



MONTHLY
R|SEARCH
RECOMMENDATIONS

February 2023

ADITYA BIRLA CAPITAL LTD. (Previous Close: INR141.20)

Buying Range: INR130 – INR120 | Stop-Loss: Closing Below INR95 | Target : INR185

Risk/Reward Ratio- around 1:2

Projected Timeframe - 2 Months

Projected Profit- around 48%

Projected Loss- around 24%

The stock is seen breaking out a prolonged ascending triangle that offers a midterm investment opportunity with favorable risk-reward ratio.

Monthly Chart:



Technical View:

The stock is seen breaking out a prolonged ascending triangle with higher edge placed around 130 levels, which is likely to act as the critical pivotal support. Decent volume associated with rising OBV pointing towards long term accumulation. Rising RSI suggesting up move towards 185 levels in coming months.

Based on the aforementioned explanations, we recommend buying AB CAPITAL on dips in the price range of 130-120 for the target of 185.

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Buying Range: INR130 – INR120 | Stop-Loss: Closing Below INR95 | Target : INR185

Fundamental View:

The Aditya Birla Group's holding company for its financial services operations, Aditya Birla Capital Limited, is a provider of universal financial solutions that meets the various financial demands of its clients at every stage of life. The company, which holds investments in its subsidiaries as a Core Investment Company, functions primarily as a Holding Company. In the different industries in which they compete, it conducts business through its subsidiaries.

The company has established a global network of more than 1,400 Fintech companies. It is now collaborating with more than 50 Fintechs in a range of areas, such as AI/ML solutions, voice technologies, conversational user interfaces, digital KYC, biometrics, hyper-personalization, and sales engagement.

The company offers a variety of customer categories, demands, channels, and geographic areas through its portfolio of lending, insurance, asset management, and other services. Aditya Birla Finance, Aditya Birla Housing Finance, Aditya Birla Sun Life Insurance, Aditya Birla Sun Life AMC, Aditya Birla Health Insurance, etc. are some of the principal businesses in its portfolio.

Aditya Birla Finance Ltd. (ABFL), one of the biggest diversified non-banking finance companies (NBFCs), has a strong market position in the lending industry with assets under management (AUM) of ~Rs. 55,180 crore. Customers at ABFL include retail, high net worth individuals (HNIs), ultra HNIs, SMEs, mid-sized corporations, and large corporations. ABFL offers a variety of products, including loans against property, personal loans, company loans, project loans, and working capital loans. Through Aditya Birla Housing Finance Ltd (ABHFL), ABCL is active in the housing finance sector (started in October 2014), it has a loan book of ~Rs 12,005 crore.

Through Aditya Birla Sun Life AMC, ABCL has a significant presence in the asset management industry as well. With a domestic AUM of ~2.96 lakh crore, it is one of India's major asset management companies (AMCs). A significant player in the life insurance industry and a top private sector life insurance provider in India is ABCL (via Aditya Birla Sun Life Insurance). The ABCL provides a wide range of services, including broking, portfolio management services, and depository services, through its securities brokerage entity Aditya Birla Money Ltd. Through Aditya Birla Health Insurance, ABCL also offers health insurance. This company has a distinctive business model that combines health insurance with active customer interaction to promote healthy habits and manage customer experience.

Strong parentage of Birla group coupled with recent management changes are expected to drive all the segments of the company in the near future as the lending business gathers steam we expect the company to see substantial re-rating over the next 12-18 months, hence we recommend a buy on the company.

CHENNAI PETROLEUM CORPORATION LTD. (Previous Close: INR248.30)

Buying Range: INR240 – INR220 | Stop-Loss: Closing Below INR180 | Target: INR330

Risk/Reward Ratio- around 1:2

Projected Timeframe - 1 Month

Projected Profit- around 43%

Projected Loss- around 22%

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

Weekly Chart:



Analysis:

After reacting down from the recent high, the stock is seen finding buyers around the critical MA band placed around 180 levels. Leading indicators Stochastic is seen moving higher sharply while the RSI turned up from the multiple bottom area suggesting the stock is likely to move higher towards the midterm descending trend line resistance placed around 330 levels. MACD bullish crossover suggesting continuation of this bullish momentum towards 330 levels.

Based on the aforementioned explanations, we recommend buying CHENNAI PETRO on dips in the price range of 240-220 for the target of 330.

AUROBINDO PHARMA LTD. (Previous Close: INR408.15)

Buying Range: INR390 – INR370 | Stop-Loss: Closing Below INR280 | Target: INR580

Risk/Reward Ratio- around 1:2

Projected Timeframe - 3 Month

Projected Profit- around 52%

Projected Loss- around 26%

The stock is seen coming down onto the longer-term ascending trend line that offers a midterm investment opportunity with favorable risk-reward ratio.

Monthly Chart:



Analysis:

After reacting down from the all-time high, the stock has been in a sustained down trend and now seen coming down onto the longer-term ascending trend line placed around 370 levels. Leading indicators Stochastic and RSI both seen extremely oversold and approaching towards previous multi bottoms suggesting the stock is likely to find buyers around critical MA band placed around 370 levels.

Based on the aforementioned explanations, we recommend buying AURO PHARMA on dips in the price range of 390-370 for the target of 580.

NITIN SPINNERS LTD.

CMP (INR) (As on 31st Jan 2023): INR 205 | Target: INR 421 | Upside (%): 106% | Recommendation: Buy | Timeframe – 12 to 18 Months

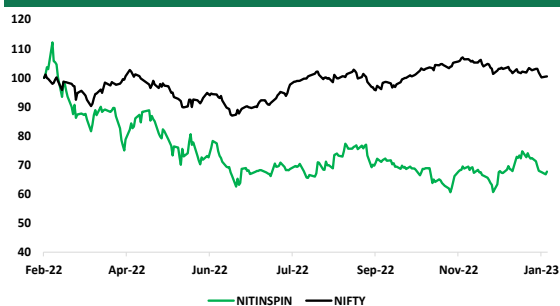
Stock Scan

Market cap (INR mn)	11,503
Outstanding Shares (mn)	56.2
Face Value (INR)	10
Dividend Yield (%)	1.9%
TTM P/E (x)	4.2
TTM P/B (x)	1.2
Debt/Equity (x)	0.8
Beta vs. Sensex	0.97
52 Week High/ Low (INR)	346/182
Avg. Daily Volume (NSE)/3 mth (mn)	0.13

Shareholding Pattern (%)

	Dec 2022	Sep 2022	Jun 2022
Promoters	56.4	56.3	56.3
Institutions	9.1	9.4	9.3
Non-Institution	34.3	34.2	34.3

Stock vs. Nifty (Relative Returns)



Established in 1992 and Headquartered in Bhilwara (Rajasthan), Nitin Spinners Ltd (NSPL) is India's leading manufacturer of cotton & blended yarn and has presence in knitted fabrics as well as in greige and finished woven fabrics. The company has ~3 lacs spindles and 3,488 rotors to produce 75,000 TPA yarn. NSPL has 63 knitting machines (8,500 TPA knitted fabric) and 168 looms for woven fabric. With in-house facilities for dyeing, finishing and printing, the company can produce 30 Mn meters per annum of finished woven fabric. The company has been on a strong growth path and during last ten years its sales quadrupled. Nitin generated 72% of its revenues from exports and enjoys presence in more than 50 countries across the globe.

Valuation & Outlook

With announcement of new capex, Nitin Spinners growth path is clear from here till FY25. Increasing share of processed woven fabric will further improve the margin profile. Nitin's plans to increase its capacity in value added products such as processed woven fabrics in on track and will be commissioned soon as existing capacities are getting nearly fully utilized. **We assign 8 PE multiple to FY25E earnings and arrive at a target price Rs421.** Hence, we ascribe Strong Buy rating on Nitin Spinners.

Financial Performance at a glance

Particulars (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Net sales	14,381	16,244	26,923	24,347	31,153
Growth (%)	15.7	13.0	65.7	(9.6)	28.1
EBITDA	1,698	2,573	6,516	3,236	5,109
EBITDA margin (%)	11.8	15.8	24.2	13.3	16.4
PAT	238	689	3,261	1,696	2,283
PAT margin (%)	1.7	4.2	12.2	7.0	7.3
EPS (Rs)	4.2	12.3	58.0	30.2	40.6
P/E (x)	13.7	4.3	3.6	6.8	5.0
P/BV (x)	0.7	0.5	1.3	1.1	0.9
RoE (%)	5.2	13.0	47.6	17.8	20.3
RoCE (%)	4.1	6.8	22.2	10.8	11.8
EV/EBITDA (x)	2.1	4.9	2.9	6.6	4.8

NITIN SPINNERS LTD.

CMP (INR) (As on 31st Jan 2023): INR 205 | Target: INR 421 | Upside (%): 106% | Recommendation: Buy | Timeframe – 12 to 18 Months

Investment Rationales:

Well timed capacity expansion: Nitin spinners has done its capacity expansion very well, from 75K spindles in FY14 to 320k spindles in FY20 which helped it capture the textile up cycle. The company's yarn utilization level has already reached 100% and the management has announced a capex of Rs9.5bn. With this capex, the company is adding 1.5 lakhs spindles, 2500 MT/PA knitted fabrics and 10 mn Metres woven fabric.

Well diversified and integrated product line with geographical diversification: The company enjoys strong presence in exports markets and has reach in over 50 countries across the globe including the EU, North America, Latin America, Middle East, China and other Far East Asian countries. Even during covid period, NSPL continued to do well due to its world-wide presence. On product side well, the company has vertically Integrated Operations from Fibre to Finished Fabrics. Due to this integration, the company has strong control on both quality and costs.

Pedigreed, Prudent and Visionary Promoters: NSPL is promoted by Mr. R. L. Nolkha who has spent around 25 years in the industry before setting up NSPL. Over the last 25 years, the Nolkha family has grown the business very efficiently and have successfully navigated the challenges and threats. The expansions have been prudently planned in order to keep gearing in check.

China+1 and government support providing tailwinds: With US-China trade war and human rights violations in Xinjiang region, China is losing market share in global textile arena. India, being one of the largest producers of cotton, is set to become one of the beneficiaries of this shift. Also, government of India has recently given loads of support to textile sector such as textile parks, PLI scheme and export incentives to generate employment. India is also doing loads of FTA agreement with many countries. All these factors together will help maintain growth momentum.

we assign Nitin Spinners at 8 PE multiple to FY25E earnings and arrive at a target price Rs421 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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