SMIFS LIMITED
LEGACY | TRUST | GROWTH

MONTHLY

RESEARCH RECOMMENDATIONS

March 2023

TECHNO-FUNDA INVESTMENT BUY

UTI ASSET MANAGEMENT COMPANY LTD. (Previous Close: INR654.45)

Buying Range: INR620 – INR600 | Stop-Loss: Closing Below INR560 | Target : INR710

Risk/Reward Ratio- around 1:2

Projected Timeframe - 2 Months

Projected Profit- around 16%

Projected Loss- around 8%

The stock is seen coming down onto the previous established bottom that offers a midterm investment opportunity with favorable risk-reward ratio.

Weekly Chart:

Technical View:

After reacting down from the recent highs, the stock is seen approaching previous established bottom placed around 600 levels. Leading indicators Stochastic looks extremely oversold while the RSI is seen approaching previous double bottom suggesting the stock is likely to find buyers around 600 levels.

Based on the aforementioned explanations, **we recommend buying UTI AMC on dips in the price range of 620-600 for the target of 710.**

UTI ASSET MANAGEMENT COMPANY LTD. (Previous Close: INR654.45)

Buying Range: INR620 – INR600 | Stop-Loss: Closing Below INR560 | Target : INR710

Fundamental View:

UTI Asset Management company ltd. is the second largest asset management company in India, which has been active in the industry for more than 57 years. The company caters to a diverse group of individual and institutional investors through a wide variety of funds and services. UTI manages the domestic mutual funds of UTI Mutual Fund, provide portfolio management services (PMS) to institutional clients and high net worth individuals (HNIs), and manage retirement funds, offshore funds and alternative investment funds. The company established the first mutual fund in India and as such has a large presence across the nation. The company offers its services through a diverse range of distribution channels and has maintained a strong market share in the industry. In FY22 the company reported it had 167 UTI Financial Centres (UFCs) as compared to 163 centres in FY21.

In the long term, i.e., between Fiscals 2022 and 2027, the overall industry's AUM is projected to sustain a high growth trajectory of ~14% CAGR, reaching approximately ₹ 74 trillion. This growth in the mutual fund industry is expected to be driven by: Pick-up in corporate earnings following stronger economic growth,Higher disposable income and investable household surplus Increase in aggregate household and financial savings, Deeper regional penetration as well as better awareness of mutual funds as an investment vehicle, Continuous improvement in ease of investing, with technological innovations and expanding internet footprint. Perception of mutual funds as long-term wealth creators, driven in part by initiatives like 'Mutual Fund Sahi Hai' campaign.

The company reported growth of 14% year over year in its Total Assets Under Management (TAUM) in 3QFY23 which stood at Rs. 14.98 lakh crore as on 31st December '22 as against Rs. 13.11 lakh crore as on 31st December '21. In the last reported quarter of 3QFY23, UTI added 23,000 folios, taking up the number of live folios to 1.21 crore as on 31st December '22 from 1.16 crore as on 31st December '21. In the third quarter, the company's SIP accounts rose by 3.6% taking the total number of live SIP folios to 24.66 lakh as on 31st December 2022. UTI's market share in fresh inflows is 4.05%, Share of B-30 cities was at 23% as against share of 17% for industry on MAAUM. While the PMS segment accounts for ~67% of total AUM, it accounts for just 3% of revenue from services due to the nature of business. It earns ~80% of sales from domestic MF fees.

Key subsidiaries-

UTI Retirement Solutions- It is a 100% subsidiary that was incorporated for managing pension assets under the National Pension System (NPS). AUM has increased by 19% YoY on closing basis to Rs 2.31 trn, Market share was at 27.01% of NPS industry AUM

UTI International Limited - The offshore interests of UTI AMC is managed by this wholly-owned subsidiary. AUM stood at Rs 238.26bn. The business has clients across 38 countries

UTI Capital – It is a 100% subsidiary and is mandated to manage and grow private capital investment management business. It has 3 funds under management or advisory as per FY22.

In the last quarter the company has lost on the debt side of the business which we expect to come back to normal as the rate cycle eases out over the next 2 quarters further the equity AUM has seen higher additions on the passive side leading to lower incomes. Going forward the launch of new schemes coupled with normalcy in the debt side of the AUM and increasing NPS market share and lower costs should result in the company reporting ~ 14-16% topline and bottomline growth for FY24 resulting in an EPS of ~ 50 implying the stock is trading at ~13x FY24E numbers. Given a strong ad sticky SIP book and dominant presence in the B-30 cities we expect the company to clock-in industry leading growth and recommend a BUY.

TECHNICAL SHORT-TERM BUY

FEDERAL BANK LTD. (Previous Close: INR129.15)

Buying Range: INR120 – INR110 | Stop-Loss: Closing Below INR95 | Target: INR155

Risk/Reward Ratio- around 1:2
Projected Timeframe - 1 Month

Projected Profit- around 34%
Projected Loss- around 17%

The stock is seen taking support around previous established top 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 taking support around the previous established top placed around 120 levels. Leading indicators Stochastic is seen in a declining mode while the RSI is seen approaching the midterm ascending trend line suggesting the stock is likely to find buyers around the previous established top.

Based on the aforementioned explanations, we recommend buying FEDERAL BANK on dips in the price range of 120-110 for the target of 155.

TECHNICAL MEDIUM-TERM BUY

CANARA BANK LTD. (Previous Close: INR279.55)

Buying Range: INR250 – INR240 | Stop-Loss: Closing Below INR195 | Target: INR345

Risk/Reward Ratio- around 1:2
Projected Timeframe - 3 Month

Projected Profit- around 40%
Projected Loss- around 20%

The stock is seen coming down onto the neckline of the prolonged Inverse Head and Shoulder pattern 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 coming down onto the neck line (placed around 240 levels) of the prolonged Inverse Head and Shoulder pattern. Leading indicators Stochastic looks oversold while the RSI is seen taking support along the critical ascending trend line suggesting the stock is likely to find buyers around 250 levels.

Based on the aforementioned explanations, **we recommend buying CANARA BANK on dips in the price range of 250-240 for the target of 345.**

SUPRAJIT ENGINEERING LTD.

CMP (INR) (As on 27th Feb 2023): INR 352 | Target: INR 445 | Upside (%): 26.5% | Recommendation: Buy | Timeframe – 12 to 18 Months

Stock Scan

Market cap (INR mn)	48,665
Outstanding Shares (mn)	138.4
Face Value (INR)	1
Dividend Yield (%)	0.6%
P/E TTM	26.1
P/B TTM	4.8
Debt/Equity (x)	0.3
Beta vs. Sensex	0.70
52 Week High/ Low (INR)	398/272
Avg. Daily Volume (NSE)/3 mth (mn)	0.21

Suprajit Engineering Limited, traditionally a strong cables business, is putting efforts to de-risk and grow beyond the cables business, by investing and developing complex & future-ready products in STC which will give additional wing to fly higher by providing new growth opportunities. In the medium to long term, growth in the traditional business, LDC's global presence, and introduction of new products by STC are expected to be significant factors contributing to growth.

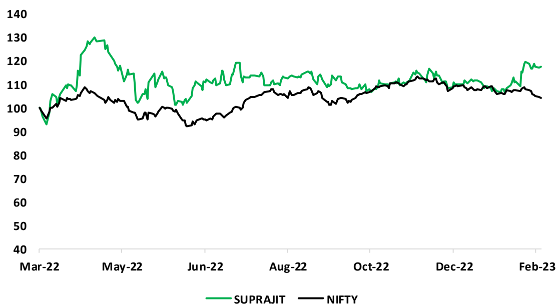
Valuation & Outlook

- ✓ New products from STC received good response and have higher content per vehicle.
- ✓ LDC turned margin positive and is expected to have robust growth with double digit margin in FY24 and PLD to continue its healthy performance backed by strong growth trajectory in aftermarket segment and reduced costs by restructuring exports business.
- ✓ Suprajit's historic year-on-year outperformance is noticeable. We believe apart from strong growth visibility in its traditional business, LDC's global reach and new products from STC will be the new growth drivers for mid-to-long term.
- ✓ Its trading at 16.6x FY25 estimated EPS of Rs 21.2. **Assigned multiple of 21x to FY25e EPS to arrive at a fair value of Rs 445 per share. Maintain Buy recommendation.**

Shareholding Pattern (%)

	Dec 2022	Sep 2022	Jun 2022
Promoters	44.6	44.6	44.6
Institutions	20.7	20.6	19.8
Non-Institution	34.7	34.8	35.6

Stock vs. Nifty (Relative Returns)



Financial Performance at a glance

Particulars (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net sales	**16,409**	**18,405**	**27,622**	**30,513**	**33,385**
Growth (%)	*5.0*	*12.2*	*50.1*	*10.5*	*9.4*
EBITDA	**2,367**	**2,599**	**3,010**	**4,126**	**4,738**
EBITDA margin (%)	*14.4*	*14.1*	*10.9*	*13.5*	*14.2*
PAT	**1,427**	**1,643**	**1,636**	**2,503**	**2,933**
PAT margin (%)	*8.7*	*8.9*	*5.9*	*8.2*	*8.8*
EPS (Rs)	**10.2**	**11.9**	**11.8**	**18.1**	**21.2**
P/E (x)	**17.9**	**28.5**	**29.8**	**19.4**	**16.6**
P/BV (x)	2.6	4.3	4.0	3.4	2.9
RoE (%)	15.5	15.9	14.2	18.9	18.9
RoCE (%)	12.2	12.7	11.5	14.3	15.1
EV/EBITDA (x)	10.5	17.5	17.2	12.1	10.0

SUPRAJIT ENGINEERING LTD.

CMP (INR) (As on 27th Feb 2023): INR 352 | Target: INR 445 | Upside (%): 26.5% | Recommendation: Buy | Timeframe – 12 to 18 Months

Investment Rationales:

STC – a new wing to growth beyond cables: The new products have received good response and have strong order book. The digital clusters, electronic actuators and sensors which are under production are expected to scale up revenue in coming years. Also, the new products have higher content per vehicle.

Light Duty Cable (LDC) – EBITDA margin turned in black, continue to improve: The margin for LDC turned positive due to price adjustment received & restructuring measures and is expected to improve further. The division is guided to do revenue of $100mn in FY24 with double-digit margin with lifting of China-covid lockdown restrictions, stability in Hungary plant and margin improvement owing to good traction in Mexico plant in coming years.

Cables division – Outperformance to continue: In auto cables, robust margins owing to price increases and softening of shipping cost will be sustained and new business pipeline to give healthy revenue in coming years. In non-auto cables, new contract wins and recovery in industry will lead to healthy growth in FY24.

Phoenix Lamps Division (PLD) – Achieved double-digit margin, traction to continue: Achieved double-digit margin due to operational improvement and price increase received especially from aftermarket customers. The strong growth trajectory in aftermarket business and restructuring of exports business by operating only with one entity, Luxlite, to reduce costs will help in healthy performance going ahead.

We value Suprajit Engineering at 21x its FY25e earnings to arrive at a TP of Rs 445 apiece 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

DISCLAIMER

Analyst Certification:

We /I, Jaydeb Dey and Amit Hiranandani of SMIFS Limited (in short "SMIFS / the Company"), authors and the names subscribed to this Research Report, hereby certify that all of the views expressed in this Research Report accurately reflect our views about the subject issuer(s) or securities and distributed as per SEBI (Research Analysts) Regulations 2014. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this Research Report. It is also confirmed that We/I, the above mentioned Research Analyst(s) of this Research Report have not received any compensation from the subject companies mentioned in the Research Report in the preceding twelve months and do not serve as an officer, director or employee of the subject companies mentioned in the Research Report.

Terms & Conditions and Other Disclosures:

SMIFS Limited is engaged in the business of Stock Broking, Depository Services, Portfolio Management and Distribution of Financial Products. SMIFS Limited is registered as Research Analyst Entity with Securities & Exchange Board of India (SEBI) with Registration Number – INH300001474.

SMIFS and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Research Analysts. SMIFS generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this Research Report have been prepared by SMIFS and are subject to change without any notice. The Research Report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of SMIFS Limited. While we would endeavor to update the information herein on a reasonable basis, SMIFS is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent SMIFS from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or policies of SMIFS, in circumstances where SMIFS might be acting in an advisory capacity to this company, or in certain other circumstances.

This Research Report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This Research Report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Securities as defined in clause (h) of section 2 of the Securities Contract Act, 1956, includes Financial Instruments, Currency and Commodity Derivatives. Though disseminated to all the customers simultaneously, not all customers may receive this Research Report at the same time. SMIFS will not treat recipients as customers by virtue of their receiving this Research Report. Nothing in this Research Report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this Research Report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. SMIFS accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this Research Report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. The information given in this report is as of date of this report and there can be no assurance that future results or events will be consistent with this information. The information provided in this report remains, unless otherwise stated, the copyright of SMIFS. All layout, design, original artwork, concepts and intellectual Properties remains the property and copyright of SMIFS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the SMIFS.

SMIFS shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, breakdown of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of SMIFS to present the data. In no event shall SMIFS be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the SMIFS through this report.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (a) Exchange Rates can be volatile and are subject to large fluctuations; (b) the value of currencies may be affected by numerous market factors, including world and notional economic, political and regulatory events, events in Equity & Debt Markets and changes in interest rates; and (c) Currencies may be subject to devaluation or government imposed Exchange Controls which could affect the value of the Currency. Investors in securities such as Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Since associates of SMIFS are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this Research Report.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may: (i) from time to may have long or short positions in, and buy or sell the Securities, mentioned herein or (ii) be engaged in any other transaction involving such Securities and earn brokerage or other compensation of the Subject Company/ companies mentioned herein or act as an Advisor or Lender/Borrower to such Companies or have other potential/material Conflict of Interest with respect to any recommendation and related information and opinions at the time of the publication of the Research Report or at the time of Public Appearance.

SMIFS does not have proprietary trades but may at a future date, opt for the same with prior intimation to Clients/ Investors and extant Authorities where it may have proprietary long/short position in the above Scrip(s) and therefore should be considered as interested.

The views provided herein are general in nature and do not consider Risk Appetite or Investment Objective of any particular Investor; Clients/ Readers/ Subscribers of this Research Report are requested to take independent professional advice before investing, however the same shall have no bearing whatsoever on the specific recommendations made by the analysts, as the recommendations made by the analysts are completely independent views of the Associates of SMIFS even though there might exist an inherent conflict of interest in some of the stocks mentioned in the Research Report.

The information provided herein should not be construed as invitation or solicitation to do business with SMIFS.

SMIFS or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the Research Report as of the last day of the month preceding the publication of the Research Report.

SMIFS encourages independence in Research Report preparation and strives to minimize conflict in preparation of Research Report. Accordingly, neither SMIFS and their Associates nor the Research Analysts and their relatives have any material conflict of interest at the time of publication of this Research Report or at the time of the Public Appearance, if any.

SMIFS or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

SMIFS or its associates might have received any compensation from the companies mentioned in the Research Report during the period preceding twelve months from the date of this Research Report for services in respect of managing or co-managing public offerings, corporate finance, investment banking, brokerage services or other advisory service in a merger or specific transaction from the subject company.

SMIFS or its associates might have received any compensation for products or services other than investment banking or brokerage services from the subject companies mentioned in the Research Report in the past twelve months.

SMIFS or its associates or its Research Analysts did not receive any compensation or other benefits whatsoever from the subject companies mentioned in the Research Report or third party in connection with preparation of the Research Report.

Compensation of Research Analysts is not based on any specific Investment Banking or Brokerage Service Transactions.

The Research Analysts might have served as an officer, director or employee of the subject company.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may have been engaged in market making activity for the companies mentioned in the Research Report.

SMIFS may have issued other Research Reports that are inconsistent with and reach different conclusion from the information presented in this Research Report.

A graph of daily closing prices of the securities/commodities is also available at www.nseindia.com and/or www.bseindia.com, www.mcxindia.com and/or www.icex.com.

SMIFS submit' s that no material disciplinary action has been taken on the Company by any Regulatory Authority impacting Equity Research Analysis activities in last 3 years.

This Research Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SMIFS and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Specific Disclosures

- SMIFS, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- SMIFS, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company.
- SMIFS, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months.
- SMIFS, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as director/officer/employee in the subject company
- SMIFS has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- SMIFS has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- SMIFS has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months.
- SMIFS has not received any compensation or other benefits from third party in connection with the research report.
- SMIFS has not engaged in market making activity for the subject company

Analyst holding in stock: **NO**

Key to SMIFS Investment Rankings

Buy: Return >15%, Accumulate: Return between 5% to 15%, Reduce: Return between -5% to +5%, Sell: Return < -5%

Contact us:

SMIFS Limited. (https://www.smifs.com/)

Compliance Officer:

Sudipto Datta,

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5401 /91 33 6634 5401

Email Id.: compliance@smifs.com