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LEGACY | TRUST | GROWTH

MONTHLY

# **R|SEARCH** RECOMMENDATIONS

October 2022

## TATA MOTORS LTD. (Previous Close: INR404.60)

Buying Range: INR390 – INR370 | Stop-Loss: Closing Below INR330 | Target : INR480

Risk/Reward Ratio- around 1:2

Projected Timeframe - 2 Months

Projected Profit- around 26%

Projected Loss- around 13%

The stock is seen taking support along the midterm trend line that offers a midterm investment opportunity with favorable risk-reward ratio.

### Weekly Chart:



### Technical View:

After reacting down from 490 levels, the stock has been in a downtrend since past several weeks. **Now, the stock is seen taking support along the midterm trend line, which is pointing towards a possibility of pullback.** Declining stochastic oscillator and RSI both seen coming down onto their respective ascending trend lines suggesting downside is limited.

Based on the aforementioned explanations, **we recommend buying TATA MOTORS on dips in the price range of 390-370 for the target of 480.**

## TATA MOTORS LTD. (Previous Close: INR404.60)

Buying Range: INR390 – INR370 | Stop-Loss: Closing Below INR330 | Target : INR480

**Tata Motors Ltd** – (TML) is one of India's largest auto original equipment manufacturers (OEMs), with a significant market share in the domestic commercial vehicle (CV) market, a strong turnaround and expanding market share in the domestic passenger vehicle (PV) market, and anticipated short-term growth in Jaguar and Land Rover (JLR) volumes. Tata Motors is India's largest selling CV manufacturer and is amongst the top three in the passenger vehicles market. Tata Motors Group is present in over 125 countries, with a worldwide network comprising over 9,000 touch points.

TML has 6 principal automotive manufacturing facilities in India at Jamshedpur, Pune, Lucknow, Pantnagar, Sanand and Dharwad. The company's wholly owned subsidiary, Tata Passenger Electric Mobility Limited (TPEML) has recently executed Unit Transfer Agreement (UTA) for the acquisition of Ford India Private Limited's manufacturing plant at Sanand, Gujarat which will further enhance its capacity in the PV segment. By acquisition of JLR by TML in 2008, TML has been able to penetrate premium car markets like US, Europe, UK, China.

Jaguar Land Rover - 67.4% Share of consolidated revenue - : The Jaguar brand will become fully electric by 2025 and Land Rover shall have 6 BEVs by 2026. 60% of Jaguar Land Rover's volumes will be pure BEV vehicles by 2030. Refocus programme continues to deliver value, achieving £1.5 billion of savings in the year, beating target of £1.0 billion. The New Range Rover introduces plug-in hybrid electric propulsion with a segment-leading official electric-only range of over 100 kms. From 2024, a pure-electric New Range Rover will join the family. They have continued to build on the successful cost reduction initiatives of the Ignite programme – now extended to 2025 – achieving £1,600 average per car saving, without compromising quality. The medium- and longer-term financial targets under the Reimagine strategy, underpinned by the Refocus transformation programme, remain unchanged, including improving EBIT margins to 10% or more by FY26 and improving cash flow to achieve near zero net debt in FY24. The strategy also aims at reducing the number of architectures, which would also limit the capex requirement going ahead.

Passenger Vehicles - 11.3% Percentage share of consolidated revenues - : In India, EV penetration in the portfolio is likely to increase further to 25% in 5 years from 7.4% as of Q4 FY22. By 2025 Tata Motors will have 10 EVs. The unveiling of the long range "Nexon EV Max", showcase of "CURVV" Electric SUV concept and the unveil of the "AVINYA" concept, a pure EV based on GEN3 architecture, show the exciting possibilities ahead. Tata Motors entered into a binding agreement with TPG Rise Climate whereby TPG Rise Climate along with co-investors shall invest INR 7,500 crore in compulsory convertible instruments to secure between 11%-15% stake translating to an equity valuation of up to \$9.1 bn. Over the next 5 years, this Company will create a portfolio of 10 EVs and in association with Tata Power Ltd, catalyse the creation of a widespread charging infrastructure to facilitate rapid EV adoption in India. The first round of infusion for a sum of INR 3,750 crore was completed in March 2022. Government of India has placed an ambitious target of 30% EV penetration by FY30 and is supporting the transition in several ways. A report by India Energy Storage Alliance estimated the EV market to increase at a CAGR of 36% until 2026. The EV battery market is also expected to expand at a CAGR of 30% during the same period. Cumulative investment of ` 12.5 trillion (US\$ 180 billion) in vehicle production and charging infrastructure would be required until 2030 to meet India's EV ambitions.

Commercial Vehicles - 18.8% Percentage share of consolidated revenues - : Launched ACE EV, the last mile connectivity vehicle that garnered 39,000 orders on the day of the launch from marquee e-commerce customers. Continued to enhance competitiveness of products and introduced 80+ products, 120 variants in FY22. Bagged the Fuel Cell Electric Vehicle (FECV) Bus order from IOCL which is under execution. Operationalised 250+ electric buses in FY22, Cumulative 645+ e-buses running on Indian roads with cumulative coverage of more than 35 million kms. Forayed into cargo E-mobility with launch of ACE EV. Announced signing of MOU for ~39,000 units with marquee e-commerce customers.

In JLR, the annual capex of around £2.5 billion a year is mainly towards electrification platforms, architectures and investments in future battery electric vehicle (BEV) as a part of the 'Reimagine' strategy and is likely to be funded through a mix of debt and internal accruals. In India, while capex for internal combustion engine (ICE) vehicles is likely to be funded through internal accruals, the capex of EV segment will be funded in part through investment from TPG Rise Climate (TPG). Expect production to improve in Q2- Enhanced engagement including partnership agreements with key suppliers is improving visibility of chip supply. Expect the ramp up to improve in Q2 with the build rate for new Range Rover at the end of Q1 already double what it was at the start of the quarter. Reduced impact from covid lockdowns in China. Strong demand continues – record order bank of 200k units New Range Rover, New Range Rover Sport & Defender account for over 60% of order bank.

Tata motors looks all set to fire on all cylinders over the next 2-3 years. High input prices and chip and ship shortage issues more or less resolved, demand for CV's seeing strong uptick and expected to benefit from improving logistics demand, while the urban transport shift to electric will keep fuelling electric mobility demand, the PV space has gathered the best traction since inception with one after another successful launches coupled with the ramp-up of EV portfolio and the final piece - JLR starting to turnaround - leading to rapid growth in profitability and margins and substantial curtailment of the debt overhang. We expect the revenues and earnings to clock a CAGR of ~ 19% and ~70% respectively over FY22-24E and recommend buy as we see a huge scope of rerating.

## BANK OF BARODA LTD. (Previous Close: INR132.40)

Buying Range: INR130 – INR120 | Stop-Loss: Closing Below INR110 | Target: INR155

Risk/Reward Ratio- around 1:2

Projected Timeframe - 1 Month

Projected Profit- around 24%

Projected Loss- around 12%

The stock is seen breaking out a prolonged descending trend line that offers a very short-term investment opportunity with favourable risk-reward ratio.

### Weekly Chart:



### Analysis:

After a sharp recovery from around 95 levels, the stock is seen breaking out a prolonged descending trend line placed around 120 levels. Bullish RSI coupled with ADX seen trending higher above twenty pointing towards continuation of current uptrend.

Based on the aforementioned explanations, we recommend buying BANK OF BARODA on dips in the price range of 130-120 for the target of 155.

# TECHNICAL MEDIUM-TERM BUY

## CANARA BANK LTD. (Previous Close: INR228.75)

Buying Range: INR220 – INR200 | Stop-Loss: Closing Below INR160 | Target: INR310

Risk/Reward Ratio- around 1:2

Projected Timeframe - 3 Month

Projected Profit- around 47%

Projected Loss- around 24%

The stock is seen making a huge Inverse Head and Shoulders pattern that offers a midterm investment opportunity with favorable risk-reward ratio.

### Weekly Chart:



### Analysis:

After a recent sharp recovery from around 170 levels, the stock is seen making an Inverse Head and Shoulder pattern with neck line placed around 260 levels. Huge Inverse Head and Shoulder formation at the end of a prolonged bearish trend backed by massive volume growth suggesting longer-term accumulation and probable trend reversal. Successful breakout may take the stock towards 340 levels.

Bullish RSI while the massive positive divergence in volume oscillator OBV suggesting buy on dips in the price range of 220-200.

Based on the aforementioned explanations, **we recommend buying CANARA BANK on dips in the price range of 220-200 for the target of 310.**

## DOLLAR INDUSTRIES LTD.

CMP (INR) (As on 30<sup>th</sup> Sep 2022): INR 499 | Target: INR 713 | Upside (%): 43% | Recommendation: Buy | Timeframe – 12 to 18 Months

### Stock Scan

Market cap (INR Mn)	28293
Outstanding Shares (Mn)	56.7
Face Value (INR)	2
Dividend Yield (%)	0.7
P/E (x) (TTM)	18.7
P/B (x)	3.4
Debt/Equity (x)	0.0
Beta vs. Sensex	0.93
52 Week High/ Low (INR)	665/361
Avg. daily vol. 3mth (in '000)	180.52

Dollar Industries Ltd. established in 1972 by Mr. Dindayal Gupta and was incorporated in 2005 as Bhawani Textiles, before being named Dollar Industries in 2008. Making a foray in the innerwear market with the signature brand “Dollar” in men's vests and briefs which has extrapolated to wide range of men's, women's and kids' innerwear.

The company is backward integrated and has manufacturing locations at Tirupur, Kolkata, Delhi and Ludhiana with spinning capacity, knitting capacity, dyeing and bleaching capacity. It manufactures more than 350 products across all the segments. DIL is working with Vector Consultants to implement Theory of constraints (TOC), to keep a tab on its working capital mainly by reducing receivables and inventories.

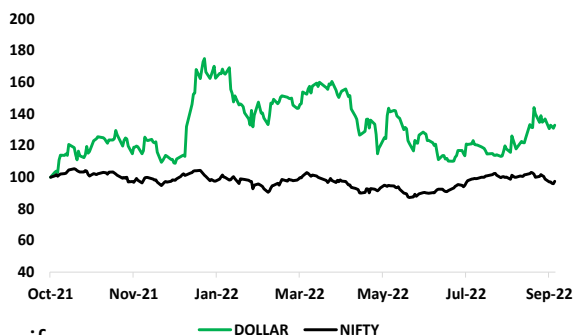
DIL's strong brand recall coupled with deeper penetration and demand shifting towards affordable branded quality products are strong macro growth drivers. We expect DIL to benefit from the current structural shift in the industry from unorganized to the organized sector. We are upbeat on DIL's long-term growth prospects on the back of its strong brand equity, initiatives to reduce working capital days and long-standing operations in innerwear industry

**We have valued the stock at 20x on FY24e EPS of Rs 35.7, to arrive at a target price of Rs 713, which provides an upside of ~43% based on the current market price and recommend BUY**

### Shareholding Pattern (%)

	Jun 2022	Mar 2021	Dec 2021
Promoters	72.91	72.91	72.91
Institutions	2.17	1.98	1.89
Non-Institution	24.92	25.11	25.2

### Stock vs. Nifty (Relative Returns)



### Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Net sales	9,671	10,370	13,503	15,548	17,620
Growth (%)	-6.0	7.2	30.2	15.1	13.3
EBITDA	1,046	1,381	2,198	2,425	2,872
EBITDA margin (%)	10.8	13.3	16.3	15.6	16.3
PAT	573	853	1471	1656	2023
PAT margin (%)	5.9	8.2	10.9	10.6	11.5
EPS (Rs)	10.1	15.0	25.9	29.2	35.7
P/E (x)	19.0	11.2	15.7	17.1	14.0
P/BV (x)	2.3	1.8	3.4	3.5	2.9
RoE (%)	13.5	17.3	24.5	22.4	22.6
RoCE (%)	13.7	18.3	26.3	24.9	27.7
EV/EBITDA (x)	12.4	7.8	11.4	12.1	9.8

## DOLLAR INDUSTRIES LTD.

CMP (INR) (As on 30<sup>th</sup> Sep 2022): INR 499 | Target: INR 713 | Upside (%): 43% | Recommendation: Buy | Timeframe – 12 to 18 Months

### Investment Rationale:

- Company targets to have ~70% of its distributors under project Lakshya by end of FY25. Company has opened two EBO's, one each in Alwar, Rajasthan and New Delhi and plans to open ~25-30 EBOs in the region of Uttar Pradesh and Rajasthan by end of FY23 end. Long term target is to have ~125 EBOs by FY25.
- Company has enrolled ~160 distributors already under channel financing and plans to bring ~60% of its distributors under channel financing by FY25.
- The total estimated capex of Rs 1150-1200 Mn spread across FY21-FY23 for increasing the spinning capacity from 22,000 to 42,000 spindles and setting up a 3.5 lac sq ft integrated warehouse in Kolkata by way of its internal accruals.
- In Q1FY23 contribution of athleisure wear was ~14% of sales, management expect strong growth in the athleisure wear segment going forward. Currently company is exporting to ~15+ countries and export mix was ~8% of revenue in Q1FY23, contemplating increase in share of exports to ~11% of revenue by FY25.
- We have valued the stock at 20x on FY24e EPS of Rs 35.7, to arrive at a target price of Rs 713, which provides an upside of ~43% based on the current market price and recommend BUY.**



## Research catering to client needs

	Long term Investing	Medium term investing	Short term Trading	Intra – day Trading
Fundamentals	High	Medium	Low	Absent
Derivatives	Low	Low	High	High
Technicals	Low	Low	High	High



## Research Basket

### **Long-term Investment**

- 12 to 18 month perspective – Detailed company reports
- Others – Muhurat Picks and Annual Strategy Picks

### **Medium-term Investment**

- 3 to 6 months perspective
- Technical and Quant Picks

### **Short-term Investment & Trading**

- 1 month investment call
- Positional Momentum Picks
- BTST, STBT on leading stocks

### **Intraday Trading**

- Daily Calls – Cash, Futures and Options

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Analyst holding in stock: **NO**

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