tax expenses.
- Company has second position after GAIL in gas transmission network in India by length and transmission volume. Company has connected with industrial cluster and units for supplying gas to SMEs/ Industrial units like Sanand, Mandali Becharji. Company is exploring opportunities to obtain connectivity / access to Greenfield / brown field terminals in the State.
- Gas demand from power sectors is usually sporadic, and requires continuous availability of spare LNG capacity. Start-up of LNG terminals at Mundra (from Feb/Mar'2020) and Pipavav (from FY22), coupled with incremental domestic gas production from ONGC/RIL, would aid power sector consumption by 15-20 mmscmd (subject to spot LNG prices remaining steady). Apart from this, the demand in Saurashtra region (particularly from Morbi tile manufacturers and RIL refinery) was quite strong in recent past. To cater to this demand, GSPL is using RIL's compressors, apart from its own, to push more gas through its pipelines.
- GSPL along with its consortium partners, Indian Oil Corporation Ltd (IOCL), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd is implementing three cross country pipeline projects awarded by Petroleum and Natural Regulatory Board (PNGRB): Mallavaram (AP) to Bhilwara (Rajasthan), Mehsana (Gujarat) to Bhatinda (Punjab) and Bhatinda (Punjab) to Srinagar (J&K). GSPL is in process of implementing City Gas Distribution (CGD) Network in the Geographical Area of Amritsar District (Punjab) and Geographical Area of Bhatinda District (Punjab).
- GSPL has various contracts on hand with reputed clients located in the region, which includes large industries and city gas distribution entities which use natural gas either as feedstock, fuel or supply it for further distribution. Total contracted volume on hand as on September 01, 2019 was 55.02 mmscmd which provides a medium term visibility to its revenue stream. Further, majority of GTAs Gas Transmission Agreement) which expired in FY19 have been largely renewed.
- Regulatory approvals, sharp uptick in LNG prices, regulatory shocks and emerging competition are key concerns for GSPL Ltd.

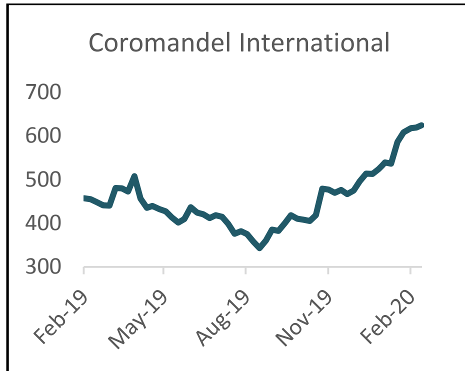
**Torrent Pharma Ltd (M Cap Rs 35748 Cr)**

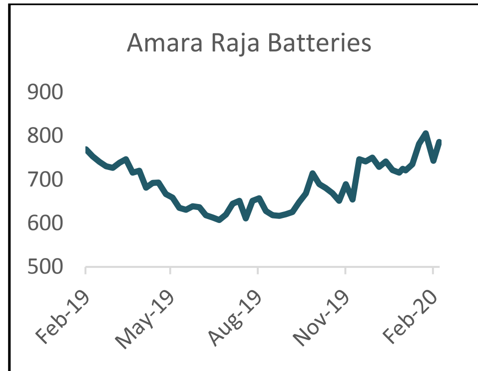
- Torrent Pharmaceuticals Limited is engaged in the manufacture, and sale of branded, as well as unbranded generic pharmaceutical products. The company operates in the therapeutic areas of cardiovascular (CV), central nervous system (CNS), gastrointestinal, diabetology, anti-infective, anti-diabetics, and pain management segments. It manufactures various active pharmaceutical ingredients (APIs), such as Nicorandil, Risperidone, Venlafaxine Hydrochloride, Ropinarole Hydrochloride, Duloxetine Hydrochloride, Ormeloxifen Hydrochloride, Nebivolol Hydrochloride, Lamotrigine, and Sertraline Hydrochloride.
- Growth on both domestic, and international front goes well for the company. In India, growth is largely driven by price hikes, focus on key brands, revenue synergies, and chronic portfolio. India business grew at 11.7% for 9MFY20, ~200bps ahead of Industry growth led by price growth (~8%). Chronic segment grew by 12%, 300bps ahead of market growth as on MAT Dec 19. On the other hand, field force productivity, and new launches will drive growth in Brazil. Torrent is the largest Indian company in Brazil, it is ranked 14th (with a 14% market share in Aripirprazole), and has climbed 3 places over 2017. Torrent's presence in Brazil is largely in the branded generic segment, which accounts for ~85% of the company's revenues. In Europe, Germany is the key region, and Torrent ranks 4th with market share of ~7%. All these augur well for the company. Torrent ranks 8th with 3.4% market share in IPM (as per AIOCD, Dec 2019). EU recovery is likely from end of 4Q.
- The company acquired Unichem for Rs 36bn in Dec 17 at c.4.2x FY17 sales, and its key brands include Losar & Unienzyme, which has outperformed the covered market growth in last one year since acquisition. However other smaller brands of Uncihem like- Ampoxin, Telsar, Vizylac have scope to improve growth and market share.
- Robust earnings growth, and superior return profile, is to be retained on the back of higher earnings growth, and strong momentum in ANDA filing. Key brands have scope to grow, which will further add to the top-line figures, and will push the margins. Resolution of Dahej (OAI) and Indrad (WL) facilities, and reduction in leverage are the key catalysts.
- Q3FY20 net sales declined 1.2% Y-o-Y, on a consol level from Rs 1948cr to Rs 1924cr, but, EBITDA (including other income) increased by 5.1% on a yearly basis, from Rs 564cr to Rs 593cr. PAT saw an increase of 2% from Rs 246cr last year to Rs 251cr.
- US business is going to get impacted due to delay in approvals (Dahej – OAI and Indrad – WL), shutdown at Levittown facility (WL) and slower ramp up of Losartan post the re-launch. Also, slower growth in the Indian formulations market together with higher price erosion in the US generics market might dampen the healthy growth in RoW markets. However, Impact of discontinued products will be much smaller in Q4 and will see normal growth in Q1FY21.

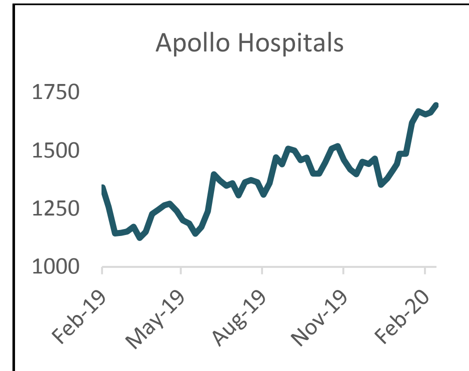
**Welspun Corp Ltd (WCL) (MCap Rs 5409 cr)**

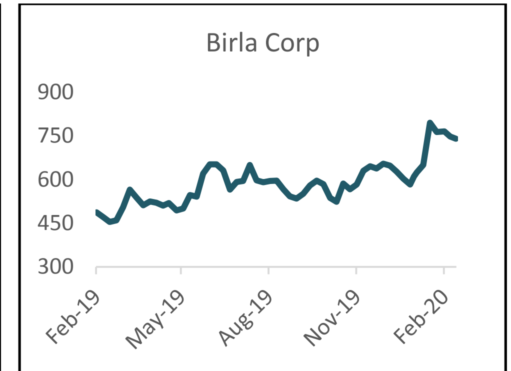
- Welspun Corp (earlier known as Welspun Gujarat Stahl Rohren Limited) is part of the $ 1.5 billion Welspun Group and a manufacturer of state-of-the-art pipe and related niche products. It is a leading manufacturer of large diameter pipes globally, offering a one-stop solution for all line pipe related requirements with its wide product range of high grade line pipes, meeting stringent specifications having modern state-of-the-art global manufacturing facilities in India, USA and Saudi Arabia for Longitudinal (LSAW), Spiral (HSAW) and High Frequency Induction Welded (HFIW)/ Electric Resistance Welded (ERW) pipes.
- Strong manufacturing and execution capabilities, strong global order book (stands at 1,305 KMT valued at Rs 108 billion - US $1.51 billion for Q3FY20), coupled with robust bids in the pipeline, and future potential, WCL is better placed compared to its peers, to take advantage of renewed pipe demand globally, and in the domestic market. It has a standing order book of 6,25,000 tonnes in India, close to about 3,80,000 tonnes in Saudi and close to 3,00,000 tonnes in America. High margins order in the US, could result in handsome operational profit.
- All its operations - India, Saudi, and US have showed improvement in operations. During Q3FY20 sales volume in US, was at 106 KMT, with significant improvement in profitability YoY, Saudi sales volume at 114 KMT, with continued profitability on quarterly basis. There was a substantial improvement in sales volume in India operations on YoY as well as sequential basis to 207 KMT, with significant improvement in EBITDA. Currently, WCL is executing one of the highest operating pressure pipeline - X80 (niche grade) in India.

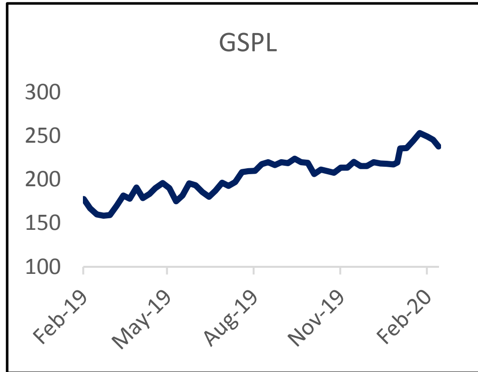
- The Saudi business has significantly turned around and continues to contribute towards profitability. With improved cash flows, the entity has started repaying shareholder's loans and is likely to pay it back completely by Q1FY21. Majority of the external loans are project-specific working capital loans, which are expected to be repaid fully as the projects get completed.
- U.S. Crude oil production (with the Permian basin accounting for most of the growth), natural gas production & export, are expected to grow, and even surpass Russia and Saudi Arabia in terms of crude oil exports by 2024. To cater to this demand, major pipeline operators are working on significantly raising pipeline capacity. Significant barrier entries existing on pipe imports, domestic US pipe manufacturers such as Welspun, are expected to benefit immensely.
- On the domestic front, the country is targeting to increase share of gas in energy mix to 15% from current 6.5% over the next decade. To achieve this, the government is working on expanding the National Gas Grid from 16,200 kms to 27,000 kms. This would be one of the key demand drivers for large-diameter pipes on the domestic Oil & Gas side. For instance, the government has already approved viability gap funding of 60% for the Indradhanush Gas Grid in the North East. Apart from this, oil grid development by IOCL will also add to the large-diameter pipe demand. City Gas Distribution projects are expected to drive the demand with more than 400 districts already planned to be covered under the network. Strong pickup in offshore activity since the lows in 2016, and spending on new offshore oil and gas projects is set to grow further this year.
- Welspun recently took some strategic decisions, where it shuts its subsidiary in UAE, which was engaged in trading activities in steel & pipes, and was not having significant operations during the last few years. This decision will help the company save unnecessary expenses, which it was incurring. It also declared to pay an interim dividend of Rs 10, owing to better results, first time in its history of pay-outs.
- WCL reported highest ever quarterly and nine months volumes and profitability. Welspun performed well in its third quarter of FY20 on both consolidated, and standalone levels. On a consolidated basis, it recorded a revenue growth of 8.7% Y-o-Y (from Rs 2657.9cr to Rs 2887.8cr), and 27.6% Q-o-Q (up from Rs 2263cr). EBITDA saw a rise of 99.9% Y-o-Y (up from Rs 183.4cr to Rs 366.6cr), and a 25.7% rise on a quarterly basis, up from Rs 291.7cr. PAT registered a growth of 753% Y-o-Y (up from Rs 27.9cr to Rs 237.9cr), and a 33% growth from the past quarter from Rs 178.9cr. On a nine month basis, revenue was up by 2.3%, EBITDA 73.7%, and PAT up by 326.2%. Gross and profitability margins doubled during the quarter. These results were achieved on account of better volumes. Pipe Sales (Total operations) were at 428 KMT vs. 339 KMT, up 26% YoY.
- Oil price volatility puts a negative impact on the order book status of the company, as it derives major portion of its business from Oil & Gas sector across geographies. Moreover, project driven nature of the business has its own limitations and constraints that become a concern during the time of economic upheavals and social unrest. In addition, forex risk is also a concern, as the company derives more than 75% of its business from different parts of the world.

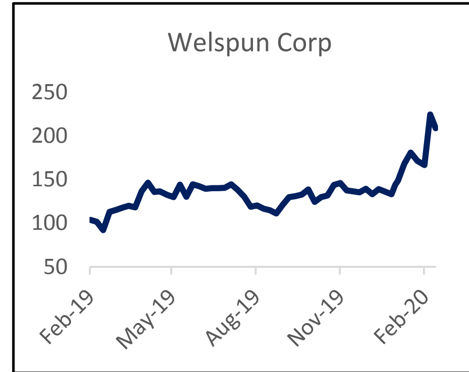


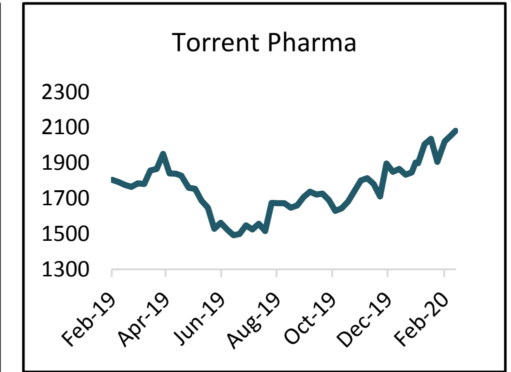






| Stock | Analyst | Educational Qualification | Holding |
|---|---|---|---|
| **Bharti Airtel** | Debanjana Chatterjee | Msc (Economics), MBA | No |
| **I O C L** | Debanjana Chatterjee | Msc (Economics), MBA | No |
| **ICICI Bank** | Atul Karwa | MMS Finance | No |
| **M & M** | Debanjana Chatterjee | Msc (Economics), MBA | No |
| **Reliance Industries** | Abdul Karim | MBA | No |
| **SBI Life Insurance** | Atul Karwa | MMS Finance | No |
| **St Bk of India** | Atul Karwa | MMS Finance | Yes |
| **Amara Raja Batteries** | Abdul Karim | MBA | No |
| **Apollo Hospitals** | Abdul Karim | MBA | No |
| **Birla Corporation** | Atul Karwa | MMS Finance | No |
| **Century Textiles** | Abdul Karim | MBA | No |
| **Coromandel International** | Atul Karwa | MMS Finance | No |
| **Guj.St.Petronet** | Abdul Karim | MBA | No |
| **Torrent Pharma** | Debanjana Chatterjee | Msc (Economics), MBA | No |
| **Welspun Corp** | Debanjana Chatterjee | Msc (Economics), MBA | No |

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