



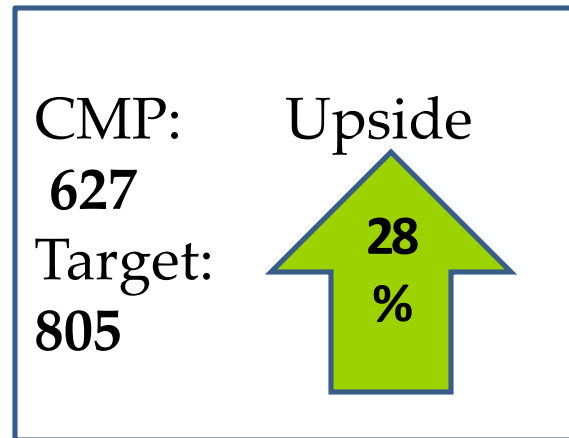
# Diwali Picks 2021



Happy Diwali... Happy Investing



# Can Fin Homes



CMP as on 1<sup>ST</sup> Nov. 2021

Stock Info	
Sector	HFC
Market Cap (Rs Crs)	8,343.44
52 Week High/Low	722/430

## FINANCIAL SUMMARY

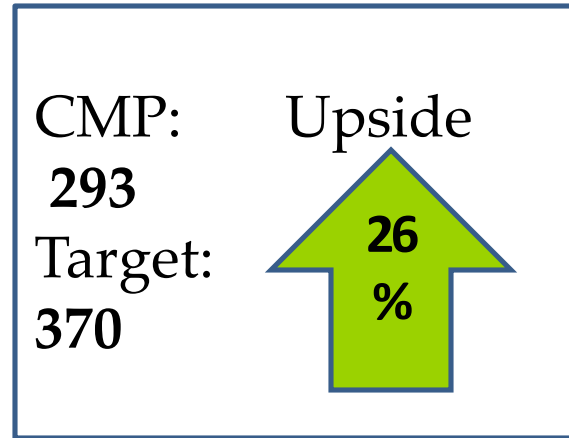
Y/E March	NII(RsCr)	PAT(RsCr)	ABV(Rs)	P/ABV	GNPA(%)	RoE(%)
FY21	798	456	186	3.4	0.9	19.2
FY22E	762	459	215	2.9	0.9	16.3
FY23E	943	546	251	2.5	0.8	17.6

## Investment Rationale

CANF mainly focuses on home loan. 90% of their total loan books are housing loan of which 99% of its lending is to individuals with Builder's loan being negligible. This single principle has led to a strong control over asset quality. Salaried & Professionals mix in terms of profile is 73% and self-employed non-professionals are at 27%. The management has given guidance on the growth front and expects loan growth to be in the range of 18%-20% in FY22 and its strategy is to maintain focus on home loans in affordable segment and penetrate in Tier 3 & 4 cities.

Bank's asset quality has been one of the best amongst HFCs players despite of Covid-19 pandemic improved, with GNPA's sequentially down by 12 bps at 0.78% and NNPA's down by 10 bps to 0.47%. PCR stood at 40% (365 bps QoQ/401 bps YoY). Restructured book at 2.7% of loan vs 0.34%QoQ. Management is confident that only 5-10% of this book flow into NPAs. Given the company's historical track record and stringent loan underwriting criteria, we believe that Can Fin would be in a relatively better position from an asset quality standpoint.

**Valuation:** Going forward, we expect the company's loan book to grow at CAGR 20.1% in FY21-24E, with growth in Net profit at 10%. At CMP the stock trades at 2.9x its FY22E Adjusted BVPS and 2.5x its FY23E ABVPS. Common Equity Tier-1 ratio at 22%, we believe that the balance sheet is adequately capitalized for growth, stable assets quality and opportunity available in affordable housing and with better pricing power, we believe CANF will counter any pressure from pricing war. We maintain buy call on CFH with a BUY rating giving a P/ABV multiple of 3.2x on FY23E BV to arrive at target price of Rs 850.



CMP as on 1<sup>ST</sup> Nov. 2021

Stock Info	
Sector	Bank
Market Cap (RsCr)	5,096
52 Week High/Low	374/193

## Investment Rationale

Advances stood at Rs 14,070.11 Cr, driven on sequential basis by corporate loans, SME loans, two-wheeler loans and Agri loans. However, Gold loan, which constitutes 36.3% of AUM, continue to fall 3% QoQ. Management has guided for a 10-15% overall growth for FY22.

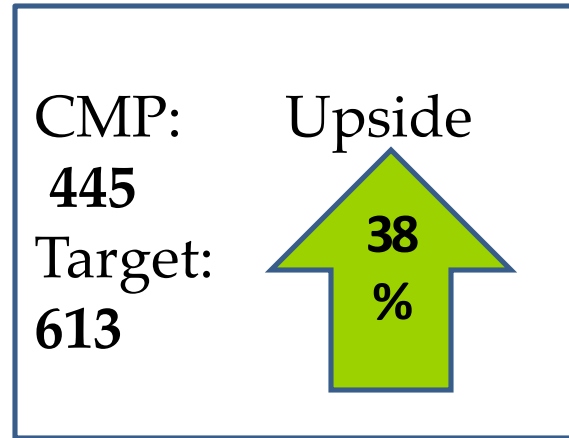
Bank's asset quality has been improved during the quarter, with GNPA at 4.11% (down by 77 bps QoQ) and NNPA at 2.63% (down by 58 bps QoQ). According to management, worse is behind in term of asset quality with the opening up of the economy, positive trends are visible in the asset quality front. Out of the gross NPA of Rs 586.83Cr, Rs 287.52Cr is gold NPA where the recoverability is almost assured. PCR stood at 36.9% vs 35.4% QoQ and 57.8% YoY, management has given guidance that overall GNPA below 2% and net NPAs below 1% by FY22. During Q2FY22, the bank has restructured loan worth Rs 56Cr, while total restructured loans stood at Rs 113 Cr (0.79% of loan book). Bank is holding 25% provision on this restructuring book.

**Valuation:** Positive on the stock given its promising loan mix, sustained NIM margins, and comfortable liquidity position. Profitability of the bank is expected to improve in the next few quarters driven by higher loan growth, aggressive growth plan for branch expansion due to this cost of income ratio remain elevated and decline in credit costs. Besides, strong liability franchise, adequate capitalization, and healthy provision buffer add to positivity. The return ratios, ROE and ROA are set to expand to 14.9% and 1.3% by FY23. At the current CMP of Rs. 293, the stock is attractively valued at 2.3X FY23 P/ ABV.

## FINANCIAL SUMMARY

Y/E March	NII(RsCr)	PAT(RsCr)	ABV(Rs)	P/ABV	GNPA (%)	RoE (%)
FY21	941	218	116	2.6	2.7	10.5
FY22E	1145	355	140	2.2	2.6	14.2
FY23E	1340	410	161	2.0	2.3	14.9

# Somany home Innovation Ltd



CMP as on 1<sup>ST</sup> Nov. 2021

Stock Info	
Sector	Elect. Equi
Market Cap (RsCr)	3,224
52 Week High/Low	474/74

## Investment Rationale

After getting demerged from HSIL, SHIL started its business with consumer appliances products distribution, retail division & with its fully owned subsidiary Brilloca which operate the marketing and distribution business of building products. Management is committed to increase its capital allocation towards fast growing profitable segments. SHIL has been scaling up its presence in consumer appliances and plastic pipes and fittings categories which are currently growing at very healthy rate.

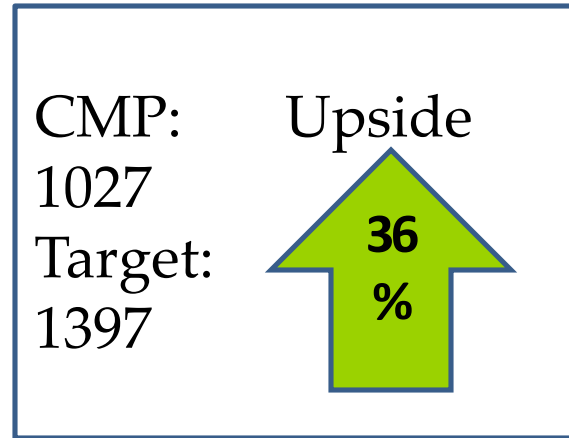
SHIL clocks EBITDA margin of 9% on a blended basis. Going forward, we expect a steady improvement in the EBITDA margins across segments on back of concentrating on premium brand sanitary ware and faucets sale, product premiumization across consumer appliances and pipes, cost rationalization in retail business. Various margin enhancement trials will help the company to clock robust growth in profitability. Management expects the blended EBITDA margin to improve by 600 bps to 15% by FY25E.

**Valuation:** Management believed that its each business segment has huge growth potential and can outperform industry growth by 2-2.5x. Company will register 200bps to 300bps incremental improvement in gross margin going ahead with volume growth and scalability. Thus, we hold our Positive view on SHIL and believe that it could be a compounder story in long term. We maintain to buy call on SHIL with target of Rs 613 from 12 months investment perspective. At current price, the scrip is valued at P/E multiple of 20.6x on FY23E EPS.

## FINANCIAL SUMMARY

Y/E March	Sales(RsCr)	PAT(RsCr)	EPS(Rs)	P/E	EBITDAM. (%)	RoE (%)
FY21	1,775	55	8	45	8	8
FY22E	2,201	155	22	21	11	22
FY23E	2,752	215	30	15	12	29





CMP as on 1<sup>ST</sup> Nov. 2021

Stock Info	
Sector	Cons.Dur.
Market Cap (RsCr)	3,346
52 Week High/Low	1134/406

## Investment Rationale

PIGEON –A “value-for-money” brand that offers low-cost cookware, gas stoves, cooktops, kitchen appliances and LED lights. It contributes 90-95% to the top line. GILMA – A semi-premium brand that comprises chimneys, hobs, cooktops and other kitchen solutions. It contributes 2.5-3.0% to the top line. BLACK & DECKER – A premium brand in kitchen electric appliances. . It contributes 2.5-3.0% to the top line.

Debt repayment reduced interest expenses by 37% YoY to Rs.3 cr. Interest expenses declined due to the repayment of debt. The company’s balance sheet will become debt-free in FY22. Due to repayment of debt companies PAT margin has gone up from 1.7% in Q1FY21 to 6.3% Q1FY22 PAT of Rs.13 cr in Q1FY22, compared to the profit of Rs.1 cr in Q1FY21.

**Valuation:** SKL has grown faster than competition in scaling up branding, promotional and digital presence and have market share in E-commerce business 45% in Q1FY22, full year basis expecting to 30 to 35%. EBITDA margin is comparable with peers. We expect SKL to register Revenue/EBITDA/PAT CAGR of 26%/25%/35% over FY21-FY24E. We expect EBITDA margin of 13.0% in FY22 and expect the working capital days to improve further hereafter little inventory level high due to covid-19. They want to bring down to 30 days from 38 days. At current price, the scrip is valued at P/E multiple of 25x on FY23E EPS discount to TTK Prestige and Hawkins.

## FINANCIAL SUMMARY

Y/E March	Sales(RsCr)	PAT(RsCr)	EPS(Rs)	P/E	EBITDAM(%)	RoE(%)
FY21	859	82	24.5	41.1	13.2	27.1
FY22E	1082	126	38.7	26.5	13.3	29.5
FY23E	1363	163	49.9	20.6	13.7	27.5

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