

MSEARCH



Theme : VOCAL FOR LOCAL





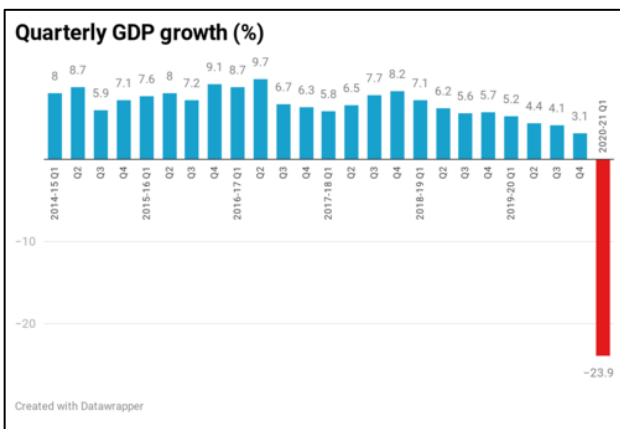
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Investment Thesis

“MAKE IN INDIA!” Ever since his first central election victory in 2014, Prime Minister- Narendra Modi and his government’s push for “Make in India” and “Make for the World!” has been very evident! It is an initiative designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure in the country!

India is one of the fastest growing countries in the world! From being no 10 in 2016, India has become the fifth-largest economy in 2019/2020, with a GDP of approximately USD 2.94 trillion, overtaking the United Kingdom and France. Current Covid19 situation has taken the Indian GDP numbers at all-time lows! Just like any other country there been wide-spread damage that the Indian economy has endured as a result of the lockdown. India government has to bring in significant changes on several fronts to be able to bring its economy back into shape to meet the aspirations of its 1.3 Billion population!



This entire effort which hadn’t gathered much steam due to several bureaucratic and regulatory hurdles over the last 6 years has now gathered significant steam! Almost every single country in the world has seen the effects of COVID19 pandemic led lockdown! Earlier this year, March/April 2020, economies of the world which were never built to shut almost came to stand still! With all major aviation activity coming to a complete halt almost all major countries realized the immediate need for self-reliance!

“Atmanirbhar Bharat!” is product of this aforementioned situation! Once again our countries Prime-Minister emphasized giving a clarion foundation call that his governments number 1 priority in- order to lift the economy back to its glory would require a significant focus on being self-reliant by “Making in India” and being “Vocal for Local”! These two campaigns backed with governments effort to create “ease of doing business” presents a huge opportunity for several sectors and companies in those sectors. The Government through its initiatives aims to:

1. Create more conducive business environment for all (Domestic & International Players), by eliminating the unnecessary laws and regulations, making bureaucratic processes easier and shorter and make governance more transparent, responsive and accountable.
2. Provide the world with a world-class manufacturing experience, making the manufacturing hub of the world with “zero defect and zero effect” (efficient manufacturing with least impact on environment- sustainable development)
3. Make every hand at work better skilled
4. Harness its potential in domestic trade
5. Improve India’s Balance of Trade Situation! Make India an Export Surplus Nation! (Since 1980’s India has been recording sustained trade deficits mainly due its high dependence of imports in crude)
6. Make India the number 1 investment destination for the world

Investment Thesis

While there will be immense opportunities going-forward, we at Mehta, feel that there is a huge opportunity at-hand for investors to gain from this “Make in India” theme in the Indian Capital markets! In a sincere attempt, to identify long-term wealth creating ideas, our research team has put together, the following stock picks that fit in this “Make in India” theme will gain from the overall push to this theme. The large caps have had a terrific run for almost 2 years since early 2018 and barring the short-term Covid impact earlier this year the Nifty and Sensex are at its peak. Mehta’s focus over the last two-decades in identifying hidden gems in the mid and small-cap space makes its research unique while creating a mutually rewarding relationship for all. We feel that there are several player’s/ market leaders in the mid and small cap space that are on a launch pad for a phenomenal journey. If anything, the recent slew of fund-raise by India’s largest conglomerate only re-assures us that the next few decades are for India and Indian companies!



Looking at the opportunity and the push we have identified few companies, which could potentially get benefited by the theme “Vocal For Local” and can turn out to be Investment mantra in the current scenario.

Sr No.	Company	Industry	CMP (Rs)	Accumulation Range Rs
1	BEL	Defence	93	88-95
2	Midhani Ltd	Capital Goods	183	180-200
3	Alembic Pharma Ltd	Pharmaceutical	973	930-980
4	Bharat Forge Ltd	Defence/Auto	495	435-475
5	Granules India Ltd	Pharmaceutical	386	350-385
6	KKCL	Retail	758	730-760
7	Sudarshan Chem Ltd	Chemicals	487	450-470
8	Minda Industries Ltd	Auto	330	315-330
9	Zen Technologies Ltd	Defence	80	70-78
10	Poly Medicure Ltd	Healthcare	488	450-480

Investment Idea- Bharat Electronics Ltd | Accumulate | Range Rs 88-95

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	500049
NSE Code	BEL
52 Week High (Rs)	122
52 Week Low (Rs)	56
Market Cap (Rs Cr)	22660
Face Value	1
Cmp Rs	93

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	51.14%
Public	48.86%

Promoters/ Management

Mr. Venkateswara M	MD
Mr. Koshi Alexander	CFO
Mrs Anandi Ramalingam	Director
Mr. Vinay Katyal	Director
Mrs. Sikha Gupta	Director

Key Ratios

ROCE	25.70%
ROE	16.7%
P/E	12.6x
P/BV	2.30

Research Team

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Bharat Electronics Ltd (BEL), a defence public sector undertaking (PSU) engaged in manufacturing and supplying of strategic electronic products primarily to defence services. It is the dominant supplier of radar, communication and electronic warfare equipment to the Indian Air Force. The company has nine manufacturing units located across India and two research units in which the Bangalore unit contributes the largest share to the total revenue and profits. Over the years, the company has grown into a multi-product, multi-technology, multi-unit company serving the needs of customers in diverse fields in India

INVESTMENT THESIS

Riding on 'Make in India' push: We believe BEL is well placed to tap the story of Make in India and Atmanirbhar Bharat. India's plan to reduce import dependency and shift production to India, coupled with globally declining preference for manufacturing in China. The business prospects look encouraging, especially given the government's focus on 'Make in India' and indigenization of defence manufacturing. Also its continuous focus on receiving orders for Homeland Security, Smart City, Space Electronics, Weather Radars, etc. should help it grow. We expect normalcy to return in second half of the year with all manufacturing units resuming operations. Healthy topline growth is on cards with increasing future run rate of orders. BEL is well prepared to execute all the orders and overcome challenges coming its way.

Strong execution to aid growth: BEL received major orders during the year worth Rs 13,200 Cr. Amongst the orders it received AMC for Akash Missile System, Coastal Surveillance System, upgrade of EW system and smart city business. Order inflows during the year were down 43%, but an order backlog of Rs 51,970 Cr provides revenue visibility. Amid current crisis it is likely to face short term challenges in terms of execution and order inflow. However over the medium to long term, BEL's established track record, and large manufacturing capacities with adequate pool of trained manpower and research and development (R&D) capabilities will continue to be strong mitigating factors.

Signed MoU with AAI: BEL has collaborated with the Airports Authority of India (AAI) for tapping emerging global opportunities in the airport business. It has signed MoU where AAI will play the role of a development partner and will assist BEL in its domain of expertise to enable execution of the prestigious MEA projects outside India. Both the organisations will work in close co-operation with each other in the field of civil aviation, in both present and future projects handled by BEL.

Healthy financial profile: BEL continues to enjoy advantage over its competitors due to its dominant market position and established track record. Last quarter witnessed increase in raw material cost but was offset by lower other expenses. Also there's a notable reduction in BEL's trade receivables in FY20, indicating improvement in payments from the govt. BEL's financial profile remains strong on account of healthy profitability and return indicators, negligible borrowings, comfortable liquidity profile supported by good cash flows. These cash flows are expected to meet the capex and dividend outflows. The company also has sanctioned and unutilised fund-based borrowing facilities of Rs 500 Cr.

MView

We believe medium to long term, the BEL remains well positioned for growth given its strong order book position, expertise in executing complex projects, healthy client base and cost reduction efforts. We will also see in future improvement in balance sheet through better payments terms from the govt and healthy order backlog amounting to four times the previous fiscal year's sales provides revenue visibility. Hence we are optimistic on BEL which has capability of delivering a much larger turnover yielding better cash flows/returns over two-three year. Considering all the rationales and growth prospects we recommend investors to Buy/Accumulate BEL in current levels for long term.

Financial Overview - Bharat Electronics Ltd

CONSOLIDATED FINANCIAL TABLES

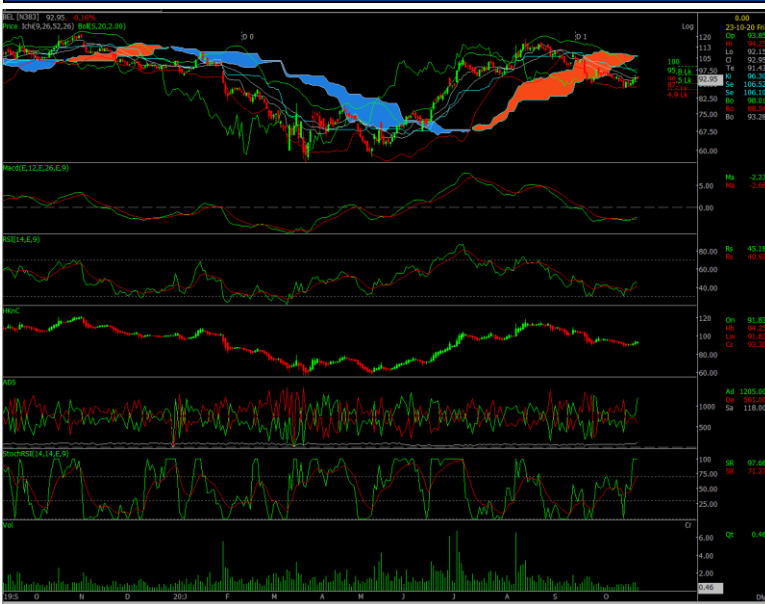
Profit & Loss Statement (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Sales	12085	12921	13309	15305
% change	17%	7%	3%	15%
EBITDA	2862	2730	2460	3146
% change	43	-5	-10	28
EBITDA %	23.7%	21.1%	18.5%	20.6%
Depreciation	316	350	399	459
EBIT	2546	2380	2061	2687
Interest	12	3	3	3
Other Income	170	102	111	123
PBT	2703	2479	2169	2807
% change	39	-8	-12	30
Tax	776	685	542	702
Tax Rate (%)	29%	28%	25%	25%
Reported PAT	1927	1794	1627	2105
Adj.*	-	-	-	-
Adj. PAT	1927	1794	1627	2105
% change	38	-7	-9	30
PAT Margin %	15.9%	13.9%	12.2%	13.8%
No. of shares (cr)	244	244	244	244
Adj EPS (Rs)	7.9	7.4	6.7	8.6

Balance Sheet (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Cash	722	1556	1073	1962
Accounts Receivable	5369	6023	7142	7542
Inventories	4455	3963	4567	5405
Other Cur. Assets	5621	7466	7695	9055
Investments	1019	1223	1223	1223
Gross Fixed Assets	2985	3771	4371	4871
Net Fixed Assets	2060	2497	2706	2776
CWIP	275	199	300	300
Intangible Assets	471	506	506	506
Def. Tax (Net)	471	497	497	497
Total Assets	20463	23911	25710	29267
Current Liabilities	2633	3306	3611	4176
Provisions	1380	1476	1502	1767
Debt Funds	-	-	-	-
Other Liabilities	7432	9276	10090	11669
Equity Capital	244	244	244	244
Reserves & Surplus	8775	9609	10263	11441
Shareholder's Fund	9019	9853	10507	11685
Total Liabilities	20464	23911	25710	29267

Technical Trend Outlook



Cash Flow Statement (Rs Cr)

Particulars	FY18	FY19	FY20	FY21E
Net inc. + Depn.	1927	1794	1627	2105
Non-cash adj.	318	437	283	310
Changes in W.C	-747	301	-827	-189
C.F. Operation	1498	2533	1088	2248
Capital exp.	-738	-726	-701	-500
Change in inv.	-277	19	-	-
Other invest.CF	129	69	111	123
C.F - Investment	-886	-639	-589	-377
Issue of equity	-	-	-	-
Issue/repay debt	-82	-80	-3	-3
Dividends paid	-546	-979	-979	-979
Other finance.CF	-	-	-	-
C.F - Finance	-628	-1059	-983	-983
Chg. in cash	-16	834	-484	889
Closing cash	722	1556	1073	1962

Notes

Investment Idea- MIDHANI Ltd | Accumulate | Range Rs 180-200

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	541195
NSE Code	MIDHANI
52 Week High (Rs)	278
52 Week Low (Rs)	130
Market Cap (Rs Cr)	3346
Face Value	10
Cmp Rs	183

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	74.00%
Public	26.00%

Promoters/ Management

Dr. Sanjay Kumar Jha	MD
Mrs. Madhubala Kalluri	CFO
Mr. Surendra Sinh	Director
Mr. Sanjay Jaju	Director

Key Ratios

ROCE	20.50%
ROE	14.17%
P/E	20x
P/BV	3.00

Research Team

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Mishra Dhatu Nigam (Midhani) is a Hyderabad based leading manufacturer of speciality steel, super alloys and titanium alloys catering to niche end-user segment such as defence, space and power. The company is also a sole manufacturer of varied titanium alloys in India and it has one of the few metallurgical plants of its kind in the world, designed to manufacture a wide range of special metals and alloys. The product profile further includes three varieties of super alloys – nickel based, iron based and cobalt based.

INVESTMENT THESIS

Vocal to Local: We believe vocal for local tagline Midhani would stand well placed to tap the opportunity. At a time when India has started facing some tough challenge along the Line of Actual Control with China an exclusive armour unit to manufacture bullet-proof jackets of international standards and protective gear and to supply bullet-proof vehicles will come up at Midhani in Hyderabad's Kanchanbagh area. Centre's Atmanirbhar Bharat concept has been implemented as preference will have to be given to it instead of going imported of such armed products. Since Midhani has mastered the technology and proven that it can supply bullet-proof jackets produced indigenously.

Focus on self-reliance: India is the 5th largest in the world with respect to defence budget allocation: India domestically produces only 45% to 50% of defence products it uses, and the rest are imported. In the aerospace segment about 70% of the raw materials are imported. With focus on self-reliance, Defence Production Policy of 2018 (DPP-2018) has a goal of India becoming among the top 5 global producers of the aerospace and defence manufacturing with annual export target of US\$5 billion by 2025, hence we believe Midhani fits best into this scenario.

Unique manufacturer for strategic sectors: With a track record of more than four decades, the company has an established its position as a leading supplier of a wide range of super alloys to sectors such as defence, space and atomic energy. The government's 'Make in India' initiative has led to a boost in defence and other heavy equipment manufacturing in India. This is likely to increase the demand for the company's products over the medium term. Products manufactured are key ingredients for strategic sectors in India, which typically cannot be imported from other countries due to its national security related concerns and Midhani make it.

Leadership in space program of India: Midhani is associated with ISRO for the last four decades and ISRO contributes to around 40% of the revenues and ~60% of its order book. The trust of company's customers in Midhani's capabilities is manifested through customer funded capital investments at the company. Midhani is only company in India to carry out vacuum based smelting and refining. These advanced melting facilities enable them to provide their customers with high quality products which meet their stringent quality requirements.

Marquee clientele and quality certifications: Midhani has built a strong customer relationship and has been the strategic material supplier/ partner to Indian defence, space and energy sectors and last year Midhani's growth has been primarily driven by space and energy sector due to increased number of launches by ISRO and 'Make in India' program respectively. All Government operated Space Research, Air Force & Navy, Nuclear Power are key segment clients.

MView

We believe company enjoys virtual monopoly in its field and It has no listed peers to compare with. We expect the momentum to accelerate with more focus on vocal to local and made in India strategies. The current order book position of the company as on latest stood ~Rs.1800+ Cr which is executable over the next 18-24 months. On the operating front, we expect margin to see 200 bps expansions owing to operational efficiencies in coming quarters. Strong execution capacities along with strong balance sheet and new product developments the stock is available at attractive valuations. We recommend investors to accumulate in range 180-200 with long term prospective.

Financial Overview - MIDHANI Ltd

CONSOLIDATED FINANCIAL TABLES

Profit & Loss Statement (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Sales	711	713	783	1017
% change	0%	0%	10%	30%
Operating Expenses	527	515	532	692
EBITDA	184	198	250	326
% margins	26%	28%	32%	32%
Depreciation	23	26	37	47
EBIT	161	172	214	279
Interest	6	6	6	6
Other Income	37	36	35	36
PBT	191	202	243	308
% change	0%	6%	20%	27%
Tax	61	42	61	77
Tax Rate (%)	32%	21%	25%	25%
Reported PAT	131	160	182	231
PAT Margin %	18%	22%	23%	23%
No. of shares (cr)	18.7	18.7	18.7	18.7
Adj EPS (Rs)	7.0	8.5	9.7	12.3

Balance Sheet (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Assets				
Total Current Assets	1166	1515	1431	1744
Cash	198	111	159	323
Total Current Liab.	427	563	568	772
Net Current Assets	738	952	863	972
Investments	2	21	21	21
Net Fixed Assets	425	441	619	792
Capital WIP	175	405	400	380
Other non-current	57	15	15	15
Total Assets	1397	1833	1918	2180
Liabilities				
Borrowings	107	134	134	134
long term liabilities	456	743	700	800
Equity Share Capital	187	187	187	187
Reserves & Surplus	647	769	897	1059
Net Worth	835	957	1084	1246
Total Liabilities	1397	1833	1918	2180

Technical Trend Outlook



Cash Flow Statement (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Operating Cashflow	156.2	173	189.7	248.5
Working Capital Changes	139.8	31.4	136.3	55.5
Capital Commitments	-213.8	-271.7	-210	-200
Free Cashflow	75.9	-73.2	116	104
Investing Cashflow	8.4	76.4	34.6	35.6
Issue of Share Capital	-	-	-	-
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	13.8	27	-42.6	100
Dividend paid	-85.4	-34.1	-54.6	-69.3
Others	-6.4	-5.9	-5.9	-5.9
Extraordinary Items	-	-	-	-
Chg. in Cash	6.3	-9.8	47.6	164.3

Notes

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Investment Idea- Alembic Pharma Ltd | Accumulate | Range Rs 930-980

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	533573
NSE Code	APLLTD
52 Week High (Rs)	1128
52 Week Low (Rs)	436
Market Cap (Rs Cr)	19598
Face Value	2
Cmp Rs	973

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	69.77%
Public	30.23%

Promoters/ Management

Mr. Chirayu Amin	CEO
Mr. Pranav Amin	MD
Mr. Raunak Amin	MD
Mr. Mitanshau Shah	Finance

Key Ratios

ROCE	25.70%
ROE	33.86%
P/E	16.7
P/BV	5.65

Research Team

Mr Kushal Shah

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Alembic Pharmaceuticals Limited (APL), is an Indian multinational company based out of Vadodara, Gujarat. It has been at the forefront of healthcare since 1907. It aims to explore opportunities in the therapeutic areas such as Dermatology, Oncology, and Injectable Formulations. APL is one of the leaders in branded generics in India with vertically integrated research and development department. APL has also filings across Canada, Europe, Australia, South Africa & Brazil & are marketed through a marketing team of over 5000 which are well recognized by doctors and patients

INVESTMENT THESIS

New launches to aid growth: APL registered a growth of 49% YoY in FY20. The outperformance was mainly driven by an increased number of new launches and strong growth in API and ex-US generic formulation sales. Its API sales grew by 70% QoQ and Azithromycin exports were an important contributor. Also covid led stock up attributed to high demand and increased product prices in antibiotics. It has filed 8 ANDAs during the quarter and received approvals for 4 ANDAs. It also launched 3 products in the US in 1QFY21 and ready to launch another 5 products in 2QFY21. In coming quarters it has a strong launch pipeline of 15-20 new products. We think it can sustain the growth with such launches.

Momentum to continue due to sartan business and better product mix: Sartan business supported the growth in US formulation business. These are complex products and mainly used to treat blood pressure. APL's sartan portfolio includes 15 ANDAs. There might be competition arising in this area but with new launches and better product mix overall company expects to maintain \$70mn of run rate for the left out period of this fiscal year. Its domestic business showed a degrowth of 6% due to lockdown but supply disruptions in China has created opportunities for its API business (Azithromycin). API business grew 53.5% YoY which accounts for 20% of portfolio. APL's focus also remains towards better mix of products from oncology and derma segments. Injectibles have started contributing vs current oral portfolio.

Operational performance to improve on completion of major capex: APL has done a heavy capex led by aggressive product development over the past few years & has been the largest spenders on R&D as a % of total sales. Gross margins declined due to low margin API business but was offset by US generic which helped improve margins over past few years. Now as capex is almost done despite higher cost of sales, EBITDA margin expanded by 300bps during the quarter. R&D spend was lower by Rs 40Cr on a QoQ basis. Going ahead we believe operating cash flows to improve due increased pace of ANDA approvals and lower inventory holding period with recovery in the payments from customers.

MView

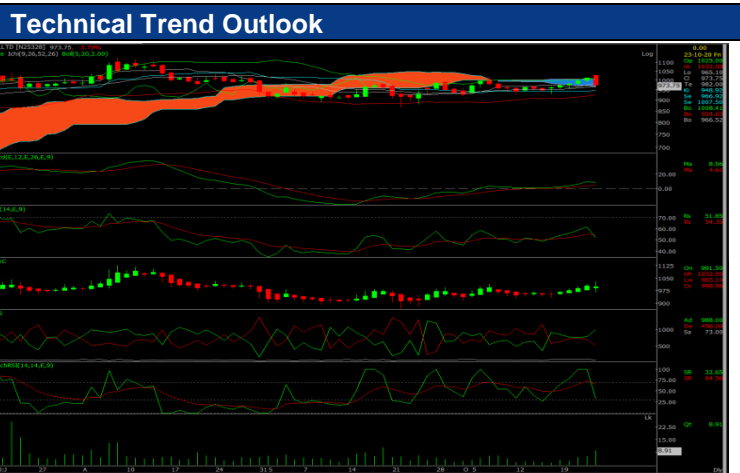
Alembic Pharma Ltd has remained an active player in the domestic formulations space supported by brands like Azithral, Althrocin and Wikoryl in the anti-infective and cough & cold segments. We see growth coming in the business supported by strong buildup in the ANDA pipeline and covid led disruptions further lending support to generics where APL is a key beneficiary. Also continuous R&D and capex has helped it renew its strategy and thus looks in much better shape now to overcome the challenges. It is currently trading at P/E of 16 and strong FCF provides visibility for the near future. We initiate a buy recommendation on the company for the investors with a long term perspective.

Financial Overview - Alembic Pharma Ltd

CONSOLIDATED FINANCIAL TABLES

Profit & Loss Statement (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Sales	3934.7	4605.8	5593.3	6834.6
% growth		17.1%	21.4%	22.2%
EBITDA	856.1	1223	1624.8	1880.6
EBITDA Margin (%)	21.8%	26.6%	29.0%	27.5%
Depreciation	115.2	157.3	179.2	229.2
EBIT	740.9	1065.7	1445.6	1651.4
Interest Expenses	18.4	27.2	19.3	22
PBT	722.5	1038.6	1426.4	1629.4
Other Income	26.9	4.9	17.5	175
PBT	749.3	999.9	1443.9	1646.9
Tax	156.8	199.2	310.4	354.1
Tax Rate (%)	20.9%	19.9%	21.5%	21.5%
Adjusted PAT	586.3	828.8	1133.4	1292.8
PAT Margin	14.9%	18.0%	20.3%	18.9%
No. of shares (cr)	18.85	18.85	19.65	19.65
Adj EPS (Rs)	31.10	43.97	57.68	65.79

Balance Sheet (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Capital	37.7	37.7	39.3	39.3
Reserves & Surplus	2681	3182	4973	6175
Shareholders' Funds	2719	3220	5012	6214
Total Loan Funds	928	1748	898	498
Total Liabilities	3717	5098	5968	6769
Gross Block	1523	2046	2546	3896
Accumulated Dep.	364	521	698	925
Capital WIP	1341	1574	1774	949
Net Fixed Assets	2710	3398	3919	4214..6
Other non-current assets	62	111	111	111
Inventories	967	1188	1456	1685
Sundry Debtors	489	865	920	1124
Cash & Cash Equivalent	206	81	214	292
Loans and Advances	278	290	290	290
Total Current Assets	1958	2463	2919	3431
Trade Payables	702	626	766	936..3
Current Liabilities	322	227	177	-
Total Current Liab&Prov	1061	891	999	1005
Net Current Assets	897	1572	1920	2426
Total Assets	3717	5098	5967	6769



Cash Flow Statement (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Operating WC changes	864	1022	1357	1534
Net change in WC	-73	-669	-165	-251
CF - operating	812	441	1138	1305
Adjusted Operating CF	808	436	1134	1301
Capital Expenditure	-828	-796	-700	-525
Adjusted FCF	-20	-360	434	776
CF - investing	-756	-732	-700	-525
CF - financing	59	155	-304	-702
Net change in cash	115	-136	134	78

Notes

Notes

Investment Idea- Bharat Forge Ltd | Accumulate | Range Rs 435-475

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	500493
NSE Code	BHARATFORGE
52 Week High (Rs)	533
52 Week Low (Rs)	208
Market Cap (Rs Cr)	21297
Face Value	2
Cmp Rs	495

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	45.76%
Public	54.24%

Promoters/ Management

Mr. B N Kalyani	Chairman
Mr. S M Thakore	Director
Mr. P G Pawar	Director
Mr. Vimal Bhandari	Director

Key Ratios

ROCE	7.05%
ROE	4.54%
P/E	86x
P/BV	4.54

Research Team

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Bharat Forge Ltd (BFL) is a Pune based Indian multinational company. It is a flagship company of Kalyani Group, which has significant presence in the automotive components sector in India. BFL is involved in automotives, power, oil and gas, construction & mining, locomotive, marine and aerospace industries. It is one of the largest commercial forging companies in the world in terms of capacity and revenue, with presence in automotive as well as non-automotive component sectors with wide domain knowledge in design and engineering of highly critical automotive and non-automotive components. They are the country's largest manufacturer and exporter of automotive components and leading chassis component manufacturer.

INVESTMENT THESIS

Defence announcement enhances visibility: Governments Make in India campaign is another large opportunity for BFL. It has restricted imports on 101 defence products which provide visibility for BFL's artillery guns (towed artillery gun and Ultra-light howitzer gun). BFL is very well prepared for this localisation drive and is amongst the few players that offer such products & solutions. It has transformed itself into sub assembly defence system supplier with focus on Artillery guns, air defence systems and armoured vehicles. Over with more clear visibility on orders this segment has the potential to boost the topline for BFL.

Value addition remains a bright spot in near term: BFL is experiencing a slowdown in its CV segment both in domestic sales as well as exports. However, with its continuous efforts it has developed truck transmission parts, that improves its content per truck considerably which has started showing positive signs in net ordering trend of US class 8 trucks in last two months. Its PV segment also remains a focus area which is comparatively doing better led by expansion of product portfolio, upward shift in value chain and addition of new customers. BFL's newer initiative towards light weight components in the form of aluminium forgings will deliver strong realisations and aid operational benefits in the near term.

Well placed in Non-Auto space: BFL also caters to non-auto segment which includes oil & gas, aerospace & defence related activities. Slowdown in the CV segment is been supported by new product launches from this segment. The oil & gas segment was under performing due to weak oil prices but now that stability is back. In brent crude prices it will augur well for its drilling activity. Also BFL has added 3 new customers recently. Aerospace on the other hand was facing headwinds while engine parts for business jets, new products in replacement parts & new customer wins will support the segment.

MView

We have a positive view on the company due to its leadership position in automotive forging and diversified revenue streams. We believe recovery in its core segment will be delayed but performance will be aided owing to its high potential segment like Defence. We expect momentum to continue in the near future in the core segment led by customer addition, new product launches and gradual recovery in the economy. So with the significant amount of potential in the new segments and strong growth in the Aluminum Forging business, we see good demand visibility and thus initiate a buy rating on this stock.

Financial Overview – Bharat Forge Ltd

CONSOLIDATED FINANCIAL TABLES

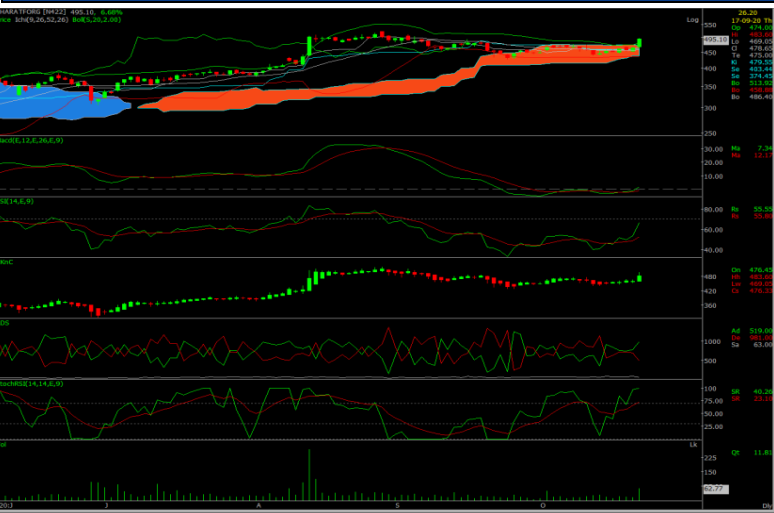
Profit & Loss Statement (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Sales	6520	4564	3773	5265
% change	0%	-30%	-17%	40%
Expenditure	4643.9	3524	2967.7	3850.1
EBITDA	1876	1040	805	1414
EBITDA Margins %	29%	23%	21%	27%
Depreciation	347	345	374	403
EBIT	1530	695	431	1012
Other Income	166	161	189	218
Interest expenses	102	145	130	124
PBT	1593	711	490	1106
Tax	552	143	117	264
Tax Rate %	35%	20%	24%	24%
Extraordinary Items	30	-94.8	-4.6	0
Adjusted PAT	1041	568	373	842
PAT Margins %	16.0%	12.5%	9.9%	16.0%
No. of shares (cr)	46.5	46.5	46.5	46.5
Adj EPS (Rs)	22.39	12.22	8.02	18.11

Balance Sheet (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Equity capital	93	93	93	93
Reserves & surplus	5305	5262	5496	6033
Net worth	5398	5355	5589	6126
Loan Funds	3189	3244	3072	2942
Net deferred tax liability	270	131	134	139
Total Liabilities	8858	8730	8794	9207
Net block	2634	276	3229	2976
Investment	2192	2353	2953	3053
Current Assets	4400	3707	3178	4208
Cash & bank balance	370	444	481	444
Other Current Assets	476	317	262	365
Current lia & Prov	1082	988	770	1234
Net current assets	3319	2719	2408	2974
Total Assets	8858	8730	8794	9207

Technical Trend Outlook



Cash Flow Statement (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
PBT (NI+Dep)	1457	432	301	888
Chg in working cap	-617	429	420	-783
Cashflow - Operating	631	1216	1285	602
Capital expenditure	-846	-513	-150	-150
Free Cash Flow	-215	703	1135	452
Investments	-177	-248	-600	-100
Other Investing CF	21	32	-189	-218
Cashflow - Investing	-836	-568	-750	-250
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	659	-171	-172	-130
Dividend paid (incl tax)	-281	-334	-197	-135
Other Financing CF	89	44	0	0
Cashflow - Financing	387	-573	-498	-388
Net chg in cash	182	74	36	-36

Notes

Notes

Investment Idea- Granules India Ltd | Accumulate | Range Rs 350-385

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	532482
NSE Code	GRANULES
52 Week High (Rs)	407
52 Week Low (Rs)	113
Market Cap (Rs Cr)	9510
Face Value	1
Cmp Rs	386

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	42.04%
Public	57.96%

Promoters/ Management

Mr. Krishna Chigurupati	Chairman
Mr. Sandip Neogi	CFO
Mr. Harsha Chigurupati	Director
Mr. K B Sankar Rao	Director

Key Ratios

ROCE	17.12%
ROE	28.13%
P/E	16x
P/BV	5.32

Research Team

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Granules India Ltd (Granules), headquartered in Hyderabad is a large-scale vertically integrated company manufacturing active pharmaceutical ingredient (API), pharmaceutical formulation intermediate (PFI) and finished dosage (Formulation). Over the years, it has created a strong presence in 'the first line of defence' products such as Paracetamol, Ibuprofen, Metformin, Methocarbamol, and Guaifenesin. Granules provides worldwide services to over 250 customers across 50+ countries. It has one of the largest PFI and single site formulation facilities in the world. It is also home to one of the world's largest Paracetamol API facilities.

INVESTMENT THESIS

Backward integration a key driver of margins: Granules have been continuously focusing on reducing the cost & it has been able to achieve that as production of all the core molecules of the company are completely backward integrated. Also it is a prime beneficiary of substitute play for multiple API's. Management has guided that R&D spend would decrease in the near future and this should as well support the cash flows. It has planned to tweak its revenue model to own launches from partnership model & incremental contribution from high margin formulations, such core molecules which are niche will help growth. The capacity utilisation of plants has also moved up increasing the operating leverage. Over the years we expect with new capacities getting commissioned for oncology segment and various ANDA approvals to move up the margins to 27% in the coming years.

Focus continues on PFI and FD segment with newer launches: Granules achieved growth due to both Pharma Formulation Intermediate(45%) & Finished dosages(35%) segment. Its successful timely launches and market penetration in different geographies is another key to success. It gained market share due to g Methergine intermediate & successful launch of Colchicine tablet & Butalbital APAP tablet in USA which comes under finished dosage segment. Such operating leverage helped the company to increase its share of Finished Dosages to 52.4% from 47.8% in Q1FY20.

Core product portfolio is the main strength: Granules core strength lies in manufacturing of these five products which includes Paracetamol, Metformin, Ibuprofen, Guaifenesin and Methocarbamol. It is able to generate healthy growth along with improvement in margins by further expanding core products into other geographies to gain economies of scale. Management has guided that these core molecules to contribute 65-75% over the next three to five years.

g-Focalin XR the next growth trigger: Recently Granules received ANDA approval for the generic version of Focalin XR which used for the treatment of Attention Deficit Hyperactivity Disorder (ADHD). It is a complex drug with a market size of around USD35mn annually. This is its 7 ANDA approval in a year and all these approvals are going to augur well for the company as it has limited. Players in this area. It also intends to launch 7-8 ANDAs/ Dossiers in FY21.

MView

We believe company has lot of potential on the back of new approvals and launches and with it foraying into newer geographies there remains traction for the next couple of years. Granules has delivered strong operating performance due to its cost optimization measures improving return ratios and leaner balance sheet. We remain optimistic about long term growth prospectus driven by gradual expansion into more complex products and other formulations business. Also going forward healthy contribution from new capacities makes us bullish on the company and thus we suggest investing for long term horizon.

Financial Overview – Granules India Ltd

CONSOLIDATED FINANCIAL TABLES

Profit & Loss Statement (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Sales	2279	2599	3151	3772
Change (%)	0%	14%	21%	20%
Total Expenditure	1887	2051	2328	2821
EBITDA	392	547	822	950
Margin (%)	17%	21%	26%	25%
Depreciation	105.5	137	149.2	185.6
EBIT	287	410	673	765
Finance Charges	29	27	25	221
Other Income	27	37	22	189
PBT	285	420	671	762
EO Items	-8	57	-151	0
PBT	277	426	656	762
Current Tax	89	126	170	190
Deferred Tax	7.2	-100	0	0
Tax Rate (%)	34.8	27.2	25.9	25
Reported PAT	229	335	486	571
Change (%)	0%	46%	45%	18%
PAT Margin (%)	10.1%	12.9%	15.4%	15.1%
No. of shares (cr)	25.4	25.4	25.4	25.4
Adj EPS (Rs)	9.0	13.2	19.1	22.5

Balance Sheet (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Equity Share Capital	25	25	25	25
Total Reserves	1504	1810	2188	2652
Net Worth	1530	1835	2214	2677
Deferred Liabilities	66	66	66	66
Total Loans	933	848	768	688
Capital Employed	2528	2749	3047	3431
Gross Block	1664	1814	2164	2364
Less: Accum. Deprn.	547	684	833	1019
Net Fixed Assets	1117	1130	1331	1345
Capital WIP	324	312	315	377
Total Investments	210	210	210	210
Curr. Assets, Loans&Adv.	1328	1571	1814	2221
Inventory	384	438	504	618
Account Receivables	674	783	993	1199
Cash and Bank Balance	89	143	67	104
Loans and Advances	181	207	250	300
Curr. Liability & Prov.	455	478	627	727
Account Payables	324	315	357	425
Other Current Liabilities	1144	1305	1582	1894
Provisions	17	33	111	112
Net Current Assets	873	1092	1187	1494
Appl. of Funds	2528	2749	3047	3431

Technical Trend Outlook



Cash Flow Statement (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	284.8	419.9	670.7	761.5
Depreciation	105.5	137	149.2	185.6
Finance Charges	1.8	-9.5	2.5	3.2
Direct Taxes Paid	-89.1	-116	-169.8	-190.4
(Inc)/Dec in WC	-37.7	-166	-170.5	-269.8
CF from Operations	265.2	266	482	490.2
(inc)/dec in FA	-254	-138	-353.2	-262.1
Others	26.7	36.6	22.1	18.9
CF from Investments	-282	-102	-331.2	-243.2
Issue of Shares	19.5	0	0	0
(Inc)/Dec in Debt	-25.2	-85	-80	-79.9
Interest Paid	-28.5	-27	-24.5	-22.1
Dividend Paid	-30.6	-29.7	-107.3	-107.3
CF from Fin. Activity	-10.2	-111	-211.8	-209.3
Inc/Dec of Cash	-26.6	53.7	-76.1	37.7

Notes

Notes

Investment Idea- KKCL Ltd | Accumulate | Range Rs 730-760

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	532732
NSE Code	KKCL
52 Week High (Rs)	1078
52 Week Low (Rs)	572
Market Cap (Rs Cr)	937
Face Value	10
Cmp Rs	758

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	74.25%
Public	25.75%

Promoters/ Management

Mr. Kewalchand Jain	Chairman
Mr. Bhavin Sheth	CFO
Mr. Hemant Jain	Director
Mr. Vikas Jain	Director
Mr. Dinesh Jain	Director

Key Ratios

ROCE	19.60%
ROE	16.60%
P/E	18.5x
P/BV	2.08

Research Team

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Kewal Kiran Clothing Limited (KKCL) is one of India's largest branded apparel manufacturers, retailers and fashion-wear in India, engaged in the designing, manufacturing and marketing of branded jeans and a wide range of western wear, since 1992. With in-house fashion brands Killer, Integriti, LawmanPg3, Easies, K-Lounge and Addictions, It has two garment stitching units in Mumbai, a washing unit at Vapi in Gujarat, and a finishing and packaging facility at Daman. At present in over 25 states in India through 330+ stores, it owns 16 and the rest are owned and operated by franchisees. The company has presence with consumers across Asia, Middle East and CIS.

INVESTMENT THESIS

Established position in the domestic menswear segment, with recognised brands and diversified geographic presence: KKCL's flagship brand, Killer, is among the leading brands in the branded men's denim segment. Killer contributes over 50+% to revenue. Consequently, jeans has been the major revenue contributor (over 60%). While other brands such as Lawman Pg3, Integriti, and Easies have also grown significantly over the years and the company is focussing on increasing contribution from these brands, Killer will remain the significant revenue contributor over the medium term. The brand has shown steady performance through several economic cycles and changing customer preferences over the past two decades.

Ability to adapt to changing trends: Brand concentration and vulnerability to changes in fashion trends in the domestic market. KKCL business is driven by fashion trends and the target segment's aspirations are significantly influenced by peers, role models, and the media. Thus, KKCL has been manufacturing and innovating and adapt to the changing preferences of the target segment. KKCL, with its team of in-house designers who work on the upcoming season's collections, is likely to have the ability to adapt to changing trends. It has also entered into lifestyle accessories segments to capture the loyal brand recall like in shoes, belts, watches, bracelets, wallets, caps, bags, sunglasses and personal care products through the Addictions brand.

Vocal to Local target: Always thinking of Global brands like Livis/ Diesel/ Louise but our heart goes out for Local. As India's largest Manufacturing Brand, KKCL has created the internationally influenced designs to make the right fit for our local Indians to make them look killer! The company is proudly for being "MADE IN INDIA" to make your neighbourhood look classy and stylish.

Quality play in the fast-growing branded apparel segment: Indian apparel market is calculated to grow at a CAGR of 13%-15% and is approximately USD 124 billion by 2020-21, presenting a big opportunity for the branded apparel retailers. This tremendous growth in the industry—interplay of a lucrative demographic profile and a rising income and wealth effect—presents an opportune time for Kewal Kiran Clothing Company to cash in on the strong demand momentum.

MView

We believe KKCL has the distinction of being one of the few branded apparel companies that have positive cash inflow and a highly efficient working capital cycle compared to its peers. We see KKCL has been one of the most profitable Indian brands, generating 20%+ EBITDA margins, having a lean balance sheet with debt/equity ratio comfortably placed at 0.1x and generating healthy return ratios (20%+ RoCE). Hence Investors with a long-term view and looking for a lean balance sheet company can stay invested in the stock.

Financial Overview - KKCL Ltd

CONSOLIDATED FINANCIAL TABLES

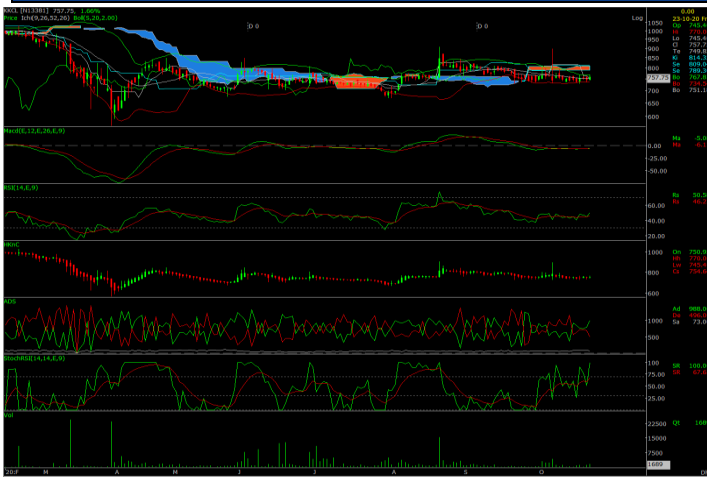
Profit & Loss Statement (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Sales	502	530	477	570
Growth %	0%	5%	-10%	20%
Total Expenditure	390	435	406	468
EBITDA	112	95	70	101
EBITDA Margin %	22.4%	18.0%	14.7%	17.8%
Depreciation	8.1	8.2	8.6	9.2
Interest	6.9	8.8	7.7	6.7
Other Income	22	17.5	16.7	18.2
PBT	119.4	95.6	70.6	103.8
Tax	39.1	22.6	17.7	26
PAT	80.3	73	52.9	77.7
Growth %	0.0%	-9.1%	-27.5%	46.9%
No. of shares (cr)	1.23	1.23	1.23	1.23
Adj EPS (Rs)	65.3	59.3	43.0	63.2

Balance Sheet (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Equity Capital	12.3	12.3	12.3	12.3
Reserve and Surplus	418	434	446.6	463
Total Shareholders' funds	431	446	458.9	475.4
Total Debt	93.5	88	88	74.1
Deferred Tax Liability	5.5	5.5	5.5	5.3
Other long term liabilities	1.4	4.5	4.5	4.7
Total Liabilities	531	544	544.4	559.4
Gross Block	142	154	162.5	173.3
Less : Acc Depreciation	62.9	71.1	79.7	88.9
Net Block	78.9	82.6	82.8	84.4
Capital WIP	2.2	2.9	2	2
Total Fixed Assets	81.1	85.4	84.8	86.4
Investments	237	197	198.8	200.8
Inventory	83.1	90	94	101.4
Debtors	178	171	176.3	195.1
Other Current Assets	7.2	6.6	1.8	2
Cash	53.3	80.2	86.5	70.3
Total Current Assets	312	348	358.7	368.8
Creditors	44.7	49.8	44.6	52.7
Other current liabilities	39.4	22.6	23.1	23.5
Provisions	30.8	20.1	20.7	21.3
Total Current liabilities	115	92.5	88.4	97.5
Net Current Assets	206	255	270.2	271.3
Others Non-current Assets	6.2	6.9	0.9	0.9
Application of Funds	531	544	554.7	559.4

Technical Trend Outlook



Cash Flow Statement (Rs Cr)

Particulars	FY19	FY20	FY21E	FY22E
Profit After Tax	80.3	73	52.9	77.7
Add: Depreciation	8.1	8.2	8.6	9.2
(Inc) /dec in Current Assets	-72.2	0.4	-4.6	-26.3
(Inc/(dec) in CL and Prov	-3.2	-22.4	-4.1	9.1
Others	0	0	0	0
CF from operating	13	59.2	52.8	69.7
(Inc) /dec in Investments	-5.2	40.3	-2	-2
Inc) /dec in Fixed Assets	-18.7	-11.9	-8.8	-10.9
(Inc)/dec in CWIP	6.8	-0.6	0.9	0
Others	-1.4	-0.6	6	0
CF from investing	-18.5	27.1	-3.9	-12.9
Issue/(Buy back) of Equity	0	0	0	0
Inc/(dec) in loan funds	45.2	-5.4	-2.2	-11.7
Others	-48.8	-54	-40.3	-61.3
CF from financing	-0.37	-59.4	-42.5	-73
Net Cash flow	-9.2	26.9	6.3	-16.2

Notes

Investment Idea- Sudarshan Chem Ltd | Accumulate | Range Rs 450-470

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	506655
NSE Code	SUDARSCHEM
52 Week High (Rs)	538
52 Week Low (Rs)	286
Market Cap (Rs Cr)	3278
Face Value	2
Cmp Rs	487

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	42.66%
Public	57.34%

Promoters/ Management

Mr. Pradip Ramwilas Rathi	Chairman
Mr. V. V. Thakur	CFO
Mr. Rajesh Rathi	Director
Mr. Anuj Rathi	Director
Mr. Ashish Vij	Director

Key Ratios

ROCE	17.60%
ROE	20.00%
P/E	25.4x
P/BV	5.15

Research Team

Mr. Kushal Shah

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Sudarshan Chemical Ltd is a Pune based globally renowned pigments player (largest in India), manufacturing a wide range of organic and inorganic pigments and effect pigments. They primarily serve the coatings, plastics, inks and cosmetics markets. It has two manufacturing facilities in Roha and Mahad in Maharashtra and a research and development facility at Pune, Maharashtra. Sudarshan is an export driven company and exports to over 85 countries. It also has subsidiaries in USA, China, Netherlands, Mexico, and Japan for marketing and distribution.

INVESTMENT THESIS

Strong product launches: Sudarshan's revenue from recently launched products is increasing. It plans to launch 20-25 products on annual basis to establish larger market share in both domestic & global markets. In 2019, it added about 25 products largely for cosmetics. These are now in the sampling stage and are expected to start contributing revenue in coming quarters as lead times are longer. Further, it intends to commercialise one high-performance organic pigment and one large molecule in FY21. Its strategy now is to focus only on pigments. We believe that these products would help to future growth as the products are high-value, high-margin, and the market is in a nascent stage with only a few manufacturers.

Focus on global reach: Sudarshan enjoys largest market share in India for pigments. It manufactures and markets more than 400 products. Its strong brand leverage and R&D capabilities with good customer relations is an add on. It now exports to more than 85 countries (exports bring ~50% to revenue). It with its diversified product range has been able to expand its brands. With the exit of larger players like BASF & Clariant it has a huge scope to strengthen its global footprint. We expect full recovery in demand in the coming quarters both domestically and globally.

Capex on cards with comfortable capital structure: Sudarshan's topline has been improving due to specialty pigments, leading to increasing ability to pass on escalations in input costs. It plans to carry out large capex of Rs 600 Cr in next 2-3yrs which will be funded partially through internal accrual and debt. The main purpose is to increase its capacities in multiple pigment classes and adding new capacities for some specialty products, in order to increase the market share. The remaining capex will be for backward integration and in-house production of power through co-generation and renewable projects to lower cost of production. This will result in improvement in the operating efficiency of the company and so will its RoCE, compared to others.

MView

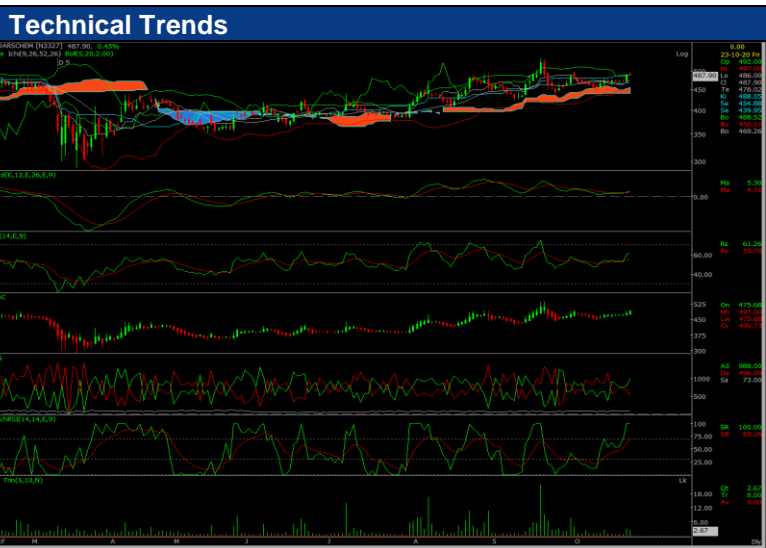
Our view is positive as Sudarshan has established itself as largest pigment producer in India with a 35% market share and is the fourth-largest producer in the world. We expect strong rebound with diversification on cards that will not only expand its product portfolio but will also add higher margin products which would eventually help the company cater to the world markets in the near future. Thrust on special pigment segment continues and with the upcoming capacities would push the revenue growth. We initiate a buy recommendation on this company as it is well poised for growth given the benefits mentioned above also due to consolidation among global players. Investors should consider this for medium to long term investment idea.

Financial Overview – Sudarshan Chem Ltd

CONSOLIDATED FINANCIAL TABLES

Profit & Loss Statement (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Net revenues	1593	1708	1758	2010
Growth (%)	0%	7%	3%	14%
EBITDA	204	246.3	263.7	311.5
EBITDA margin %	13%	14%	15%	15%
Depreciation	65.6	73.5	101.1	112.5
Other income	7	4.7	5.3	6
Interest expenses	17	14.2	19.5	19.5
PBT	200.7	180.4	148.4	185.5
Tax	68.0	35.4	41.6	51.9
Tax rate (%)	34%	20%	28%	28%
PAT	135.1	144.5	106.8	133.6
PAT Margin %	8%	8%	6%	7%
No. of shares (cr)	6.93	6.93	6.93	6.93
EPS (Rs)	19.51	20.87	15.42	19.29

Balance Sheet (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Share capital	13.8	13.8	13.8	13.8
Net worth	568	601	676	769
Debt	367	501	651	651
DTL / (Assets)	55	45	45	45
Capital employed	989	1146	1371	1464
Net tangible assets	454	601	758	845
Net intangible assets	11	19	19	19
Goodwill	-	7	7	7
CWIP (tang. & intang.)	24	48	140	40
Investments (strategic)	0	1	1	1
Current assets (ex cash)	861	933	918	1049
Cash	8	16	19	59
Current liabilities	369	478	491	556
Working capital	492	454	427	493
Capital deployed	989	1146	1371	1464
Contingent liabilities	17	20	0	-



Cash Flow Statement (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
PBT adj. OI and Interest	2107	1900	1626	1990
+ Non-cash items	656	735	1011	1125
Oper. prof. before WC	2763	2635	2637	3115
- Incr. / (decr.) in WC	723	-379	-273	659
Others incl. taxes	638	403	415	520
Operating cash-flow	1402	2611	2495	1937
- Capex (tang. + intang.)	736	2597	3500	1000
Free cash-flow	667	14	-1005	937
- Div. (incl. buyback & taxes)	500	500	320	401
+ Equity raised	-	-	-	-
+ Debt raised	-638	1335	1500	-
- Fin investments	-5	9	-	-
- Misc. (CFI + CFF)	-406	766	142	135
Net cash-flow	-61	75	32	401

Notes

Notes

Investment Idea- Minda Industries Ltd | Accumulate | Range Rs 315-330

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	532539
NSE Code	MINDAIND
52 Week High (Rs)	424
52 Week Low (Rs)	208
Market Cap (Rs Cr)	8839
Face Value	2
Cmp Rs	330

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	70.88%
Public	29.12%

Promoters/ Management

Mr. Nirmal Minda	Chairman
Mr. Sunil Bohra	CFO
Ms. Paridhi Minda	Director
Mr. Satish Sekri	Director
Mr. Pravin Tripathi	Director

Key Ratios

ROCE	11.80%
ROE	0.34%
P/E	42x
P/BV	6.64

Research Team

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Minda Industries Limited (Minda) tier 1 supplier for Indian OEMs and is among the leading manufacturers of automotive components in India. Minda is an integrated automotive manufacturing group having four subsidiaries – two jointly controlled entities and two associates. The company started its operations with automotive switches and diversified into several new product lines. It has a diversified product portfolio comprising switches, horns, CNG/LPG kits, lighting, batteries, fuel caps, and renewable and energy efficient devices, among others. MIL has 14 manufacturing facilities across seven locations in the country. The company exports its products to more than 19 countries across the globe. Minda – Switch Division is serving end markets in India, US, Europe, Japan, ASEAN and Brazil.

INVESTMENT THESIS

Plan to be end to end systems provider: Minda stance of becoming an end to end systems provider to OEMs by collaborating and leading in the research, design and technology of building a component, instead of just providing the end components as per specifications, provides it with a moat that will make its relationships with OEMs more deep rooted and long term. BS VI implementation is expected to drive the demand for engine related sensors, advance filtration and canisters along with on-board diagnostics, while the premiumization will improve demand for LEDs, advanced driving assistance systems, alloy wheels, infotainment systems, telematics, wireless chargers etc. As MIL has its finger in all these segments directly or through its JVs, it would be benefitted not only by the rising demand but also by the shift from conventional devices to advanced version using contemporary technology.

Minda industries have a superior product suite catering to most industry trends. Indigenization and anti-China rhetoric will also benefit the company (esp. alloy wheels and sensor business) while its traditional products (switches, lighting, acoustics) are on a strong footing and have long term visibility. Further, its long term strategy to focus on building integrated solutions that support a connected and autonomous vehicle augurs well for its long term growth. Minda cannot escape the unparalleled industry challenges of FY21 but is well placed to capture demand from safety, premiumisation and traditional streams from 2W and PV players. Its foray into the alloy business and sensors not only helps it increase its Kit Value with OEMs but will help it capture the void that could be created due to anti-China rhetoric.

Diversified auto component manufacturers: Minda is one of the most diversified auto component manufacturers in India with a presence across multiple product segments, such as switches, lighting, horns, fuel cap, auto gas and batteries. Automotive switches (across 2W, 3W and PV segments) and automotive horns, and the third-largest player in automotive lighting systems (for 2Ws, 3Ws and four-wheelers (4Ws)). On a consolidated basis, the company has a well-diversified revenue portfolio, spread across switches (38%), lighting systems (22%), horns (12%), alloy wheels and die-casting (15%), and others (13%). MIL's segment-wise exposure is also well diversified, deriving 51% of revenues from 2W and 3W segments, and the rest from 4Ws.

MView

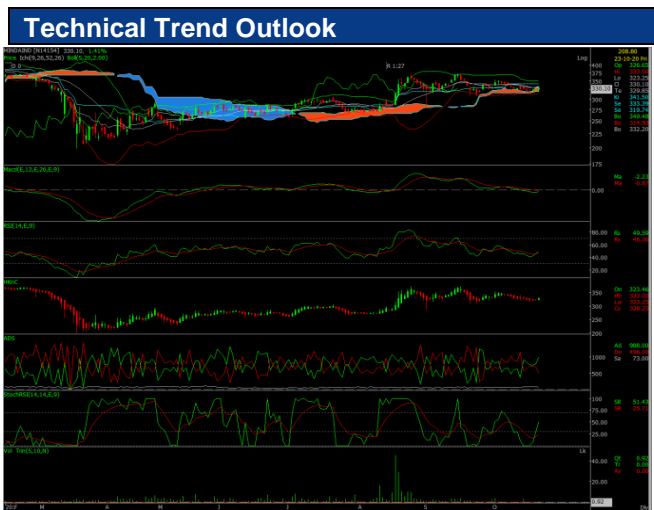
Given control over import substitution products we believe Minda would capture the business opportunities offered by the 'Atmanirbhar Bharat' move in auto sector. Minda has also uniquely positioned itself in the domestic auto ancillary space as a provider of a wide variety of product solutions straddling established and growing opportunities. Despite expectations of pressure on its earnings in the current fiscal on account of challenges brought about by the Covid-19 pandemic, we believe Minda has comfortable liquidity profile and financial flexibility, as the flagship company of the Uno Minda Group, would support it in tiding over this phase. We believe Make in India move could help leverage assets and unlock shareholder value in the long run. As on date the stock offers an attractive risk-reward profile and hence we recommend investors to "Accumulate".

Financial Overview - Minda Industries Ltd

CONSOLIDATED FINANCIAL TABLES

Profit & Loss Statement (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Net Sales	5908	5435	6363	7165
Growth (%)	0.0%	-	17.1%	12.6%
Total Expenditure	5183	4788	5631	6269
EBITDA	725	648	732	896
Growth (%)	36%	-11%	13%	22%
Depreciation	234	294	325	351
Interest	63	91	111	93
Other Income	27	27	24	26
PBT	455	290	321	477
Others	35	26	22	20
Total Tax	134	80	90	134
Tax rate	0	0	0	0
PAT	286	184	209	324
Growth (%)	-8%	-36%	14%	55%
PAT Margin %	5%	3%	3%	5%
No. of shares (cr)	26	26	27	27
Adj EPS (Rs)	10.9	7.0	7.6	11.8

Balance Sheet (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Equity Capital	52.4	52.4	54.8	54.8
Reserve and Surplus	1652	1806	1987	2278
Total Shareholders fund	1704	1858	2042	2333
Total Debt	1081	1131	1231	1031
Minority Interest / Others	342	367	395	428
Total Liabilities	3128	3357	3669	3793
Gross Block	2238	2619	3319	3669
Less: Acc Depreciation	523	817	1141	1492
Net Block	1715	1803	2178	2177
Capital WIP	132	250	100	100
Total Fixed Assets	1846	2053	2278	2277
Investments & Goodwill	530	555	580	605
Inventory	561	521	523	589
Debtors	899	819	959	1080
Loans and Advances	56	52	61	68
Other Current Assets	228	209	245	276
Cash	110	158	167	173
Total Current Assets	1854	1759	1954	2186
Current Liabilities	981	897	1011	1126
Provisions	121	113	132	149
Current Liabilities & Prov	1102	1010	1143	1276
Net Current Assets	752	749	811	911
Application of Funds	3128	3357	3669	3793



Cash Flow Statement (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Profit after Tax	285.6	184	208.9	323.6
Add: Depreciation	234.4	293.5	324.5	351.1
(Inc)/dec in Current Assets	-290.3	142.7	-186.1	-225.4
Inc/(dec) in CL and Provisio	0.4	-92.6	133.6	132.2
Others	63.2	90.5	110.8	92.8
CF from operating	293.2	618.1	591.7	674.3
(Inc)/dec in Investments	-246.4	-25	-25	-25
(Inc)/dec in Fixed Assets	-631.3	-500	-550	-350
Others	99.1	25	28	33
CF from investing	-778.6	-500	-547	-342
Issue/(Buy back) Equity	35	0	2.3	0
Inc/(dec) in loan funds	472.2	50	100	-200
Interest and Div outgo	-94	-120.4	-138.2	-125.7
CF from financing	435.9	-70.4	-35.9	-325.7
Net Cash flow	-49.5	47.7	8.9	6.6

Notes

Investment Idea- Zen Tech Ltd | Accumulate | Range Rs 70-78

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	533339
NSE Code	ZENTEC
52 Week High (Rs)	97
52 Week Low (Rs)	22
Market Cap (Rs Cr)	613
Face Value	1
Cmp Rs	80

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	58.30%
Public	41.70%

Promoters/ Management

Mr. Ashok Atluri	Chairman
Mr. Ravi Kumar	Director
Mr. Ajay Kumar	Director
Mr. Ravindra Kumar	Director

Key Ratios

ROCE	33.30%
ROE	21.62%
P/E	14.9x
P/BV	3.2x

Research Team

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Zen Technologies Ltd (ZTL) is a Hyderabad based company engaged in designing, developing and manufacture of world class training simulators for firearms to high-end tanks and artillery. It is also a leading player in providing training solutions primarily focusing on security forces including military, paramilitary, state police force etc. It has supplied over 450 simulators to over 100 customers. Its customers are located across the length and breadth of the country.

INVESTMENT THESIS

Exclusivity to Indigenous Products:

India has been one of the world's largest importer of defence equipment. Recently Defence minister announced a list of 101 items that India will stop importing giving a tremendous boost to the domestic defence industry. Amongst these items there are simulators that are designed, developed and manufactured by ZTL. Its continuous thrust on sales to under-served markets of CIS, Middle-East and African countries and focus on developed market sales with a sales team in US with ongoing policy changes will surely provide the much needed push.

Regular revenue visibility in the form of Annual Maintenance Contract (AMC):

The AMC business of ZTL has grown at a CAGR of 38.5% over last 5 years. These contracts are generally long term recurring fixed income with superior profit margins. After-sales support constitutes a major part of the business as its products are highly specialized and tailor made based on the requirements of the customers. AMCs typically become operational after 2 years from the date of installation. The lifecycle of a simulator is 15 years which creates lifetime revenue potential of 120% of product sale. Hence perpetual growth in recurring fixed AMC revenue provides a long term revenue visibility.

Strong R&D with Asset light business model:

ZTL has a strong inhouse technical support which acts as a backbone for the company. It has received over 100 patents for its products. It has been able to achieve this high technical competence due to constant investment in R&D and man power, which has made it one of the leading players in defence field. ZTL's more than 85 per cent manufacturing functions are outsourced, transforming a fixed cost into a variable expense. Such developments & asset light strategy helps in procuring new large orders providing sustainable revenue visibility. With that, Indian IDDM's (Indigenously Designed, Developed and Manufacturing) policy change will further help it showcase its capability in defence space.

MView

We believe Zentech being an indigenous and R&D driven company will be amongst the biggest beneficiary under Make in India theme of the government. It will be a preferred supplier under the IDDM – Indigenously Designed, Developed and Manufacturing policy as well promoted by government of India. The focus of going global, we feel this as the next growth theme for the company. We also expect more repeat orders with higher ticket size in the coming quarters posing higher revenue and earning visibility. On valuation perse it is available at attractive valuations and so we recommend investors to accumulate.

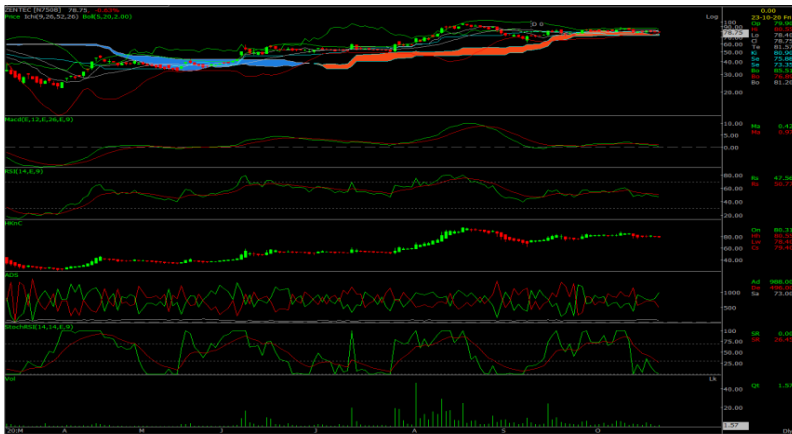
Financial Overview – Zen Tech Ltd

CONSOLIDATED FINANCIAL TABLES

Profit & Loss Statement (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Income From Operation	92	149	90	180
YoY Growth		62%	-40%	100%
Expenditure				
Total expenses	75	87	72	99
EBIDTA Rs	17	62	18	81
YoY Growth		273%	-71%	350%
EBIDTA Margin %	18.2%	41.8%	20.0%	45.0%
Interest	5	3	3	3
Depreciation	4	5	5	5
PBT	11	56	12	77
Tax	-2	-2	3	19
PAT	13	58	9	58
PAT after MI	13	58	9	58
YoY Growth		338%	-85%	542%
PAT Margin %	14.5%	39.1%	10.0%	32.1%
EPS	1.72	7.56	1.17	7.49

Balance Sheet (Rs Cr)		
PARTICULARS	FY19	FY20
Shareholder's Fund		
a) Share capital	8	8
b) Other equity	127	183
c) Non-controlling interest	0	7
Noncurrent liabilities		
a) Financial liabilities	9	1
b) Provisions	1	2
Current Liabilities		
a) Financial liabilities	26	1
b) Trade payables	8	5
c) Other financial liabilities	7	0
d) Other current liabilities	29	6
e) Provisions	2	1
Total	218	214
Assets		
Non current assets		
a) Fixed assets	63	65
b) Goodwill	0	8
c) Other non current assets	5	1
d) Financial assets	8	3
e) Deferred tax assets net	8	20
Current Assets		
a) Inventories	35	14
b) Other Current assets	5	14
c) Trade receivables	73	47
d) Cash and bank	12	25
e) Other financial assets	8	17
Total	218	214

Technical Trends



Notes

Investment Idea- Poly Medicure Ltd | Accumulate | Range Rs 450-480

ABOUT THE COMPANY

Key Data – 23rd October 2020

BSE Code	531768
NSE Code	POLYMED
52 Week High (Rs)	543
52 Week Low (Rs)	191
Market Cap (Rs Cr)	4307
Face Value	5
Cmp Rs	488

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding Sept 2020

Promoters	48.76%
Public	51.24%

Promoters/ Management

Mr. Devendra Mehta	Chairman
Mr. J K Oswal	CFO
Mr. Himanshu Baid	Director
Mr. Rishi Baid	Director
Mr. Jugal Kishore Baid	Director

Key Ratios

ROCE	24.70%
ROE	22.79%
P/E	46.2x
P/BV	10.62x

Research Team

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Poly Medicure Ltd (Polymed) is a leading medical devices manufacturer and exporter in India with a dominant position in medical consumables market. It is basically engaged in the development, manufacturing and marketing of quality Disposable Medical Devices. It has a diverse portfolio of disposable medical devices in the 125+ Medical Devices product verticals of Infusion therapy, blood management, gastroenterology, surgery and wound drainage, anesthesia and urology. The company has a well-diversified and de-risked business model, comprising a wide range of products with clients across more than 110+ countries. The company currently operates five Manufacturing units in India and three abroad in China, Egypt (JV) and Italy.

INVESTMENT THESIS

Robust domestic growth with Make in India approach:

India imports over 70% of its medical device requirements, which indicates a great opportunity for local manufacturing. Polymed has been investing heavily in increasing its manufacturing capacity and R&D; it has also been consistently introducing new products which are import substitutes. Currently 70% revenue comes from exports. We see significant scope for domestic business to grow and improve its share of total revenue. In fiscal 2021, the Polymed expects to continue to grow because of its strong presence in export market ' it contributes to two-third of total revenue every year - to be supported by the introduction of products related to Covid-19 such as sterilized VTM Testing Kits, Personal Protection Kits and Face Protective Shield.

Diversified product segment:

Polymed has a well-diversified and de-risked business model, comprising a wide range of products with clients across the globe. Business distribution product wise it has major part of revenue coming from Infusion Therapy - 70% of revenue, followed by Blood Transfusion (9%), and rest comes from Surgery & Wound Drainage, Anaesthesia & Respiratory Range, Diagnostic and Renal

New facility to drive growth beyond FY20:

Polymed has embarked on an expansion plan for FY19-20 and FY20-21 by investing approximately Rs.100 crore. The new capacity will cater to additional demand created through Ayushman Bharat/ PM-JAY over the next few years and new customers in developed countries. Polymed has developed the technology to create moulds internally with strong R&D team comprising of 50+ engineers and 30+ engineers in process engineering.

Future plan:

- Company plans to Increase reach in key markets by inorganic route.
- Expanding product basket in existing and newer therapy areas.
- Focus on Innovation: Commercializing new innovative products faster.
- Increase footprints in the developed countries.
- Expand manufacturing capabilities in new geographies.
- Expand direct customer connect in domestic and global markets.

MView

We believe that Polymed's Strong market position across more than 100 countries and Strong operating efficiencies with Operating margin is expected to grow from historic avg of 22-25% to 28-30% over the medium term due to healthcare industry gets windfall benefits and supported by comfortable capacity utilisation and modernisation of existing facilities. The company also has over 200 registered patents across countries and product innovation and development will support revenue growth over the medium term as well.

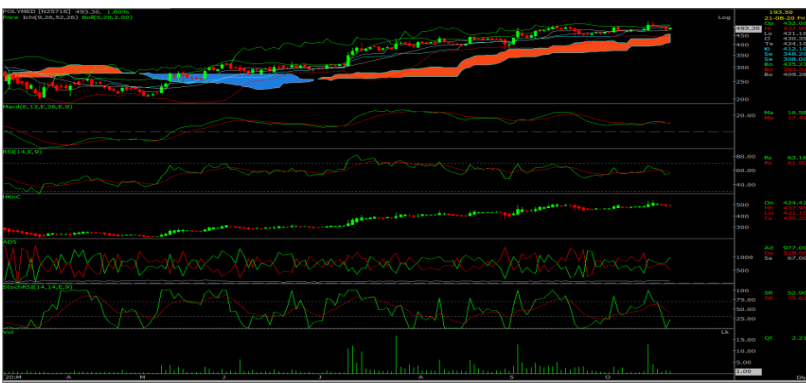
Financial Overview – Poly Medicure Ltd

CONSOLIDATED FINANCIAL TABLES

Profit & Loss Statement (Rs Cr)				
Particulars	FY19	FY20	FY21E	FY22E
Income From Operation	611	687	790	948
YoY Growth		12%	15%	20%
Expenditure				
Cost of Material Consumed	195	225	259	311
Changes in Inventory	14	-8	8	9
Employee benefit expense	116	139	160	192
R&D exp	10	12	14	19
Other Expenditure	146	156	178	180
Total expenses	481	523	620	712
EBIDTA Rs	130	164	171	236
YoY Growth		26%	4%	38%
EBIDTA Margin %	21.3%	23.8%	21.6%	24.9%
Interest	12	18	21	25
Depreciation	37	41	46	56
exceptional items	81	0	0	0
PBT	99	124	119	174
Tax	35	30	29	42
PAT	64	94	90	132
minority interest	0	0	0	0
PAT after minority interest	64	94	90	132
YoY Growth		47%	-4%	47%
PAT Margin %	10.5%	13.7%	11.4%	13.9%
EPS	7.25	10.64	10.23	14.98

Balance Sheet (Rs Cr)		
PARTICULARS	FY19	FY20
Shareholder's Fund		
a)Share capital	44	44
b)Other equity	337	390
Noncurrent liabilities		
a)Financial liabilities	95	115
b)Provisions	3	4
c)Deferred tax liability(Net)	19	15
d)Govt grants	2	2
Current Liabilities		
a)Financial liabilities	45	58
b)Trade payables	56	66
c)Other financial liabilities	41	55
d)Other current liabilities	8	16
e)Provisions	0	0
f)Current tax liabilities (Net)	3	2
Total	653	767
Assets		
Non-current assets		
a)Fixed assets	273	336
b)Goodwill	29	29
c)other intangible assets	24	24
d)Financial assets	19	43
e)Other non-current assets	8	17
Current Assets		
a)Inventories	84	112
b)Investments	0	16
c)Trade receivables	128	127
d)Cash and bank	54	25
e)Other financial assets	5	4
f)Loans	0	0
g)Other Current assets	29	34
Total	653	767

Technical Trends



Notes



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