Bonanza

make money. not mistakes.

Diwali

Pick 2020

Indusind Bank: BUY RANGE: Rs. 770 – 795 (CMP 783) Target RS.1008 (Return 29%)

Investment Rationale

Provisioning buffer strengthens balance sheet, Fresh slippages reduced to Rs 399cr, leading to a lower GNPA ratio of 2.2% (2.3% ex-SC stay on loan classification). Bank mentioned an overall collection efficiency of 94-95%in Sep'20 and should be improving to 97-98% in Oct'20. Management expects the FY21 restructuring book to be in low single digits.

Excess liquidity ₹40,000cr has resulted in sequentially lower NIMs. As a result, PPOP sequentially reduced by 1.1%. QoQ lower provisioning expenses have resulted in 43.5% sequential jump in reported profit at ₹647cr. The bank's ROA and ROE for the quarter stood at 0.83% and 7.12% respectively.

PCR rose to 77% in Q2 while Covid-related provisions increased to 1.1% of loans. IIB aims to continue healthy its credit buffers over the next couple of quarters and to renew its earnings growth focus in FY22.

Valuation: High liquidity and provisioning are a step in the right direction. Profitability will be muted in FY21 but we expect recovery by FY22. Going forward expect increase in EPS (FY22-FY23) 7 to 8% due to growth in loan book and now value IIB at 1.6x P/BV for an upgrade (FY22E) TP of Rs 953.

FINANCIAL SUMMARY

Y/E March	NII(RsCr)	PAT(RsCr)	ABV(Rs)	P/ABV	GNPA(%)	ROE(%)
FY20	12059	4418	470	1.3	2.5	14.6
FY21E	13132	2617	513	1.1	3.2	7.4
FY22E	14839	4741	564	1.0	3.5	11.0

SBI Life: BUY RANGE: Rs. 820 – 850 (CMP 837) Target RS.1129 Return 35%

Investment Rationale

Banca APE for the quarter was Rs17.2bn, contributing 63.5% to the overall APE compared to 55.9% in 1QFY20. Though banca APE was down 8.5% YoY, it is expected to pick up as activity levels increase going forward.

ULIP APE stood at 56% as of 2QFY21 compared to 48% in 1QFY21 and 66.4% in 2QFY20. The company has stated that traction in ULIP has been picking up along with increase in average ticket sizes. For the quarter, the average ticket size in ULIP was higher YoY. ULIP is likely to remain a healthy share of the overall product mix.

SBIL solvency ratio increased to 245% in Q2FY21 from 239% QoQ and 195% in Q4FY20, higher-than-regulatory requirement of 150% and internal threshold of 180%. In Q2FY21 VNB margin expanded by 70bps YoY to 18.8% on the back of better product mix while VNB was down 12% YoY to Rs 7.5bn. Group protection segment grew by 88% YoY while group savings was up 100%
The stock is currently trading at FY21/22E P/EV of 2.5/2.1x and P/VNB of 30/25x. Lower growth, renewals, and protection share are key risks. Expect improving business momentum in second half of FY21, steady margin expansion to drive strong VNB, recommend BUY on the stock with a target of Rs 1080 (2.9x FY22E EV)

FINANCIAL SUMMARY

Y/E March	Net Premium (Rsbn)	VNB(Rsbn)	VNB Margin (%)	EV(Rsbn)	P/EV(x)	ROEV(%)
FY20	108	20	19	263	17	3.0
FY21E	146	26	18	320	18	2.5
FY22E	174	32	19	375	17	2.1

ITC: BUY RANGE: Rs. 181 – 186 (CMP 184) Target RS.225 (Return 22%)

Investment Rationale

Cigarette volume went down in July and August due to covid, cigarette volume trends are back to normal levels since September. Being category leader in cigarettes (revenue at 9x compared to nearest competition).ITC can comfortably pass any tax-hikes to customers by raising prices.

The packaging and printing segment reported a 4.2% YoY top-line growth for FY20 with EBITDA margins expanding to 27.2% from 26.7% in FY2019. The packaging business was slightly sluggish due to weak demand in the overall FMCG and liquor categories. Branded packaged food business to grow at strong double-digit rate. Agri-business reported a 9% YoY growth in net revenues but with a further contraction of 61 bps YoY in operating margins. Hotels business segment reported a 10.3% YoY growth in revenues for FY2020. EBITDA for the segment rose 12.2% YoY to Rs4.2 bn with EBITDA margins expanding to 22.9%. Declining in ROE and has taken steps such as shifting to an asset light model for Hotels.

ITC's cigarette business allows the company to have a consistent strong cash flow (FY17-20 FCF CAGR 18%, FY20 FCF Rs.11600Cr) which should continue to help FMCG business, good management, High Free cash flow yield (5%), high dividend yield (5.6%) and strong business moat, that gives confidence to call it a high conviction buy at inexpensive valuation 18x its FY22E EPS

FINANCIAL SUMMARY

Y/E March	Sales(RsCr)	PAT(RsCr)	EPS(Rs)	P/E	Div. Yield(%)	RoE(%)
FY20	45136	14401	11.7	14.5	6.0	23.6
FY21E	43568	12733	10.6	16.4	5.3	19.1
FY22E	49275	15575	12.5	13.9	6.3	23.3

BRITANNIA: BUY RANGE: Rs. 3475 – 3510 (CMP 3484) Target RS.4300|Stop Loss Rs. 3050 (Return 23%)

BRITANNIA has most likely completed its throwback of rectangle pattern breakout on a monthly time frame. A recent dip in prices can be used as an accumulation opportunity in the stock as prices are retesting its trend line support on a monthly time frame.

In the recent correction (throwback), the price has found initial support at 38.20% retracement at around 3382 levels of the previous rise from 2100 to 4010 levels on a monthly scale. Both retracement level and trend line support are clubbed at almost the same levels, which indicates a strong support zone at current levels.

Nifty FMCG chart has witnessed falling channel pattern breakout and currently trading above its 50 & 100 exponential moving averages on a weekly interval.
Meanwhile, BRITANNIA trading above its exponential moving averages (50 & 100) on the weekly as well as a monthly chart. The stock has shoot up from its congestion zone of almost 9 candles (9 quarters) on a broader time frame.

HDFCLIFE: BUY RANGE: Rs. 610 – 630 (CMP 622) Target RS.721 Stop Loss Rs. 537 (Return 16%)

In these recent corrections, prices have likely to complete its ABC zigzag correction and most probably the wave 4th has conquered on a weekly interval.
Prices have completed its wave 4 at 50 percent retracement from the bottom of wave 2 till the high of wave 3.

HDFCLIFE chart has witnessed falling wedge pattern breakout and currently trading above its 50 & 100 exponential moving averages on a weekly time frame.

Momentum Oscillator RSI (14) is reading near 55 levels with positive crossover, which is positive for the counter. The MACD indicator is in positive crossover and reading above the line of polarity. The way indicators are in bullish setup along with price pattern breakout indicates the stock is nicely geared for its next leg of the up shift.

MFSL: BUY RANGE: Rs. 608-620 (CMP 613) Target RS.750 Stop Loss Rs. 545 (Return 22%)

After a prolonged consolidation MFSL has witnessed a more than three years long trend line breakout on a monthly interval. Prices have also given a range breakout which is likely to move further.

Moreover, prices have also given a breakout of an Inverted Head & Shoulder pattern above its neckline resistance. Meanwhile stock has completed its throwback near its neckline of the said pattern on a weekly line chart.

Since April 20, Counter is trading in a higher high higher bottom formation. On the weekly and monthly charts, the stocks have witnessed a shift of trend to the upward forming base with congestion.

Momentum Oscillator RSI (14) is reading near 60 levels with positive crossover and prices are nicely poised above its 50 & 100 exponential moving averages on a monthly time frame.

Furthermore counter is outperforming the Nifty50 which is visible on the Relative Strength (RS) indicator on the month on month basis.

Analyst Details

Name : Jitendra Upadhyay   Designation : Research Analyst
Rohan Patil   Research Analyst

Disclosure:

Bonanza Portfolio Ltd here by declares that views expressed in this report accurately reflect view point with subject to companies/securities. Bonanza Portfolio Ltd is responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. Bonanza Portfolio Ltd or its associates or Analyst or his relatives may or may not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report. Bonanza Portfolio Ltd operates under the regulation of SEBI RegnNo.INM000012306

Disclaimer:

This research report has been published by Bonanza portfolio Ltd and is meant solely for use by the recipient and is not for circulation. This document is for information purposes only and information / opinions / views are not meant to serve as a professional investment guide for the readers. Reasonable care has been taken to ensure that information given at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. If this report is inadvertently send or has reached to any individual, same may be ignored and brought to the attention of the sender. Preparation of this research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide for future performance. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Bonanza portfolio Ltd to be reliable. This report should not be taken as the only base for any market transaction; however this data is representation of one of the support document among other market risk criterion. The market participant can have an idea of risk involved to use this information as the only source for any market related activity. The distribution of this report in definite jurisdictions may be restricted by law, and persons in whose custody this report comes, should observe, any such restrictions. The revelation of interest statements integrated in this analysis are provided exclusively to improve & enhance the transparency and should not be treated as endorsement of the views expressed in the analysis. The price and value of the investments referred to in this report and the income from them may go down as well as up. Bonanza portfolio Ltd or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of Bonanza portfolio Ltd shall be liable. Research report may differ between Bonanza portfolio Ltd RAs and other companies on account of differences in, personal judgment and difference in time horizons for which recommendations are made. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. Research analyst have not received any compensation/benefits from the subject company or third party in connection with the research report

Bonanza Portfolio Ltd.
Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road,
Goregaon (E), Mumbai – 400063

Web site: https://www.bonanzaonline.com

SEBI Regn. No.: INZ000212137
BSE CM: INB 011110237 | BSE F&O: INF 011110237 | MSEI: INE 260637836
| CDSL: a) 120 33500 | NSDL: a) IN 301477 | b) IN 301688 (Delhi) | PMS: INP 000000985 |
AMFI: ARN -0186