



Stock Recommendation

'Attractive investment opportunities'

Feb 01 '2021

Market presents attractive investment opportunities in some fundamentally strong stocks which are available at reasonable valuation. We have selected five fundamentally strong stocks for market participants presenting good entry point at current juncture. Stocks recommendation include 1) Cipla 2) L&T 3) Hindalco 4) ITC and 5) Power Grid.

Cipla – Buy, CMP – Rs828

- Cipla net profit jumps 113% YoY to Rs 748 crore ; revenue rises 18% YoY in Q3
- Revenue up by 22% YoY in India and 6% YoY in the US. Cipla also posted strong numbers in emerging markets and Europe.
- Continued measures on cost optimisation boost EBIDTA margin to 24.8% in Q3
- New product launches and gradual shift from the loss making segments include HIV to boost formulations exports.
- At CMP of Rs828, Cipla's stock is trading at P/E of 17.8x on FY23E basis compared to TTM P/E of 36.3x.

Larsen & Toubro – Buy, CMP – Rs1,335

- L&T received mega orders in infrastructure segment. Order inflow up by 76% YoY at Rs73,233 cr in Q3FY21.
- Execution gradually regaining ground amid economic recovery
- Improving collections aiding working capital, cash flows
- At CMP of Rs1,335, the stock is trading at P/E of 27x on standalone FY23E basis.

Hindalco Industries – Buy CMP – Rs226

- Hindalco posted a healthy set of operation performance in Q2FY21 with above estimate EBIDTA margin and PAT growth
- Hindalco's wholly-owned subsidiary Novelis is getting strong business traction due to demand recovery key user industries like auto, home beverage consumption, building & construction, etc
- Deleveraging will remain key focus area; FCF generated by the company will be primarily utilised to repay its debt.

ITC – Buy, CMP – Rs203

- ITC reported significant growth in FMCG segment and company expects hygiene product Savlon sales to reach Rs1,000 crore by FY21E.
- During Q2FY21, cigarettes volume declined by 12% YoY due to lockdown disruptions. The mgmt expects cigarettes segment business to improve as economy has largely opened up.
- At CMP of Rs203, the stock is trading at P/E of 14.9x on FY23E basis compared to TTM P/E of 18.2x.

Power Grid – Buy, CMP – Rs184

- Power Grid Corporation is engaged in the power transmission business. Revenue segments include transmission, telecom and consultancy.
- Power grid has strong business pipeline, expect business to post strong growth in FY22. Demand for power will continue to drive the need for transmission works.
- At CMP of Rs184, stock is trading at P/E of 7.7x on FY22E basis v/s TTM P/E of 8.7x.

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