Hem Securities Ltd.

Diwali Stock Picks

1 Navin Fluorine

Price	:	Rs. 2432
Target	:	Rs. 3130
Return	:	29%

Current Scenario

Navin Fluorine International Ltd (NFIL) is one of the largest and the most respected Indian manufacturers of speciality fluorochemicals with manufacturing locations at Surat and Dahej in Western India and Dewas in Central India. Company has strong Clientele base in India & abroad, including Global Innovators. Company has over 50 years of expertise in Handling Fluorine. Company is pioneers of Refrigerant Gas manufacturing in India. Company has done backward integration for raw material through 25% JV partner in the only Fluorspar beneficiation company in India .Company has diversified sourcing of Fluorspar away from China.

Future Outlook

In Q2FY21 despite COVID-19 challenges company achieved EBITDA Margin of 30.4%. Company has witnessed strong momentum in high value business performance. The company's business is positioned for sustainable growth on the back of a strong enquiries and order flows from innovator global pharma majors.Also, company has entered into a $410 million contract with a Global Company for manufacture and supply of a High-performance Product (HPP) in the fluorochemical space. The product is not part of the Navin Fluorine's existing product portfolio and is a new set of opportunities for application of fluorine for completely new vertical. This will increase share of High Value Business (CRAMS & Specialty) which now contributes ~65% of the topline.

2 Siemens Ltd.

Price	:	Rs. 1370
Target	:	Rs. 1735
Return	:	27%

Current Scenario

Siemens India is an integrated technology provider and strongly placed in Energy and Infrastructure. The company reported weak quarterly results mainly on account of weak demand of large infrastructure projects and extended lockdown.

Future Outlook

However, with strong presence across industry, strong order backlog, gradual reopening of projects sites, company's top-line is expected to recover soon. Moreover, amid sector slowdown, company has showed strength by improving its working capital cycle and margins. Going ahead, with economy slowly getting back to normal and uptick in power consumption, company is expected to perform well.

❸ Dabur India

Price : Rs. 510
Target : Rs. 650
Return : 27%

Current Scenario

Company posted a very strong numbers for Q2FY21. Co's Indian FMCG business recorded a growth of 19.8% on the back of volume growth of 16.8% meanwhile International Business achieved 5.5% growth in INR terms. Company showed 24.2% growth in Oral Care and 38.1% in Skin & Salon businesses.Co's operating profit and PAT both are grew by 16.3% and 19.5% respectively. Health segment of co. continued to outperform by showing a growth of 70.8% especially in Dabur Chyawanprash and Dabur Honey..

Future Outlook

Near term outlook remains positive given ~45%-50% rural saliency in sales, strong momentum in health supplements and OTC and entry in large categories like Mango Drink and Culinary range. Company continues to gain from increasing direct reach on one hand and growing sales of E-com. Company has recently launches it's new Products like Dabur Baby Care Range, Dabur Herbal Clove, Real new mango drink etc. We are expecting Mango drink, Culinary items and Toothpaste segments has outperform in near future, also the strong brands, e-commerce sales, innovations and large distribution network to expand in the future that will enable the company to grow at16%-19% PAT CAGR over FY21-23.

❹ Bharti Airtel

Price : Rs. 478
Target : Rs. 600
Return : 26%

Current Scenario

The company posted a strong quarterly numbers with consolidated revenue for Q2FY21 increased 22% to Rs 25,785 crore and EBITDA for the quarter stood at Rs 1179 crore, up 28.39%.along with rise in ARPU sequentially for the fourth straight quarter, helped by higher data usage and tariff hikes.Company has Cash and equivalents of over Rs 22700 crore as on Sept 30, 2020 which helps the company to cover for the debt and payments towards TRAI. The company's Digital Services now amongst the strongest in the country - 160 Mn digitally engaged customers. The company launched Airtel Secure, a suite of cyber security solutions for large, medium and small businesses as they shift to digital and cloud platforms, increasing the need to protect data and information from online attacks.

Future Outlook

Long term outlook remains positive given Bharti Airtel is aiming to tap the $1billion cloud communications market with the launch of Airtel IQ for enterprises and small medium enterprises. Company has picked up a strategic stake in tech startup Waybeo as part of its strategy to scale up its cloudofferings. However, Price competition with Reliance Jio, regulatory and technological

Changes and regulatory payments and adverse currency movements are some of the major concerns but we are still looking ahead on the revenue and market share growth along with cost rationalization efforts which will improve the margins going forward

5 Essel Propack Ltd. (EPL Ltd.)

Price : Rs. 225
Target : Rs. 325
Return : 29%

Current Scenario

Essel Propack is the world's largest manufacturer of laminated plastic tubes with units operating across countries such as USA, Mexico, Colombia, Poland, Germany, UK, Egypt, Russia, China, Philippines and India. These facilities cater to diverse categories that include brands in Beauty & Cosmetics, Pharma & Health, Food, Oral and Home, offering customized solutions. Co. sells over 8 billion tubes every year and is also the global market leader in oral segment with nearly one third of market share.

Future Outlook

As the personal care segment offers higher margins than the oral care segment, it has been focusing on increasing the former's revenue share.As the personal care segment offers higher margins than the oral care segment, it has been focusing on increasing the former's revenue share. It aims to grow aggressivley in America and Europe region which shall strengthen profitability. Also, it has been running cost optimization projects to optimize operational efficiency.

6 Petronet LNG

Price : Rs. 240
Target : Rs. 290
Return : 21%

Current Scenario

The company is a joint venture company between the four major players of the oil and gas industry in India, with each of the player holding 12.5%. GAIL (India) Limited (GAIL), Oil & Natural Gas Corporation Limited (ONGC), Indian Oil Corporation Limited (IOCL) and Bharat Petroleum Corporation Limited (BPCL) forming the part of its promoter group. Company has entered the sale and purchase agreement with Ras Laffan Liquefied Natural Gas Company, Qatar for supply of LNG to India for the largest LNG terminal in India at Dahej, Gujarat. The LNG terminal has a capacity of 17.5 MMTPA, of which the 2.5 MMTPA is added in the last fiscal year only. Petronet LNG, has the second terminal of 5 MMTPA capacity at Kochi, Kerala for which it is in talks with Australia for supply of LNG.

Future Outlook

The plan of the current government to increase the share of Natural gas in the Energy Mix of the country to 15% from the current share of 6-7%. The natural gas being a fossil fuel but leaving much lesser pollution when burned compared to the other fossil fuels, is the motto behind adding more of Natural gas in the energy mix of the country to meet the climate control requirements. The prices of domestically produced natural gas was administered until now and was availed at the pre-determined prices by the city gas distributors, but the recent move to set up the transparent bidding for the gas by the government will help further in better price discovery. Also since the natural gas transportation requires the infrastructure of pipelines, the government push for the expansion of the pipeline network from the current 16,000 kms to 27,000 km will help in boosting the demand for gas all over the country.