MARKETSMITH INDIA

TOP STOCKS FY 2021

A Bull Run Against All Odds




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I am writing this letter with the hope that you and your near and dear ones are healthy and safe at home amidst the second wave of COVID, which spread rapidly, crippling the country's health infrastructure. As of now, the silver lining is that the lockdowns in various parts of the country have helped to curb the spread without grounding the economy to a halt. The vaccination program is in progress. In this struggle, the government, doctors, frontline workers, NGOs, and philanthropists are standing strong to save people, and I, on behalf of William O'Neil India, would like to extend my thanks to all of them.

William J. O'Neil said that major market corrections are normal and necessary. It serves to clean up prior excess. They also allow the market to create a whole new set of chart bases and leaders for the bull market that, in time, always follows. That's what happened last year. The sharp and dramatic correction in the latter half of February and March 2020 due to the pandemic left the market jammed before the conclusion of FY20. Q1 FY21 saw the impact of COVID over the full quarter. Almost every sector across every market got impacted as there was a blend of demand and supply side issues. But as always, the market saw the recovery in economic activity early, and we emerged from the coronavirus-induced market correction with a new outlook. My team at William O'Neil India accepted the Work From Home challenge really well and our operation remained as smooth as always, helping our clients to make investment decisions.

CANSLIM market rules pushed you out of the market early and protected your money in the February-March 2020 selloff. Similarly, the all-important follow-through day brought us back into the market in April. There was a lot of noise that how markets would behave, crash again, etc. But the market proved that it does not care about noises and opinions. In FY21, we experienced a one-way rally.

It was a good year for O'Neil followers, as we listened to the market, and the market's information was much more reliable than anything put out by news and experts. Foreign institutional investors (FIIs)/ foreign portfolio investors (FPIs) pumped in a record amount into India's equity markets during FY21. FIIs invested more than Rs 2.75T, the highest in the last two decades. On the flip side, net selling from domestic institutional investors (DIIs) was more than Rs 1.3T. Like the youngsters dominating in cricket, whether it's the tour to Australia or the Indian Premier League, the broader markets and initial public offerings (IPOs) outperformed frontline indices.

For FY21:

- Nifty50 Rallied 71%
- Nifty Midcap advanced 102%
- Nifty Smallcap galloped 126%

Governments and central banks were in action during the year. Globally, trillions of dollars were poured into the system to keep the economy alive and kicking. Interest rates were slashed and ample money was printed to keep liquidity afloat. In the domestic economy also, the government of India and the Reserve Bank of India (RBI) announced a stimulus package of more than Rs 29 lakh crore (~15% of GDP). In a moderating growth environment, the government did not hesitate to digest higher slippages in the fiscal deficit in Budget 2021. The budget primarily dwelled on infrastructure growth and pushed manufacturing with production-linked incentives (PLI) schemes to achieve sustainable growth.

Depending on how you played it, it may have been a great year, a good year, or a mediocre year. As O'Neil often says, "it is all about how you handle your winners." With a plate full of learnings and dramatic experiences from last year, let's begin FY22 with an eye toward sectors that are turning around to lead the market, stocks that are showing traits of a leader, and be disciplined to invest in perfect sync with the market.

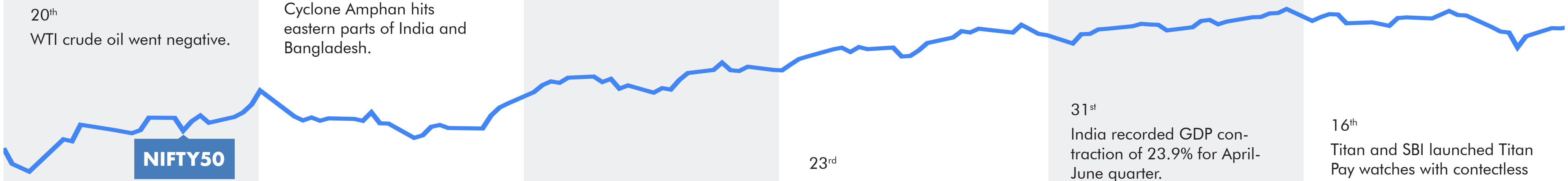
Now, FY21 is all but in the books. The growth estimates project India's GDP to grow ~12%. The commodity, in an uptrend, indicates a strong economic recovery. Also, the automotive industry is doing well globally. With people adopting a new way of living and effective vaccination against COVID-19, the outlook remains positive. However, rising inflation, increasing bond yields, and an extended rally are making investors cautious. But, we will keep an open mind and continue to follow the situation, and see what opportunities present. We will continue to follow the O'Neil rules and have an eye out for names that meet our profile, appear poised to move higher, and are potential top stocks of FY22.

As I end this letter, I wish that the new financial year brings good health, wealth, and prosperity to all.

Anupam

Anupam Singhi
CEO, William O'Neil India

FY 2021 Year-In-Review



April

9th
The U.S. Federal Reserve launches program. worth $2.3T to support economy

16th
Indian Rupee hit an all-time low of 76.87 against the U.S. Dollar.

20th
WTI crude oil went negative.

22th
Facebook bought 9.99% stake in Reliance Jio.

May

7th
Gas leak in LG Polymers plant in Vishakapatnam causing 12 deaths and sickening of 100s of people.

12th
NDA gets majority in Lok Sabha election

16th
Cyclone Amphan hits eastern parts of India and Bangladesh.

20th
MCX released a new application programming interface (API), which will facilitate a negative price on its software.

22th
RBI cuts repo rate by 40 bps to 4%.

June

3rd
Uday Kotak appointed as CII President.

24th
Government brings all cooperative banks under supervision of RBI.

29th
Government of India bans 59 Chinese apps.

July

2nd
Government approved special liquidity scheme of Rs 30,000 crore for NBFCs and HFCs.

17th
Nifty retakes its 200-DMA for the first time since February 27.

23rd
Gold Prices hit Rs 50,000 per 10 gram for the first time as the demand for yellow metal increased amid global pandemic.

30th
The U.S. GDP plunges a record 32.9% in the second quarter, reflecting lockdowns associated with the COVID-19.

August

04th
Huge explosion in Beirut, Lebanon, which resulted in more than 200 deaths.

19th
Apple becomes the first company to top a $2T market capitalization.

31st
India recorded GDP contraction of 23.9% for April-June quarter.

September

7th
Vodafone Idea re-brands itself 'Vi'.

9th
Silver Lake Invests Rs 7,500 in Reliance Retail.

16th
Titan and SBI launched Titan Pay watches with contectless payment through watch.

29th
RBI defers Basel III provisions amid COVID-19 uncertainty.

October

1st
Mubadala picks up 1.4% stake in Reliance Retail for Rs 6,247.5 crore.

9rd
RBI's MPC has pegged the real GDP growth for FY21 to contract by 9.5%.

14th
Nifty Advanced for 10 consecutive sessions, a record in the last few years.

November

2nd
October PMI came in at 58.9, highest in the last 13 years.

3rd
Biden trumps Trump.

11th
PLI scheme received govt's approval.

12th
Finance Minister announces 'Aatmanirbhar' Package 3.0.

December

1st
RBI made the Real-Time Gross Settlement (RTGS) system available to the customers 24x7.

2nd
The U.K. officials grant emergency approval for COVID-19 vaccine made

15th
BSE rolls out e-agricultural spot market platform.

23rd
India, World Bank sign $500M project to build Green national Highway Corridor.

January

13th
The Cabinet Committee approved largest indigenous defence deal worth Rs 48,000 crores to procure 83 LCA Tejas fighters for the

15th
PM Modi launches world's largest vaccination program.

18th
China's economy shows 2.3% growth in 2020, lowest in 45 years.

28th
Airtel becomes the country's first telecom operator to successfully demonstrate live fifth-generation (5G) service.

29th
Economic Survey Pegs India's Growth at 11.5% in FY22.

February

1st
Budget Day

3rd
Nifty Hits 15,000.

8th
Nifty Doubles from the low made in March 2020.

27th
GDP back to growth of 0.4% in Q3.

March

15th
Feb WPI Inflation comes at 4.2%.

23rd
Cargo ship 'Ever Given' stuck in Suez Canal. It is estimated to cost $400M per hour due to the traffic block in the canal.

31st
Tata Consumer replaces GAIL in Nifty50.

25%
20%
15%
10%
5%
0%

Featured Stocks

Featured Stocks

FY21's top stocks list has names mainly from sectors such as Basic Material, Health Care, Capital Equipment, and Consumer Cyclical. The market was at rock bottom at the start of FY21. The V-shaped recovery resulted in strong gains across the sectors. For most of the year, market status according to O'Neil Methodology was in a Confirmed Uptrend. The midcap and smallcap indices outperformed but remain below their 2018 highs. There were multiple breakouts from early-stage bases, but it was crucial to invest only in stocks that had quality fundamentals and growth drivers.

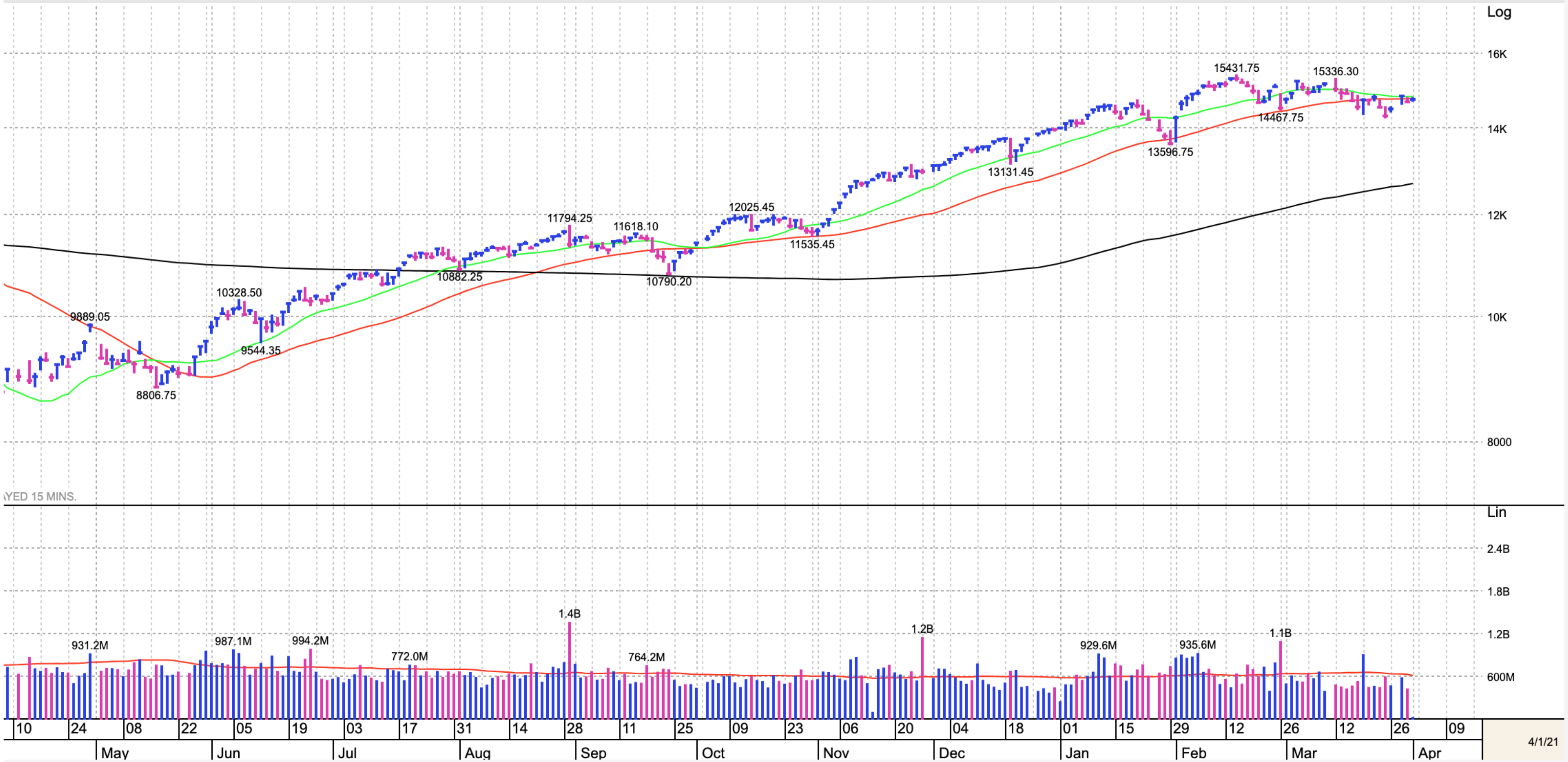
Foreign institutional investors (FIIs) / foreign portfolio investors (FPIs) pumped in a record amount into India's equity markets during FY21 and increased holding in many companies. Also, a lot of promoters raised stakes in their companies. Any dip in quality stocks was bought. 21- and 50-DMA turned out to be good support for most of the stocks. Barring the few losers during FY21, 200-DMA was far for most of the stocks.

This book highlights the top stocks that passed the screening criteria listed below. It begins with charts marked up by MarketSmith India's Product Coaches to indicate the kind of technical and fundamental analysis crucial to post-analysis. Charts for the screened stocks are accompanied by an article laying out the fundamental and growth story of the stock.

Screening Criteria:

- Stock Price as of March 31, 2020 ≥ Rs 20
- Market Cap as of March 31, 2020 ≥ Rs 1,000 crore
- Average Daily Rupee Volume on March 31, 2020 ≥ Rs 1,00,00,000
- Top 30 gainers in FY21 fulfilling all the above criteria.

NIFTY 50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12K
10K
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14467.75
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12025.45
11794.25
11618.10
11535.45
10882.25
10790.20
10328.50
9889.05
9544.35
8806.75
YED 15 MINS.
Lin
2.4B
1.8B
1.2B
600M
931.2M
987.1M
994.2M
772.0M
1.4B
764.2M
1.2B
929.6M
935.6M
1.1B
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May
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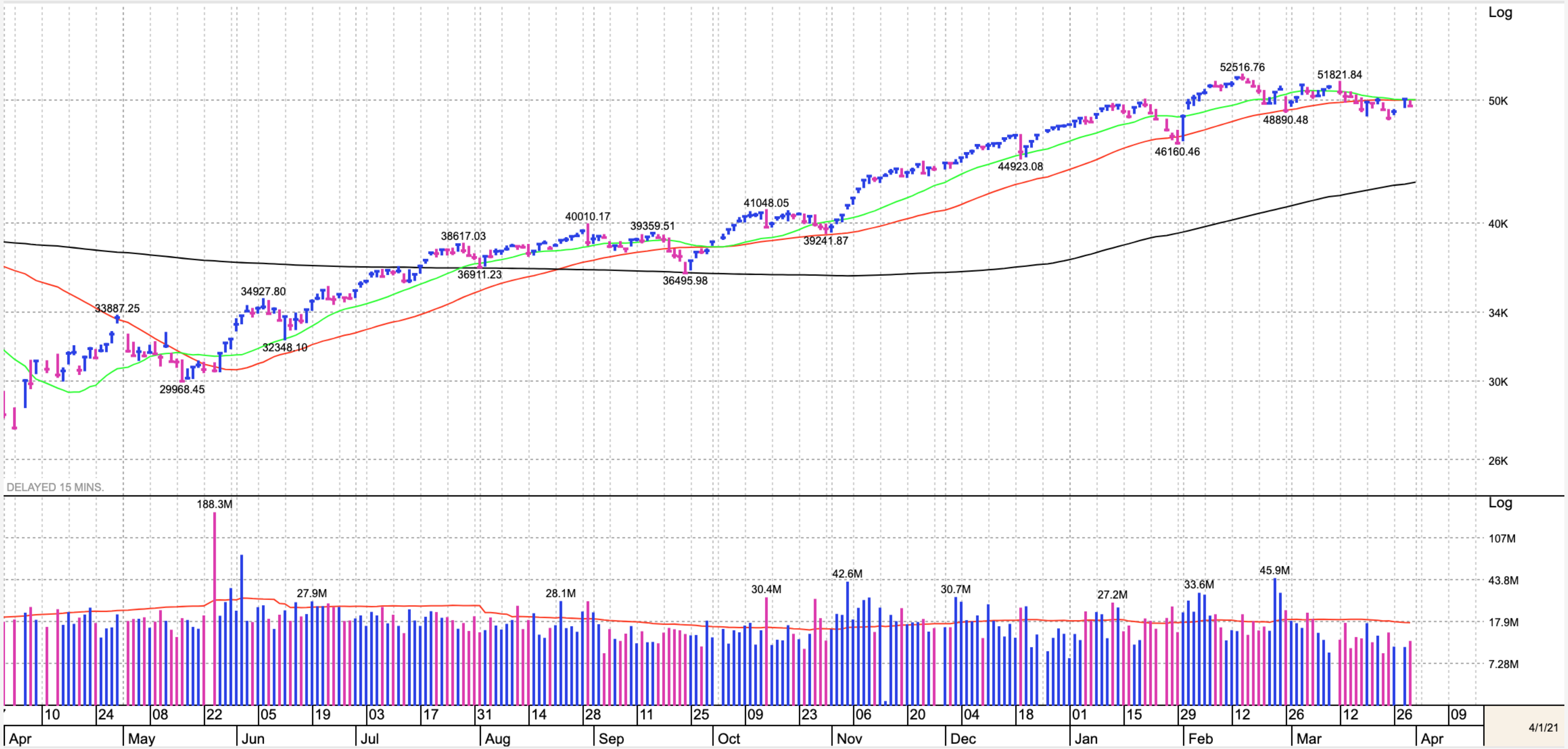
4/1/21

SENSEX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40010.17
39359.51
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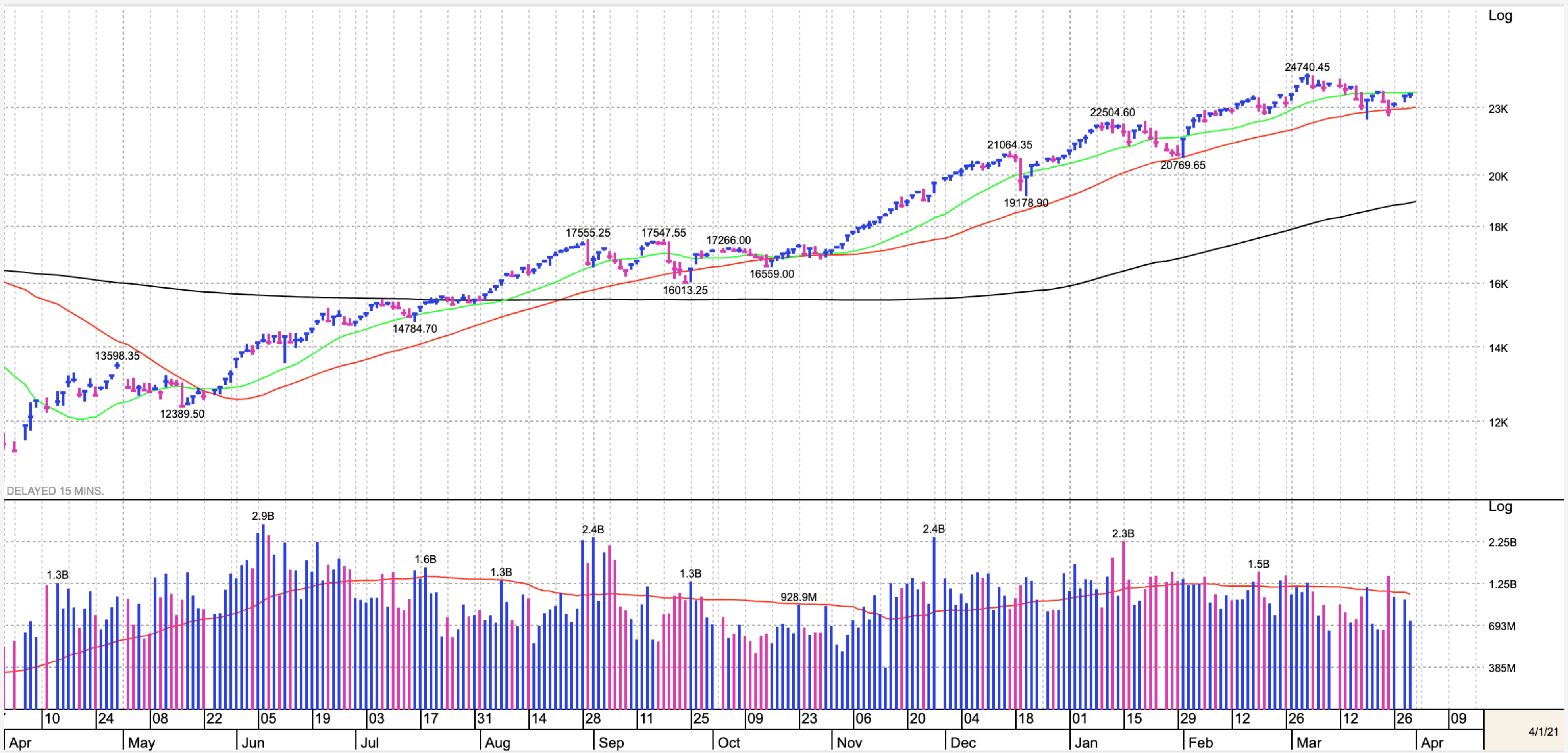
40K
36911.23
36495.98
34927.80
33887.25
34K
32348.10
29968.45
30K
26K
DELAYED 15 MINS.
Log
188.3M
107M
42.6M
45.9M
43.8M
33.6M
30.4M
30.7M
27.9M
28.1M
27.2M
17.9M
7.28M
10 24 08 22 05 19 03 17 31 14 28 11 25 09 23 06 20 04 18 01 15 29 12 26 12 26 09
Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr
4/1/21

MIDCAP 100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23K
20K
18K
16K
14K
12K
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1.3B
1.3B
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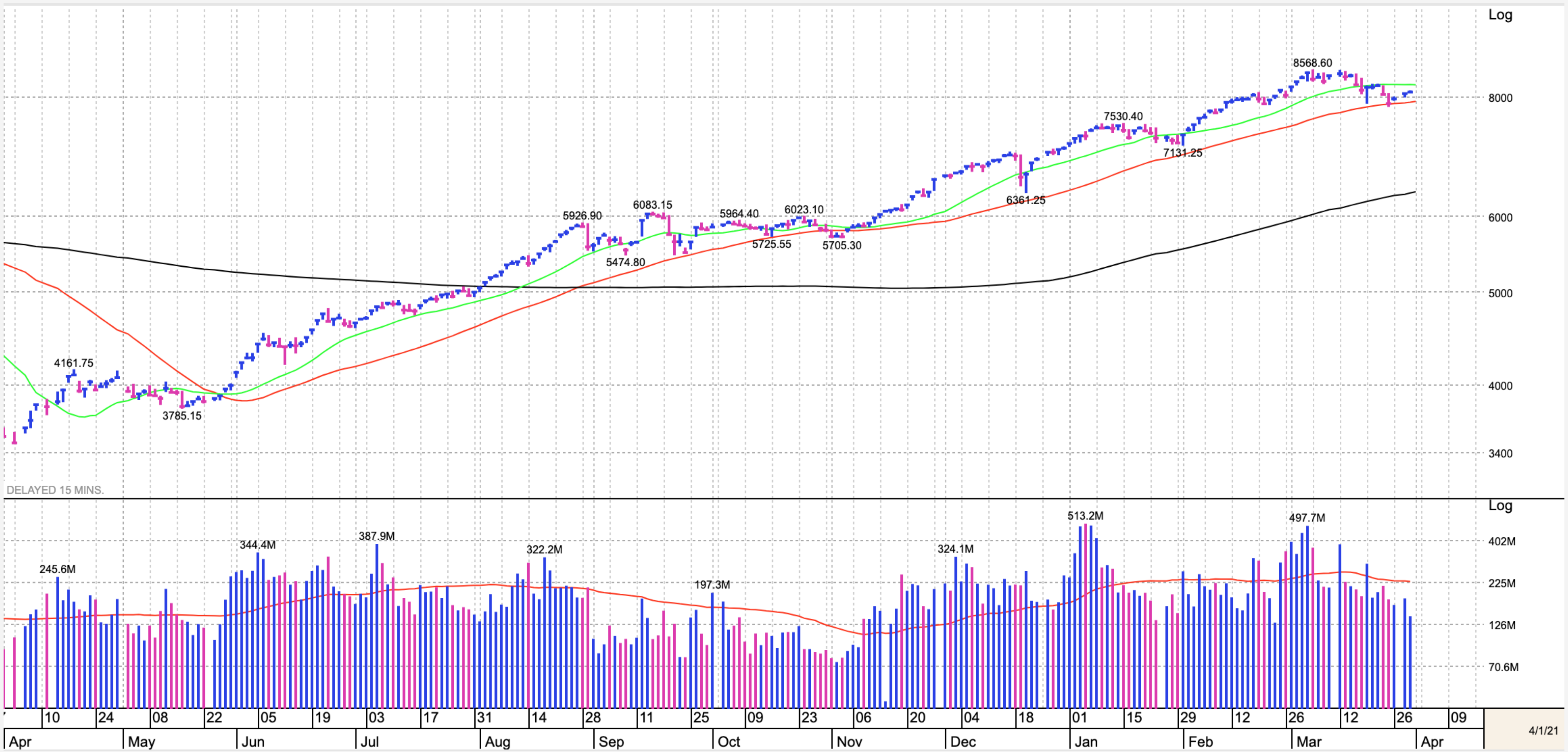
693M
385M
Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr
4/1/21

SMALLCAP 100



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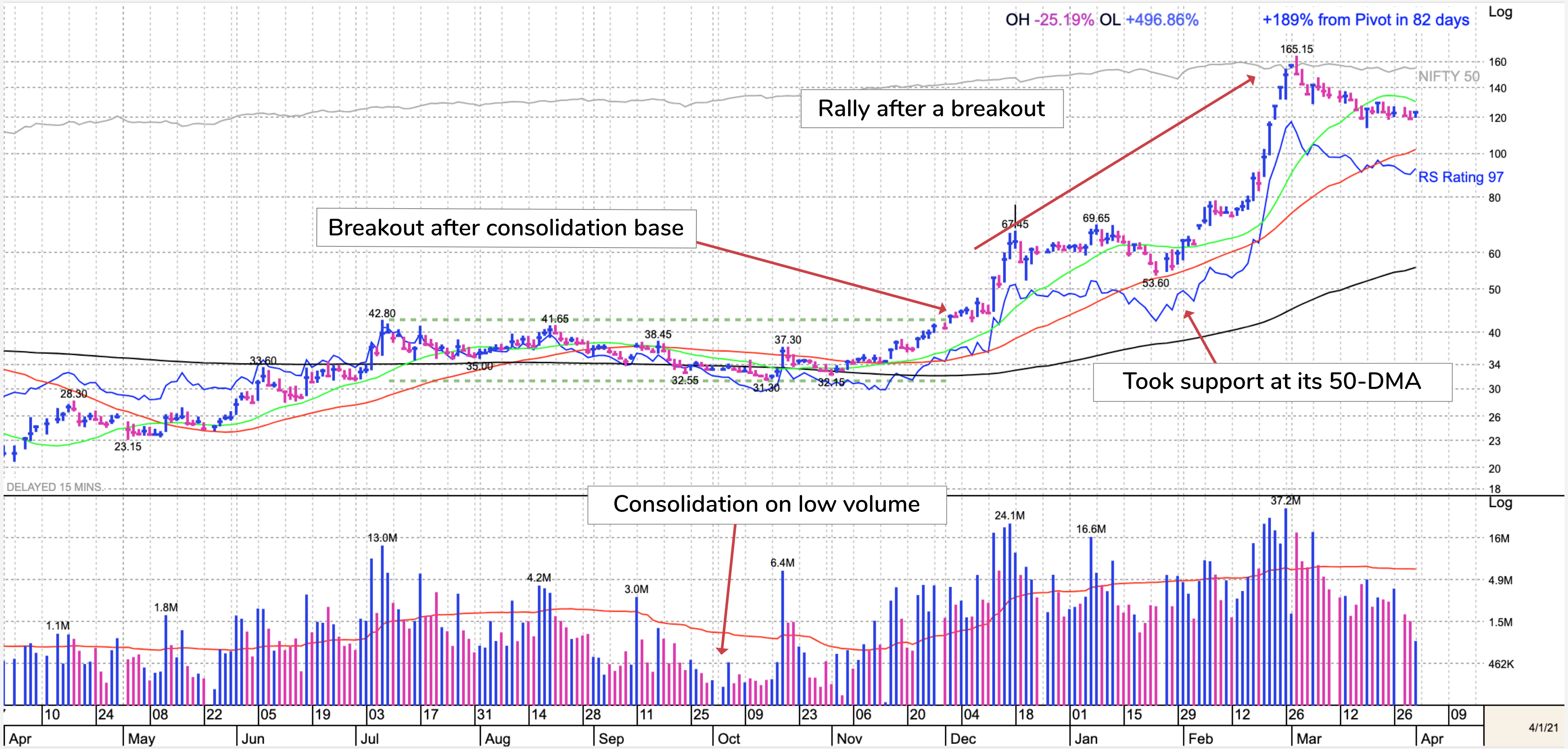
Hindustan Copper



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Hindustan Copper Limited (HCL) is a public sector undertaking under the administrative control of the Ministry of Mines. It has the distinction of being India's only vertically integrated copper producing company as it manufactures copper right from the stage of mining to beneficiation, smelting, refining, and casting of refined copper metal into downstream saleable products. The company markets copper cathodes, copper wire bars, continuous cast copper rods, and by-products such as anode slime (containing gold, silver, etc.), copper sulphate, and sulphuric acid. More than 90% of the sales revenue is generated from copper cathodes and continuous cast copper rods.

Key Growth Drivers in FY21

Globally, refined copper balance had a deficit of approximately 2.35 lakh tonnes in H1 2020, which kept copper price higher. Copper price has doubled from February 2020 lows, which helped copper companies fetch higher profitability. HCL has signed an agreement with Hindalco to sell copper concentrate. Hindalco operates Asia's largest single-location custom copper smelter at Dahej in Gujarat. As per the agreement signed, Hindalco will use about 60% of copper concentrate produced by the company.

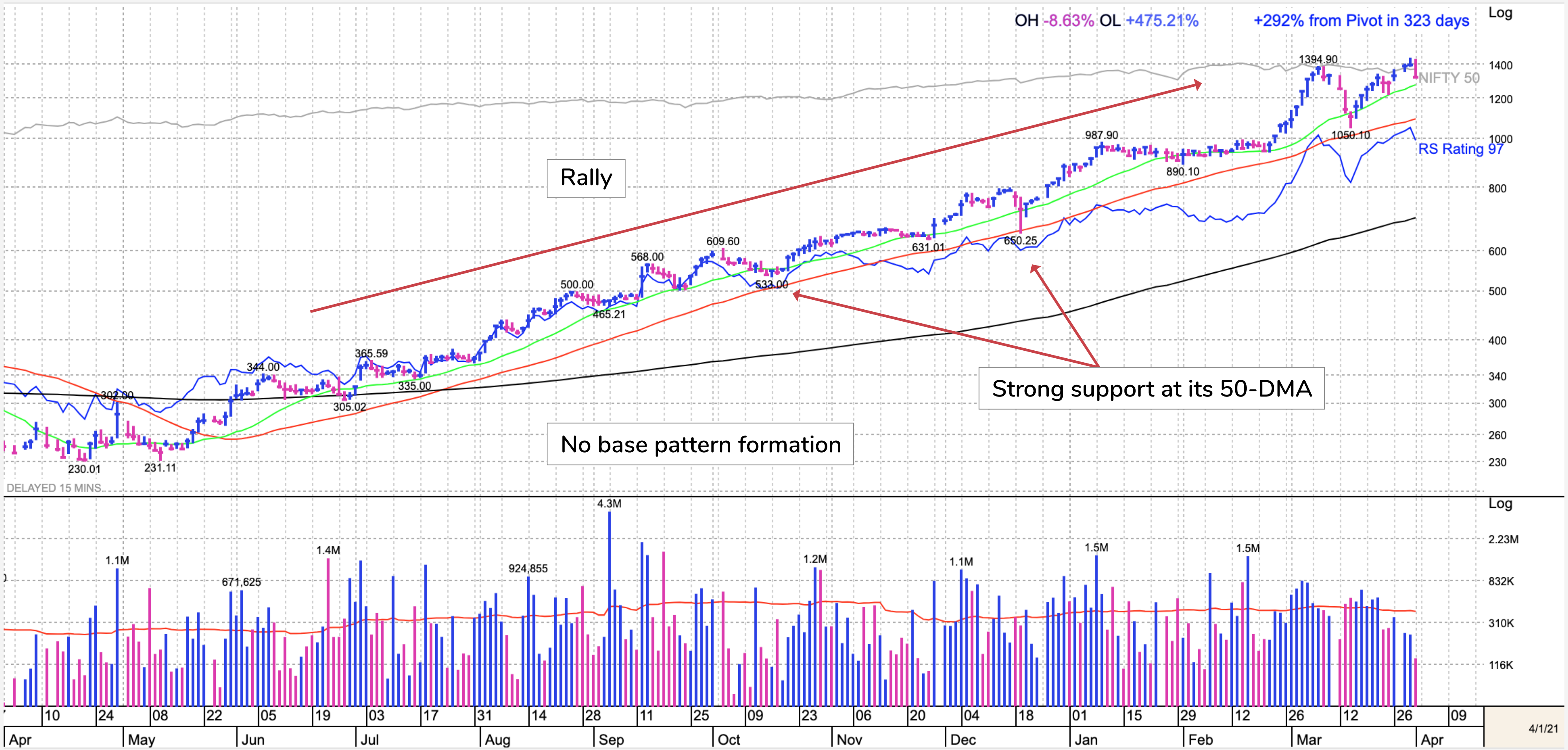
The growing market for electric vehicles (EVs) will boost the demand for Copper over the next few years. All types of EVs require a substantial amount of copper. It is used in batteries, windings and copper rotors used in electric motors, wiring, busbars, and charging infrastructure. According to a study by the International Copper Association (ICA), an estimated 27M electric vehicles (including HEV, PHEV, BEV, Ebus HEV and BEV) will be on the road (approx 5x from 2020) by 2027. Hence, copper demand in EVs will increase to 1.74M tonnes in 2027 (compared to 185K tonnes in 2017).

The company's current production capacity stands at 3.8M tonnes. It plans to take it to 20M tonnes in the next six years. This is aggressive expansion along with the rising demand of copper. HCL can manage 50% of the capex by internal accruals over the next five years. Also, closed mines are being reopened (Kendadih Mines and Rakha Mine, Jharkhand). This has helped the company increase production and take advantage of higher copper price.

Analyzing from O'Neil Lens

The stock advanced 462% in FY21. After making a low during the correction that occurred in February–March 2020, it galloped 1.5x in less than three months. The stock formed a stage-one consolidation base in July–November 2020. The major rally began after the breakout. It hit power-to-pivot and advanced 3x in three months. In FY21, the RS line was trending upward and A/D Rating remained high, showing good accumulation. It continuously traded above its 21- and 50-DMA. EPS Rank of 40 is weak but can improve with higher profitability. Looking ahead, it is forming a stage-two cup base on weekly chart. If the stock breaks out on good volume and growth story remains intact, it can give good returns.

Apl Apollo Tubes



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APL Apollo Tubes (APL) is India's largest producer of electric-resistance welded (ERW) steel pipes and sections. It has an installed capacity surpassing 1.3M TPA. The company has a vast domestic distribution network and also exports products to more than 20 countries. It has 2.6MT of annual structural steel capacity. Overall, it has 14 brands in five product categories. Its four product categories are Apollo Structural (highest sales volume contributor – 63%), Apollo X (18%), Galv (4%), and Tricoat (15%).

Key Growth Drivers in FY21

An expanding population spurs the demand for housing. Growing horizontally is not an environmentally good idea as many open areas are already claimed for residential purposes. Hence, there is a need for vertical development. Many realtors are increasing spending on skyscrapers. Steel structures help in vertical construction due to their lower weight. Its other benefits include high durability, sustainability, fire resistance, and ease of repair.

The expansion in the structural steel market is linked to construction activity in India. Apart from residential needs, steel construction is used for commercial purposes, bridges, and urban infrastructure such as Airports and Railway stations. The government of India plans to set up an additional 100 airports by 2024, and to invest Rs 19,000 crore to upgrade the country's airport infrastructure, especially in smaller cities, over the next three years. These factors are driving steel consumption in the country and thus the company's top line.

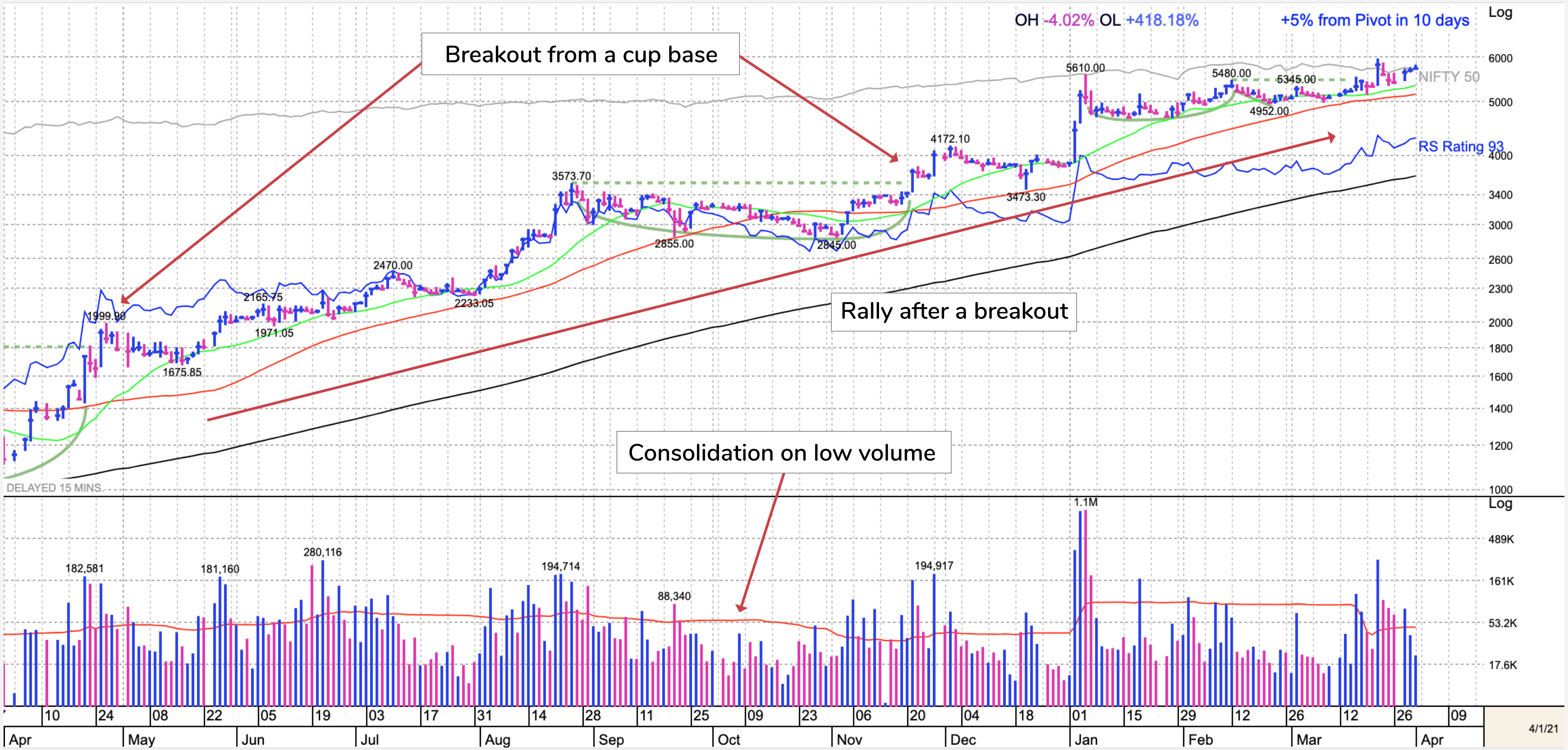
Steel also has the potential to replace wood in construction with its lightweight, which gives it an edge in vertical buildings.

APL enjoys a dominant market share of 50% in India's structural steel pipes market. As a market leader, the company has a first-mover advantage. It deploys new-age technology with various products. It distributes more than 1,500 SKU countrywide through nearly 800 distributors. APL also enjoys premium pricing compared with its peers due to its brand equity.

Analyzing from O'Neil Lens

As with most stocks, APL made a low of Rs 209 on March 23, 2020. It moved sideways since for two months, before retaking its moving averages and rallying sharply. It did not consolidate into any base pattern, and hence there was no proper buy point, according to O'Neil Methodology. However, there were a few advanced buy points, which could have been taken as an entry point. The stock traded along its uptrending 21-DMA throughout FY21. Its ratings remain strong with EPS Rank of 95, an RS Rating of 95, and an A/D Rating of B+. Institutional sponsorship also increased during the previous quarter, indicating the interest among big houses for this stock.

Alkyl Amines Chemicals



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Alkyl Amines supplies amines and amine-based chemicals globally to the agrochemical, pharmaceutical, rubber chemical, and water-treatment industries, among others. The company is the sole manufacturer of ethylene amines in India, with a significant stake in Di-amines and Chemicals Ltd. It has three manufacturing sites: two in Maharashtra (Patalganga and Kurkumbh) and one in Gujarat (Dahej). Its R&D center at Pune, Maharashtra is equipped with advanced analytical instruments. The company also has a solar plant in Osmanabad, Maharashtra.

Key Growth Drivers in FY21

Alkyl Amines mainly serves the pharmaceutical and agrochemical sectors, which contribute about 65% of its revenue. Hence, its growth mainly depends on growth of these two sectors. The company is hopeful the pharmaceutical market will remain aggressive and overcome the problems it faced two years ago, and that the agrochemical sector will repeat last year's performance due to a good monsoon.

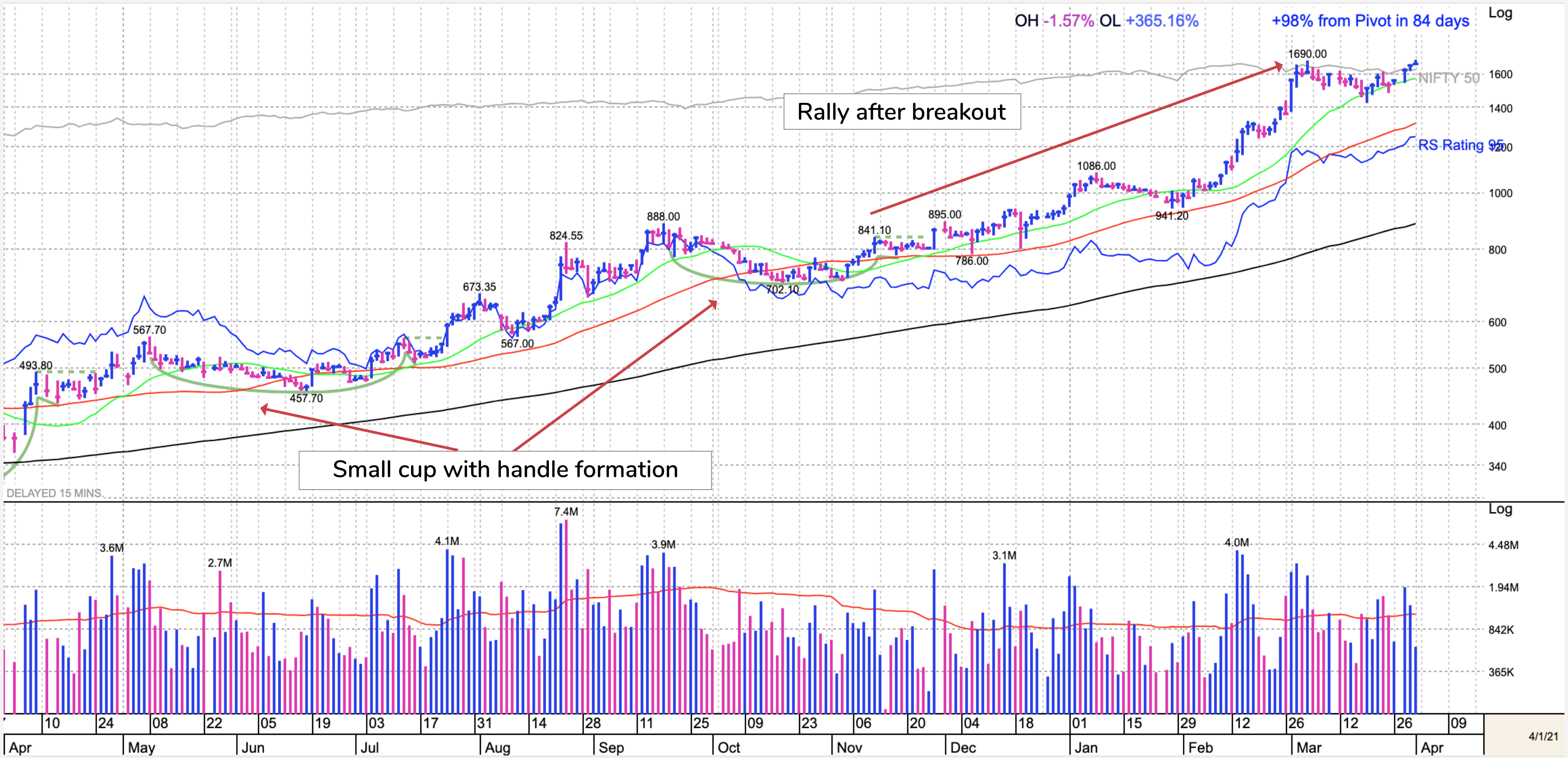
Alkyl Amines is one of the three major players in the market producing methylamines. It expects methylamine volume to have a CAGR of 20% for the next two years. Further, it sees more room for expansion in methylamines as it has received an environmental clearance of 45,000 TPA, while its current capacity stands at 30,000 TPA.

Growth of the chemical industry is pivotal for overall growth of the country. The industry provides various products and solutions to virtually all sectors of the economy. Currently, the demand for chemical products is steadily increasing in India and abroad. Some major industries that use chemical products are pharmaceuticals, agrochemicals, and rubber chemicals. All these sectors are currently on rapid growth trajectories. Alkyl Amines' R&D team is coming up with various products and also striving to achieve greater cost efficiencies.

Analyzing from O'Neil Lens

The stock formed three bases during FY21; all breakouts were successful ones. The first breakout was in April 2020, when the stock advanced about 70% from the pivot, before forming another base in September–November 2020. The second breakout in November 2020 gave another return of more than 50%. Historically, the stock's 100-DMA is a key level to watch for. After retaking its 100-DMA in April 2020, the stock never breached this threshold in FY21. It continues to enjoy superior ratings: EPS Rank of 96, RS Rating of 92, and A/D Rating of A. Currently, the stock has broken out of a stage-four, cup-with-handle base. It is trading above its ideal buy range. Due to the higher stage count and extension from its 200-DMA, we decided not to add this stock to our model portfolio.

Deepak Nitrite



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Deepak Nitrite is one of the country's fastest-growing chemical intermediate manufacturers. It ranks among Fortune Next 500 companies and is recognized among the top 25 wealth creators by Fortune Magazine, India. It caters to the pharmaceutical, agrochemical, plastics, textiles, dyes & pigments paper, and home & personal care segments in India and overseas. The company has six manufacturing plants.

Key Growth Drivers in FY21

During 9M FY21, revenue from operations declined 9% y/y to Rs 2,897 crore from Rs 3,175 crore in 9M FY20. The company generated PAT of Rs 486 crore, up 11% y/y, resulting in a PAT margin of 16.9%. EPS stood at Rs 35.61.

The company acquired several parcels of land during the year. This includes the recent acquisitions of about 125 acres of industrial land at Dahej, 1.4 acres in Hyderabad adjoining its existing facility, and 1.5 acres in Roha, again adjoining its existing facility. Further, capex in Deepak Phenolics (DPL) of Rs 1.5B includes phenol-acetone derivatives, energy-saving, and efficiency-improvement projects. The hike in prices of key products contributes significantly to improve the company's profitability. DASA and optical brightener prices were up 10% and 7%, m/m, respectively, in November 2020. Phenol and acetone prices also rose 15.7% and 4.2%, m/m, respectively. During October 2020, the phenol spread widened 47.4% to $997/MT.

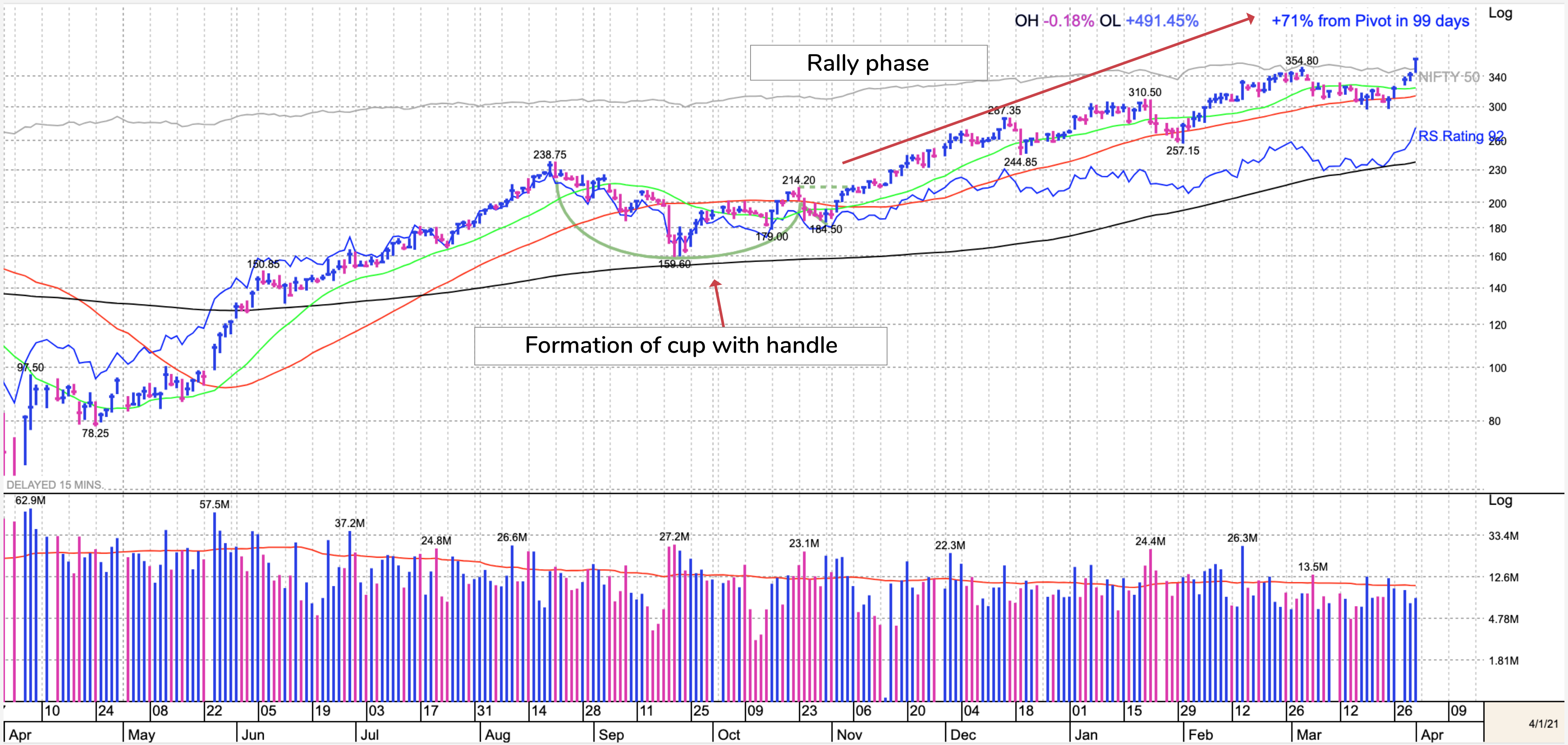
The FSC segment revenue stood at Rs 561 crore in 9M FY21 as against Rs 427 crore in 9M FY20, growing 31% y/y. The robust performance in this segment was led by strong demand coupled with favorable realizations in export markets. It was further aided by the benefits accruing from backward integration initiatives and capacity expansion for certain products.

The company started commercial production of isopropyl alcohol (IPA) at its manufacturing facility situated at Dahej, Gujarat, since April 21, 2020. This facility has capacity to manufacture 30,000 MT of IPA annually. IPA is a solvent primarily used by pharmaceutical companies. It is also used to manufacture sanitizers.

Analyzing from O'Neil Lens

The stock advanced 330% in FY21. It started FY21 by forming a cup-with-handle base. After breakout, it did not fare well and formed another cup-with-handle base, resulting in a base-on-base formation. Following a breakout, it rallied 57%. It then formed a stage-two cup-with-handle base. After the breakout, it rallied robustly, gaining 100% in three months. Since the past month, it is consolidating its gains, with strong support at its 21-DMA. The stock has healthy Price Strength of 39 and robust Buyer Demand of A+.

Jindal Steel



JSPL is India's leading infrastructure conglomerate with a presence in steel, power, and mining sectors. The company offers a comprehensive diversified long products portfolio with several unique high value-added products. The company has set up independent power plants (IPPs) with a capacity of 3,400MW at very competitive cost. The company operates in three business segments: steel, power, and global ventures. In the steel division, the current capacity of steel, iron ore, and pellet plants stood at 8.6MTPA, 3.11MTPA, and 9MTPA, respectively. The company has pan India presence with multiple distribution points.

Key Growth Drivers in FY21

During 9M FY21, net revenue grew 14.5% y/y to Rs 27,108 crore as against Rs 23,669 crore in 9M FY20. EBITDA surged 80% y/y to Rs 9,157 crore compared with Rs 5,085 crore in 9M FY20. The company had a massive turnaround, converting the loss of Rs 656 crore in 9M FY20 to a solid profit of Rs 3,626 crore in 9M FY21. The company posted a steel production of 5.44MT versus 4.76MT in the same period previous year.

The company has consolidated gross debt of Rs 28,159 crore as of Dec 31, 2020. The debt of Jindal Steel Power Ltd stood at Rs 15,225 crore, while its subsidiaries Jindal Power and Jindal Steel and Power (Mauritius) have debts of Rs 6,532 crore and Rs 4,381 crore, respectively. Also, it has cash & cash equivalents of Rs 2,538 crore, translating to net debt of Rs 25,621 crore. Further, the company significantly reduced its net debt from Rs 28,910 crore on September 30, 2020 to Rs 25,621 crore on December 31, 2020.

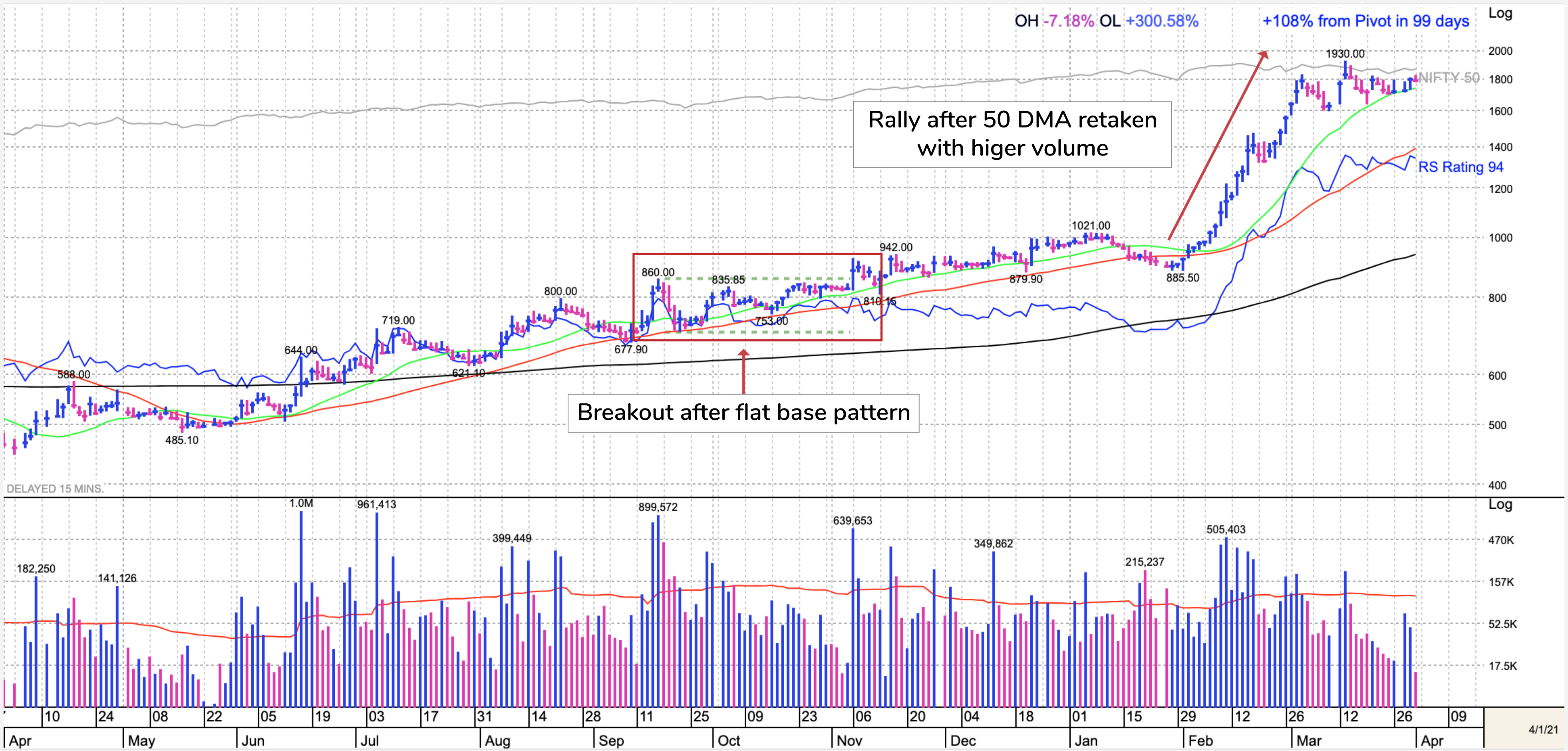
The company increased its capacity multifold and completed major capex. The scale of growth is almost 3x across divisions. The company's power business witnessed the highest multifold growth of 3.4x during FY14–20 period followed by steel business and pellet business, which grew 2.9x and 2.0x, respectively, for the same period.

The company has a unique product portfolio from the widest flat products to a whole range of long products. Pioneering the production of Hot Rolled Parallel Flange Beams and Columns in India, the company also introduced the world's longest 121-meter-long rails, and is the first to manufacture Head Hardened Rails for high-speed trains and metros in India. The company's plate mill at Angul is capable of producing 5-meter-wide plates, the widest in India.

Analyzing from O'Neil Lens

The stock advanced 318% in FY21. After making a low in February-March 2020 correction, it galloped 4x in just four months. Then, it formed a stage-one cup-with-handle base. After breaking out from this base, the stock continued to gain with strong support at its 50-DMA. The stock has rallied about 80% from pivot in three months. It has a spectacular price strength of 93 and good buyer demand of A+. The stock is currently extended from its last base. According to O'Neil, we will wait for a new base formation before adding it to our buy watchlist.

Linde India



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Linde India Limited is a member of The Linde Group. It is one of the leading industrial gases company in India. It owns and operates India's largest air separation plant and runs more than 20 production facilities and filling stations across the country. It supplies more than 20,000 gases and mixtures as well as provides a range of related services, including the construction and installation of plants, equipment, pipelines, and associated engineering services, catering to the needs of a wide variety of industries. It has a domestic market share of more than 50%. It has two broad business segments: the sale of industrial gases (~75% revenue) and the project engineering and design segment (PED) (~25% revenue).

Key Growth Drivers in FY21

Indian industrial gas demand was higher in H2 FY21 and is set to surge exponentially over the next few quarters. The steel sector is seeing a revival in India as domestic demand improves, China reduces exports, and steel prices increase. Steel demand would be high in the next few quarters as there is growth in the automotive sector, recovery in the real estate sector, and government thrust on the national infrastructure pipeline (NIP). So, gas demand will be higher and can continue to benefit Linde India.

Government initiatives such as Make in India, Atmanirbhar Bharat, and PLI schemes are likely to support and boost growth in key industries like automotive, electronics, renewable energy, infrastructure, and pharmaceuticals. These shall boost demand for various industrial gases. Linde India dominates more than half of the domestic market and can be one of the top beneficiaries.

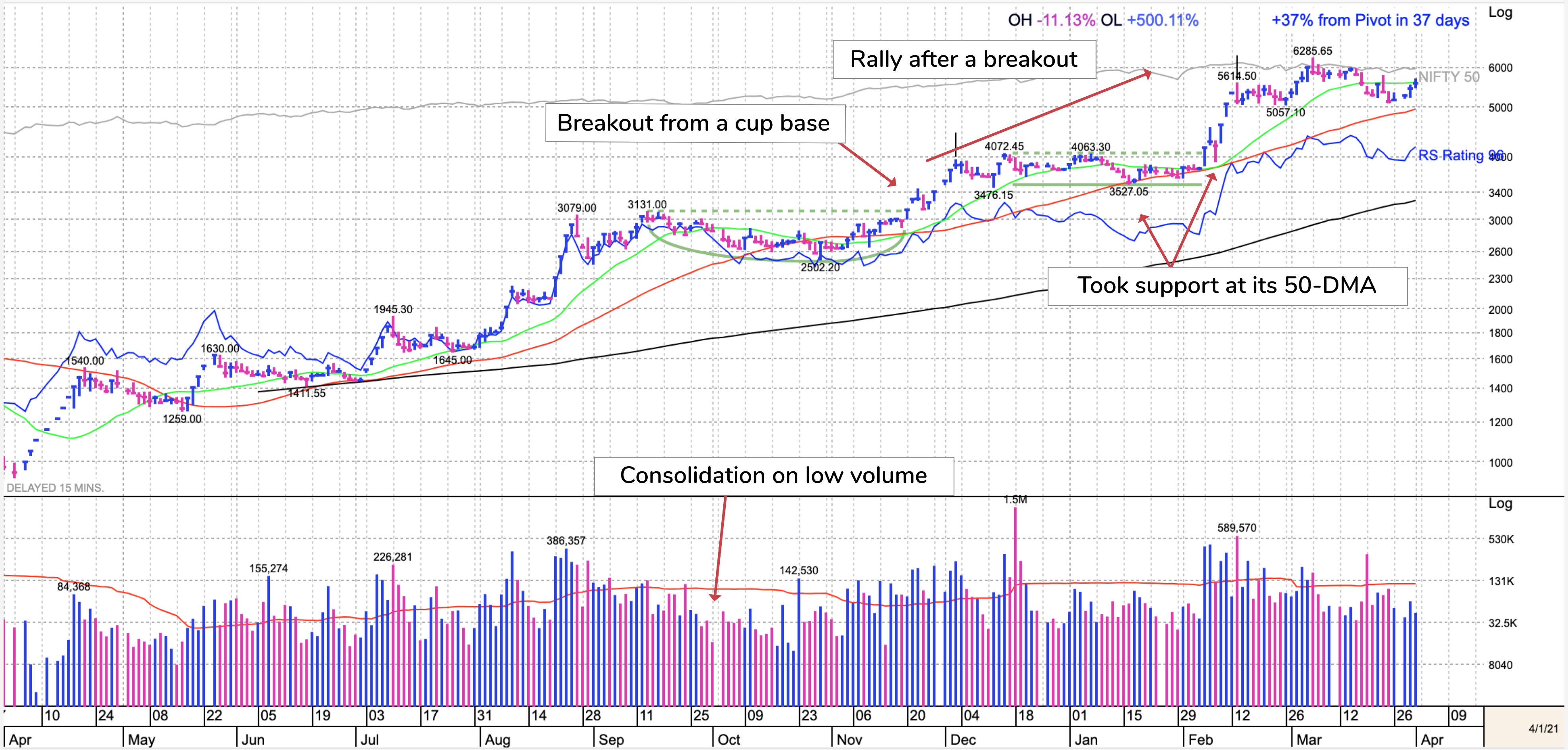
Supply of medical oxygen to government and private hospitals has increased significantly due to the pandemic. In addition, the company provides medical engineering services to set up pipelines within hospitals with access to each bed. This segment has a huge potential as awareness and the need to improve health care infrastructure has increased in India, and the government is providing funds to improve it.

As the manufacturing sector gets a push from the government, Linde India's project engineering division (PED) can do well. This business is involved in the design, engineering, supply, installation, testing, and commissioning of air separation plants and related projects on a turnkey basis. PED also manufactures cryogenic vessels, small-size liquid nitrogen plants, steam bath vaporizers, containerized micro plants for cylinder filling for in-house use as well as for sale to third-party customers.

Analyzing from O'Neil Lens

The stock rose 271% in FY21. After making a low during the correction that occurred in February–March 2020, it found resistance near its 200-DMA. After reclaiming the 200-DMA, the stock formed a stage-one consolidation base in September–October. After a breakout, it gradually moved higher and pulled back to its 50-DMA in January. After rebounding from the 50-DMA, it doubled in just two months. In FY21, RS line moved sideways for most of the year. However, from January 2021, it started trending upward. A/D Rating remained high, showing good accumulation. EPS Rank of 55 is weak. The stock is currently extended from an ideal buy zone. It can give a good entry point if it rebounds from its 50-DMA on higher volume.

Affle (India)



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Affle India is a global technology company with a leading market position in India. Its business includes two platforms, namely consumer and enterprise. The consumer platform is focused on delivering acquisitions, engagements, and transactions for leading brands and B2C companies. Enterprise platform enables offline businesses to go online through app development and O2O2 commerce & data analytics. The company's international markets contributed 50.7% of the total revenue in 9M FY21. The company covers key international markets such as other emerging markets (which comprise Southeast Asia, the Middle East, Africa, and others) and developed markets (which comprise North America, Europe, Japan, South Korea, and Australia).

Key Growth Drivers in FY21

In June, Affle acquired Appnext. Appnext's app discovery and recommendation platform enable top mobile handset manufacturers and apps developed to deliver personalized app recommendations to mobile users globally. Appnext delivers 4B app recommendations daily, and this acquisition can help Affle get a competitive advantage and generate more revenue. Due to the COVID-19 outbreak, mobile users' time spent has increased. India has more than 550M mobile data users. So, even though companies have reduced ad-spend to control cost, digital ad-spend has increased. This can help to improve Affle's top-line growth.

The company has launched Engage 360, an Artificial Intelligence (AI) driven omnichannel marketing platform, which connects all devices and channels over its unified platform. It delivers integrated consumer experiences across connected devices, providing leverage for marketers to track unique consumer journeys, leading to higher conversions and ROI, backed by AI and ML algorithms. This marketing platform will significantly strengthen the company's CPCU-driven business model.

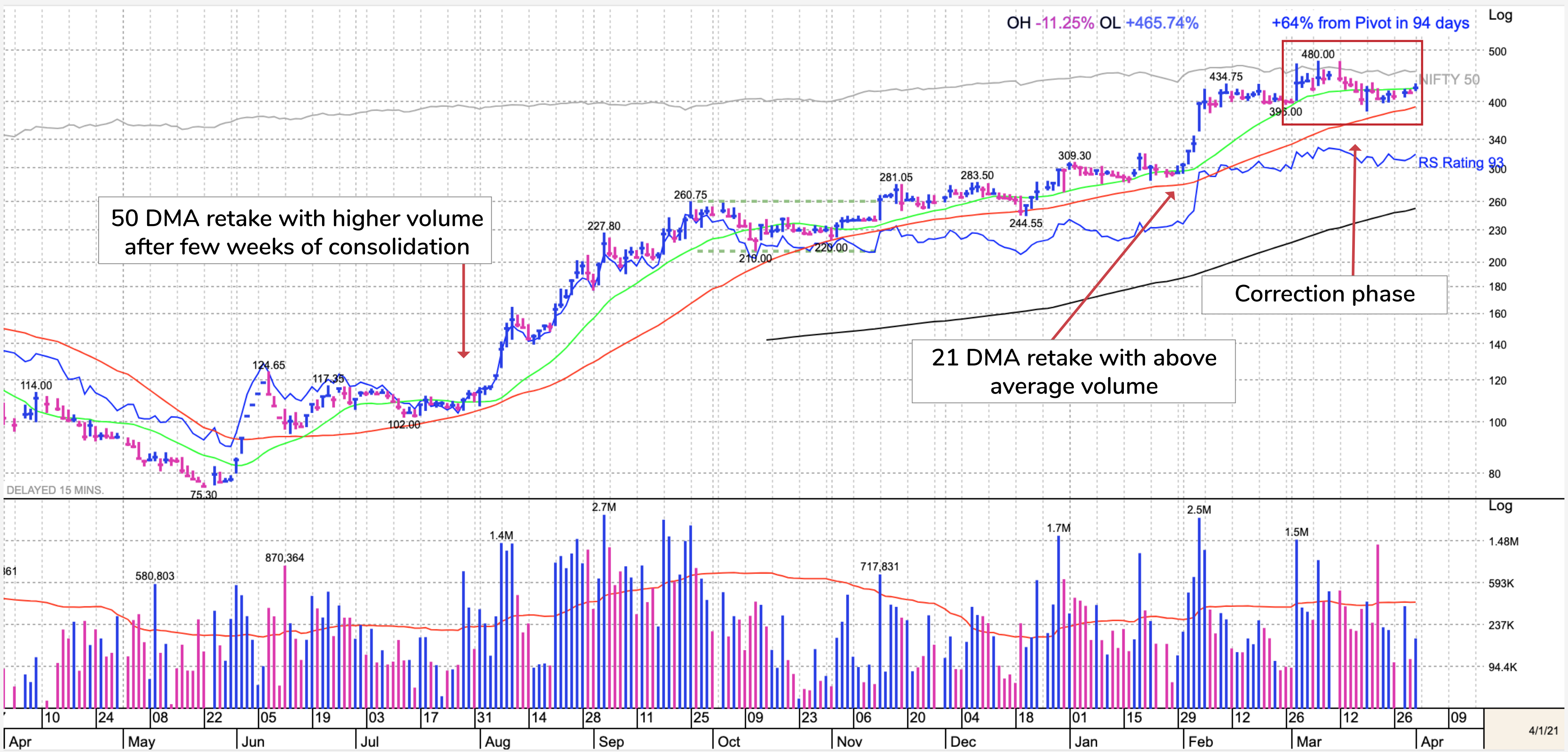
The company has registered three patents for digital advertising in the U.S. Additionally, 10 patents filed in the U.S. and India for digital ad fraud detection will make the fraud detection platform more robust, resulting in high ROI for customers. Also, the company has filed one patent related to the retargeting business filed in the U.S. Also, four patents were filed in Singapore. Affle launched Appnext Out of Box Experience (OOBE) powered by the acquisition of DiscoverTech 11. With the OOBE launch, Affle's Appnext platform will power an integrated on-device app discovery experience via its self-serve advertising platform, altering the way users discover apps while further strengthening the company's vernacular reach.

Analyzing from O'Neil Lens

The stock gained 443% in FY21. After making a low during the correction that occurred in February–March 2020, it galloped 3x in less than four months. The stock formed a stage-one cup base in September–November. Following a breakout, it hit power-to-pivot. During December–January, the stock consolidated gains and formed a staged-two flat base. After a breakout in February, it advanced 50% in less than a month. In FY21, the RS line was trending upward, and A/D Rating remained high, showing good accumulation. It continuously traded above its 21- and 50-DMA. EPS Rank of 96 is strong. The stock is currently extended from its last base. According to O'Neil, we will wait for a new base formation before adding it to our buy watchlist.

Capital Equipment

Prince Pipes



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Prince Pipes and Fittings Limited manufactures polymer pipes and fittings for plumbing, irrigation, and sewage disposal. The company has seven manufacturing units located strategically across the country. The company operates through 11 warehouses. Further, the company has over 7,200 SKUs and has collaborations with more than 1,500 channel partners.

Key Growth Drivers in FY21

During 9M FY21, revenue grew 9% y/y to Rs 1,310 crore as against Rs 1,205 crore in 9M FY20. Sales volume declined 3% y/y to 96,645MT compared with 99,676MT in 9M FY20. H1 FY21 was impacted by countrywide lockdown due to the COVID-19 pandemic. PAT grew 49% y/y to Rs 125 crore. As of December 31, 2020, the company is net cash positive at Rs 37 crore, excluding IPO proceeds.

During FY21, the company made a deal with Lubrizol to transform plumbing products through PRINCE FLOWGUARD PLUS. Further, the company started its commercial production at Telangana, earlier than its prescribed time schedule. The plant continues to strengthen the company's strategic presence and increase its penetration in Southern India.

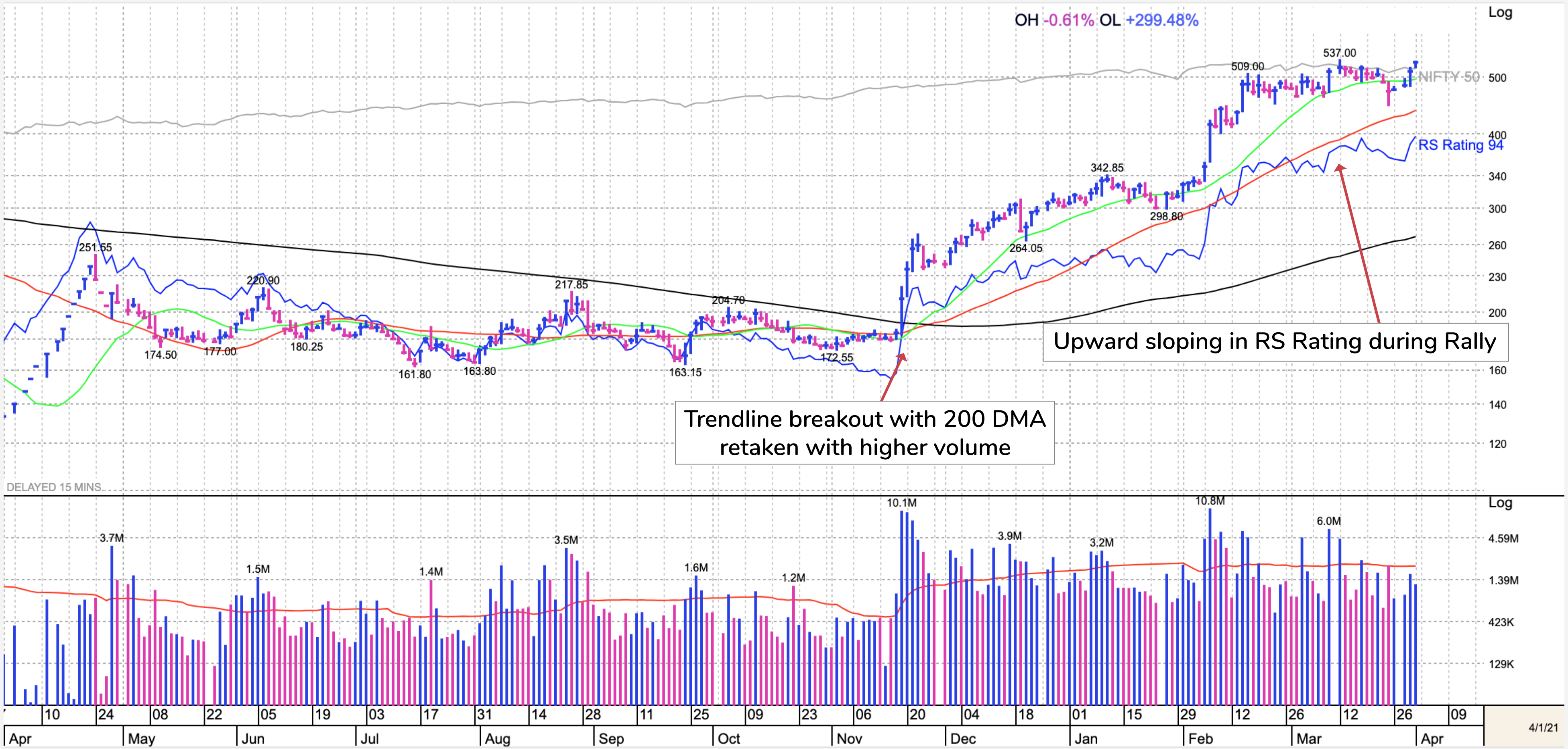
The domestic plastic pipes & fittings market size has clocked a CAGR of 10–12% in FY14–FY19. The market size has reached about Rs 300B in FY19 from Rs 180B in FY14. Further, the market is expected to surpass Rs 550B by the end of FY24 with a CAGR of 12–14%. Moreover, India's low per capita pipe consumption (11 kg) as against the world average 30 kg indicates the huge untapped opportunity in this market. The company is well-positioned to leverage this opportunity, which should act as a key tailwind for the company's future growth.

There are several measures taken in the union budget, which should drive the next leg of growth for the company. The government will undertake the Urban Swachh Bharat Mission 2.0 with a financial provision of Rs. 1,14,678 crore over 5 years in 2021–2026. Further, Jal Jeevan Mission (Urban) focuses on providing water supply to 4,378 ULBs with 2.6 crore household tap connections. This significant increase in budgetary allocation for the Jal Jeevan Mission program and extended tax sops on affordable housing is a huge plus for the company, which has high exposure to the plumbing pipe segment.

Analyzing from O'Neil Lens

The stock was 307% in FY21. The stock started FY21 on a muted note and corrected toward ATL of 75.30 during May. However, it staged a reversal from there and rallied strongly till it formed a stage-one consolidation base during October-November 2020. After breaking out from this base, the stock showed a healthy rally of 84% with strong support at its 21- and 50-DMA. The stock is currently trading around 13% off highs with spectacular price strength of 93 and good A/D Rating of B+. The stock is currently extended from its last base. According to O'Neil, we will wait for a new base formation before adding it to our buy watchlist.

Graphite India Ltd.



Graphite India Limited

Graphite India manufactures a complete range of graphite electrodes with a focus on the higher-margin, large-diameter, ultra-high-power (UHP) electrodes. It also manufactures calcined petroleum coke (CPC) used to produce electrodes. The company has expanded its footprint in value-added graphite products for the auto, aerospace, chemical, pharmaceutical, metallurgical, and machine tool industries. Graphite India is the largest Indian producer of graphite electrodes and one of the largest globally, by total capacity. Its annual manufacturing capacity of 98,000 tonnes is spread over three plants at Durgapur and Nashik in India, and Nurnberg in Germany. The company has more than 40 years of technical expertise in the industry. About half of its revenue is from exports.

Key Growth Drivers in FY21

During 9M FY21, revenue from operations declined 37.5% y/y to Rs 1,653 crore as against Rs 2,643 crore in 9M FY20, amid the COVID-19 pandemic. The company reported a loss of Rs 96 crore in 9M FY21 as compared to a profit of Rs 52 crore in the year-ago period. The balance sheet remains robust with a consolidated net cash balance of Rs. 2,600 crore at the end of December 2020.

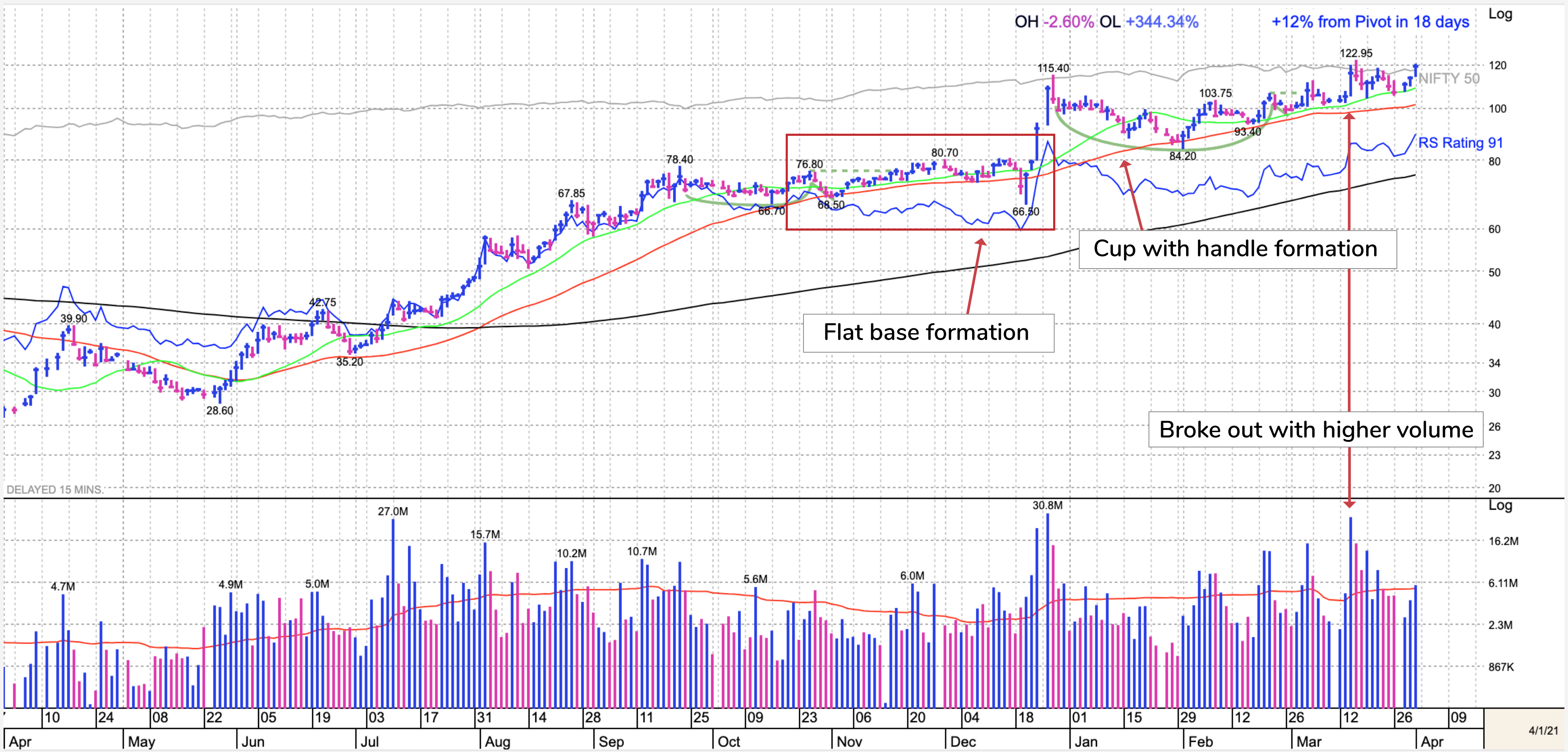
Per World Steel Association (WSA), global crude steel production reached 1,829.1 MT in CY20, down 0.9% from production in CY19. However, global crude steel production, excluding China, declined 8.2% in CY20. India's crude steel production in Q3 FY21 stood at 28.1 MT, up 2.9% y/y and 3.8% q/q. Per WSA, the global demand for steel is expected to decline 2.4% to 1,725.1 MT in CY20 due to the effects of the pandemic. In CY21, steel demand is expected to recover to 1,795.1 MT, an increase of 4.1% over that in CY20. Graphite India, with its legacy of manufacturing excellence and a robust balance sheet, is strongly poised to serve the growing demand for electrodes and deliver profitable growth.

Per S&P, China's EAF steel-making capacity is set to touch 200M MT by the end of 2021, accounting for 15% of the country's total crude steel capacity, up from 175M MT, which constituted 14% of the total capacity at the end of 2019. China has ramped up its electrode capacities. However, its EAF capacities have not kept up pace due to the higher cost of scrap and electricity, thus creating an imbalance. This makes a good case for the country to export excess electrode volumes inexpensively. Also, the short-term demand for electrodes is expected to be driven by global incremental steel production. Moreover, the recent announcement of increased government spending on Indian infrastructure to revive key sectors such as construction, mining, capital goods, and automobiles, could have a positive impact on the demand for steel and, in turn, for electrodes. Steel manufacturers will benefit from the decline in customs duty on scrap imports.

Analyzing from O'Neil Lens

The stock went up 302% in FY21. After making a low in the February–March 2020 correction, it surged nearly 2.5x in just one month. The stock then moved sideways below its 200-DMA for the next six months. During November, the stock reclaimed its 200-DMA and rallied around 2x from there, with strong support at its 21-DMA. The stock has top-notch price strength of 97 with robust buyer demand of A+. According to O'Neil Methodology, we will look for a base formation and breakout, and if the fundamental growth drivers remain intact, consider re-adding it to our watchlist.

Firstsource Solution



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Capital Equipment

Firstsource Solutions, a part of RP-Sanjiv Goenka Group since 2012, is a leading provider of customized business process management (BPM) services. It provides customer management services such as contact center transaction processing and debt collection services, including revenue cycle management in the healthcare industry. It has more than 100 leading global clients, including 17 Fortune 500 companies and nine FTSE 100 companies, and a strong presence in the U.S., the U.K., the Philippines, and India. Its business verticals include banking and financial services (BFS), healthcare, and communications.

Key Growth Drivers in FY21

During 9M FY21, revenue from operations grew 19.8% y/y and constant currency grew 13.1% to Rs 3,615.1 crore. Operating margin expanded 56bps y/y to 11.4%. The company generated PAT of Rs 315 crore, resulting in a PAT margin of 8.7%, which was up 49bps versus the margin a year ago. EPS was 3.57.

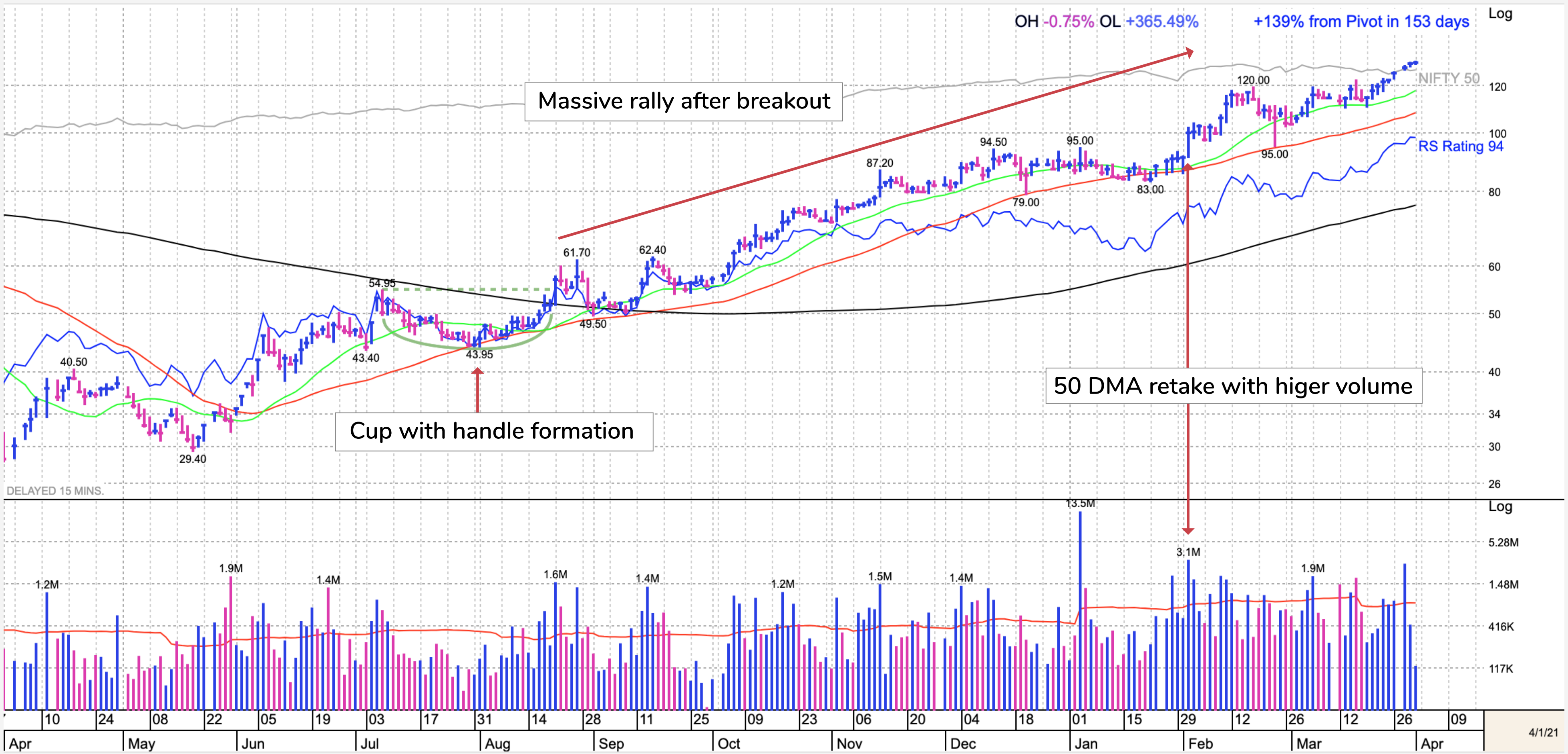
In H1 FY21, the healthcare business was rebranded as Health Plans and Healthcare Services to better reflect the scope of a broader healthcare segment it serves. Healthcare services, including telehealth, remote patient monitoring, and medical devices, are rapidly growing and remain a focus area for Firstsource. Digital screening and collection tools are seeing increasing traction. Also, hospitals are turning to remote customer engagement programs, such as telehealth, financial counseling, and online portals, to offer price estimates and payment plans. The company has a good pipeline for this service and continues to develop adjacent areas of growth in the revenue cycle management value chain.

The BFS segment maintained its growth momentum throughout 9M FY21. This segment's contribution to total revenue reached 52% in Q3 FY21 from 42.9% in Q3 FY20, majorly driven by the robust growth in the U.S. BFS segment. Firstsource's clients in the BFS segment include five of the top 10 mortgage servicers in the U.S., five of the top eight credit card issuers in the U.S., and three of the top six retail banks in the U.K. This segment may continue to grow well.

Analyzing from O'Neil Lens

The stock went up 315% in FY21. After making a low during the February–March 2020 correction, it galloped 4x in six months. It then formed a stage-one, cup-with-handle base during October 2020. After breaking out from this base, the stock moved sideways for two weeks and then again moved sharply and gained 44%. Thereafter, it formed another cup-with-handle base. After breakout, the stock is currently trading slightly above its ideal buy zone near its all-time high, with strong support at its 21-DMA. The stock has price strength of 90 and robust buyer demand of A+.

Prism Johnson



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PRISM JOHNSON LIMITED
(FORMERLY PRISM CEMENT LIMITED)

Prism Johnson is one of India's leading integrated building materials companies that offers a wide range of products from cement, ready-mixed concrete, tiles, and bathroom products. The company's business includes three divisions – Prism Cement, H&R Johnson (HRJ), and RMC. Prism Cement manufactures cement with the brand name 'Champion' and a premium quality grade of cement under 'Champion Plus' and 'DURATECH' brands. It caters mainly to markets of Eastern UP, MP, and Bihar. H&R Johnson (India) is the pioneer of ceramic tiles in India. HRJ offers end-to-end solutions of tiles, sanitaryware, bath fittings, and engineered marble & quartz. RMC is one of India's leading ready-mixed concrete manufacturers. RMC currently operates 96 ready-mixed concrete plants in 44 cities/towns across the country.

Key Growth Drivers in FY21

The company made a consistent effort in FY21 to reduce net debt, thereby strengthening the balance sheet. There was a significant reduction in consolidated net debt (Ex-RQBE) during 9M FY21, in line with the past five years' trend of improvement in net debt/equity. The improvement is led by efficient working capital management and better operational performance. Consolidated net debt (Ex-RQBE) to trailing twelve months (TTM) EBITDA declined to 2.5x.

As the economic activity continued to pick up in FY21, the company experienced demand recovery as cement volume surpassed pre-COVID levels. Further, HRJ witnessed double-digit growth of 23.4% y/y in volume, led by a revival in the real estate and construction sectors. Similarly, revenue from the RMC division continued to show an improving trend on a monthly basis as economic activity improves in tier 1 and metro cities.

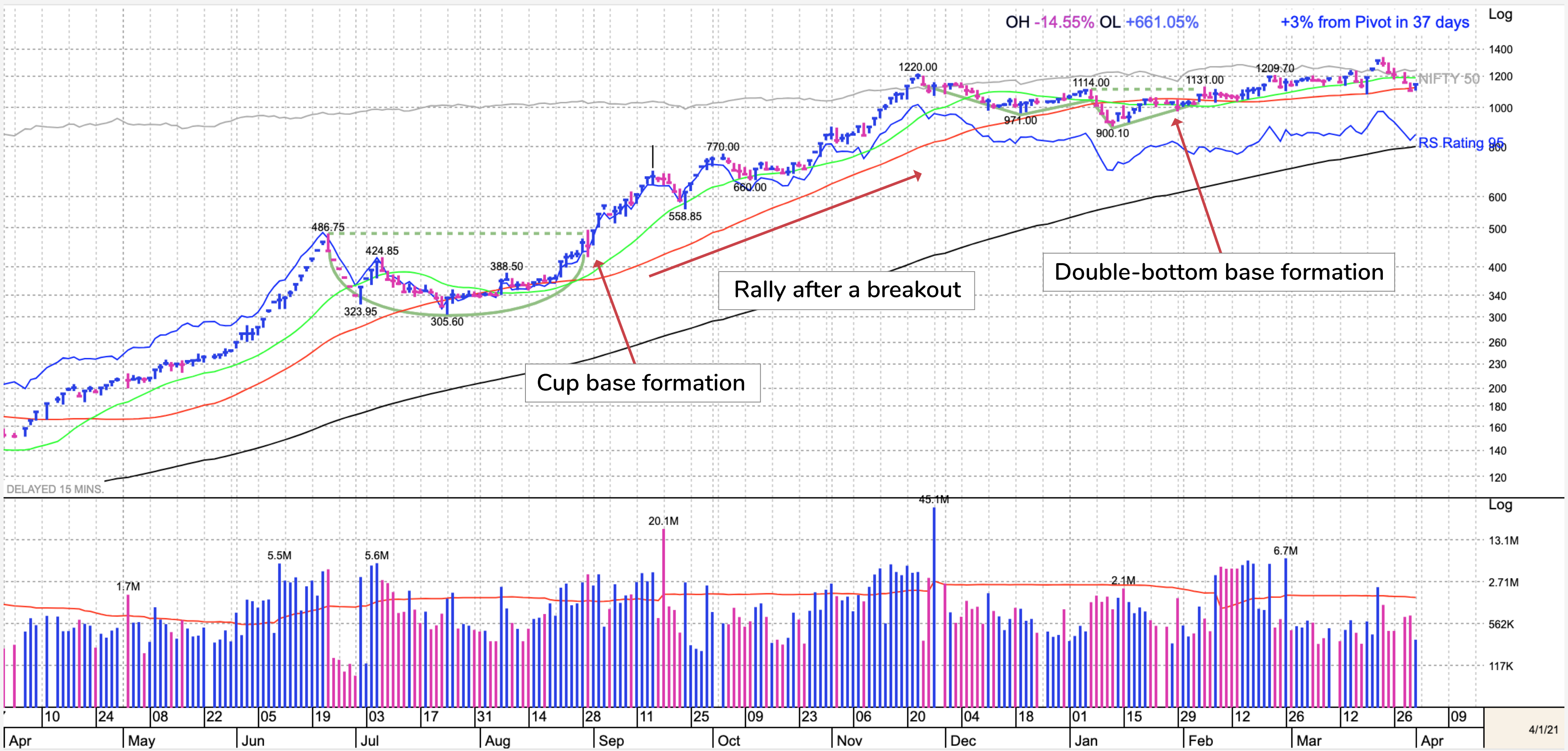
The company delivered a stellar quarterly number on the EBITDA front in the cement division, owing to several cost reduction measures coupled with a marginal increase in realizations. EBITDA per ton advanced 21.9% y/y per ton (from Rs 753 in Q3 FY20 to Rs 918 in Q3 FY21). Similarly, on the HRJ part, EBITDA margin improved 910 bps to 14.1% on a y/y basis. The improvements are driven by higher volume and a better product mix, along with sustainable operating leverage. Moreover, in the RMC division, EBITDA grew 23.5% y/y with an increasing monthly sales trend.

Analyzing from O'Neil Lens

The stock went up 333% in FY21. After making a low during the correction in February–March 2020, it galloped 2x in just three months. Then, it formed a stage-one cup base. After breaking out from this base, the stock continued to show the uptrend with strong support at the 21-DMA. The stock has rallied about 130% from the pivot in five months. For most of FY21, the stock traded above its 21- and 50-DMA, indicating strength in the trend. The stock is currently trading around 7% off high with spectacular price strength of 91 and good buyer demand of A+. The stock is currently extended from its last base. According to O'Neil, we will wait for a new base formation before adding it to our buy watchlist.

Energy

Adani Green Energy



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Adani Green Energy Limited (AGEL) is one of the largest renewable companies in India, with a current project portfolio of 14.8 GW. AGEL is part of the Adani Group. The company runs with a vision to provide a better, cleaner, and greener future for India. It has a portfolio of 54 operational projects and 12 projects under construction. The company's business includes solar power, wind power, and hybrid power. It operates the Kamuthi solar power project, which is one of the largest solar photovoltaic plants in the world.

Key Growth Drivers in FY21

For 9M FY20, a capacity of 405 MW was added. Total operational capacity stands at 2,950 MW as of December 2020. Solar portfolio Capacity Utilisation Factor (CUF) at 22.1% increased 40bps y/y for 9M FY21. Wind portfolio CUF at 28.5% increased 90bps y/y for 9M FY21. For the solar portfolio, the net export of energy grew 16% y/y in 9M FY21 on the back of increasing capacity. For wind portfolio, net export grew 200% y/y on the back of capacity increase to 247 MW in 9M FY21 from 122 MW in 9M FY20.

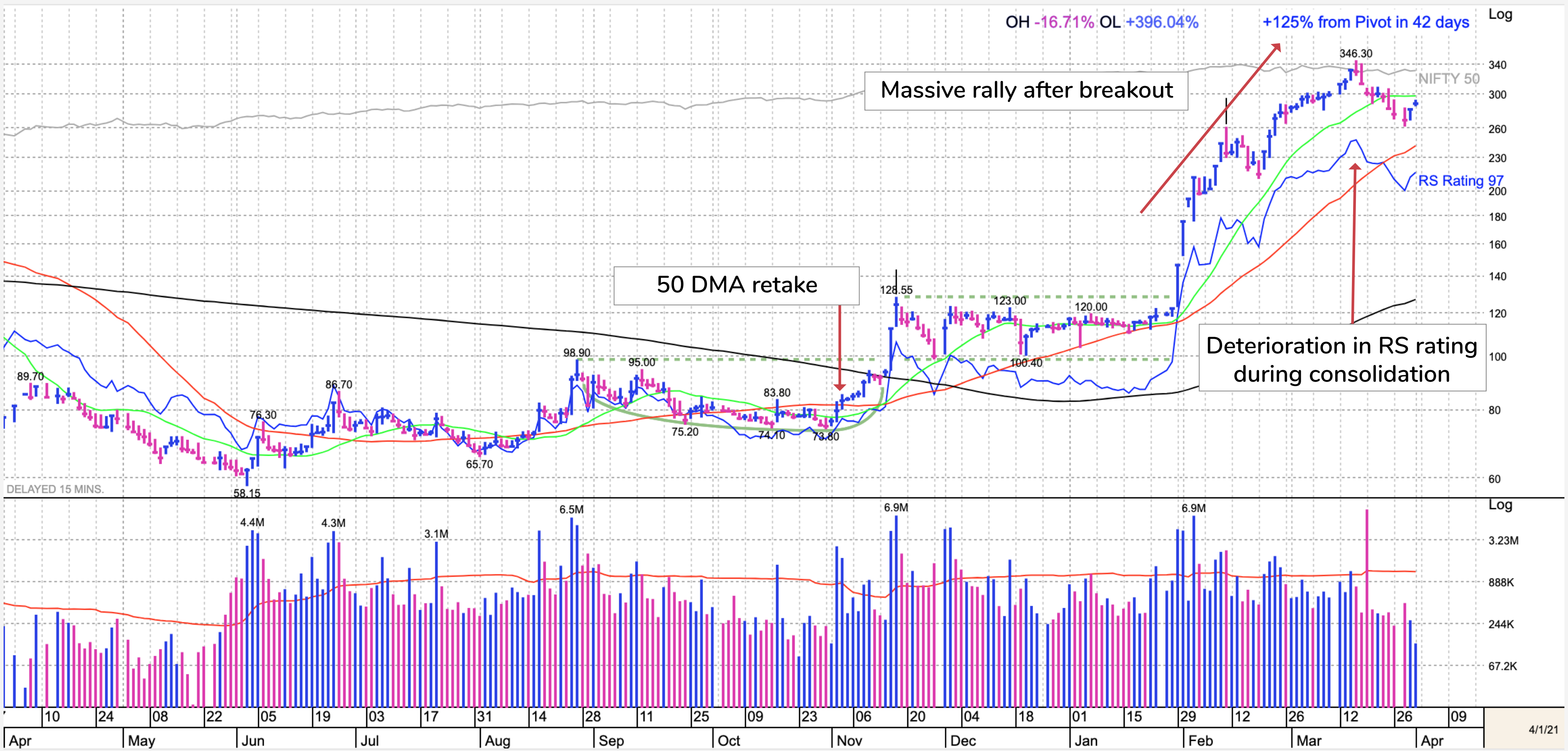
The company has a current portfolio of 14.8GW, including 2.9GW of operational capacity and 11.8GW under various stages of development. The portfolio is fully contracted, with fixed tariff 25-year power purchase agreements (PPAs) with sovereign counterparties accounting for 78% of the offtake on a fully built basis. The current average portfolio tariff stands at Rs3.26/kWh. The company has secure sites and connectivity to over 2,00,000 acres in strategic locations with ~31 GW potential. This can boost growth in upcoming years.

Adani Green and TOTAL SA had formed a 50:50 JV for 2,148 MW solar power assets in India, which was set up at an enterprise valuation of Rs 17,385 crore in April 2020. In March 2021, the company raised a $1.35B (about Rs 9,785 crore) debt package for its under-construction renewable asset portfolio through definitive agreements signed with 12 international banks. The revolving fund will initially finance the 1.69 GW hybrid portfolio of solar and wind renewable projects to be set up in four special purpose vehicles in Rajasthan. These steps built investors' confidence in the company's ambition of achieving 25 GW of renewable power capacity by 2025.

Analyzing from O'Neil Lens

The stock went up 621% in FY21. After making a low in February-March 2020 correction, it galloped 5x in just three months. In July-August, it formed a stage-two base. After the breakout, it continued its positive momentum and gained 150% in less than three months. Since December 2020, the stock is moving sideways and has formed a stage-three double-bottom base. Even after breakout in February, the stock is moving sideways near its buy zone. RS and A/D Ratings remained high, showing good strength and accumulation. The number of funds holding the stock increased 263% q/q in Q3 FY21. EPS Rank of 37 is poor, but it can improve if the company delivers good results and be able to maintain growth momentum.

IIFL Finance



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IIFL Finance is one of the country's leading financial services company. It is engaged in the business of loans (home loans, business loans, gold loans, and others) and mortgages. Its subsidiaries are IIFL Home Finance Limited and Samasta Micro-finance Limited. Its diverse operations are spread countrywide, with 2,439 branches covering more than 500 cities.
At the end of Q3 FY21, the company's AUM stood at Rs 42,264 crore: home loans (32%), gold loans (29%), business loans (18%), commercial loans (10%), and others (11%). It has over 18,000 employees. The loan portfolio is concentrated in retail loans (90%) as wholesale loans take up a small share (10%).

Key Growth Drivers in FY21

The company has delivered consistent financial performance and growth over the years. From FY16 to FY20, its loan AUM had a CAGR of 18%. In Q3 FY21, loan AUM increased 17% y/y and 3% q/q to Rs 42,264 crore, driven primarily by the core products – micro & small business loans, gold loans, and affordable home loans. PAT increased 26% q/q, driven by loan growth and the company's ability to raise funds at lower cost.

During the post-lockdown economic revival, loan disbursements were higher than the pre-pandemic levels. Home loans saw the highest growth rate of 90% y/y in Q3 FY21 due to the lower interest rates. This was followed by microfinance loans, which increased 61%; business loans, 43%; and gold loans, 25%.
The company's asset quality improved consistently as gross non-performing assets (GNPA) decreased to 1.61% in Q3 FY21 from 2.31% in FY20. Net NPA (NNPA) improved to 0.77% in Q3 FY21 from 0.97% in FY20. Excluding its discontinued business of healthcare equipment finance (HCF), IIFL's GNPA stands at 1.4% and NNPA at 0.7%. Gold loans show 0% GNPA, while business loans account for GNPA of 2.5% due to their inherent risk.

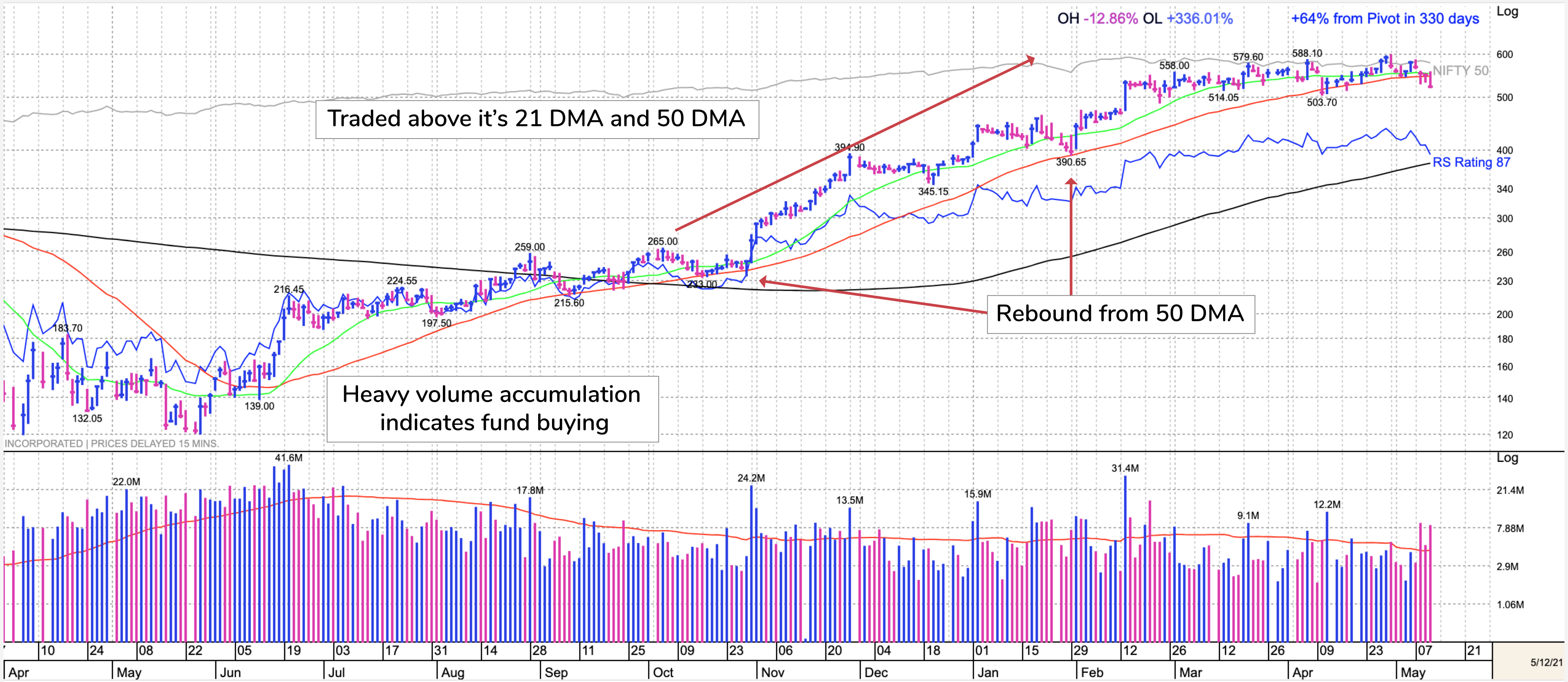
Strong underwriting skills enable a good recovery rate across business segments. Home loans, which form 32% of its total AUM, have a collection efficiency of 90%. The company focuses on affordable and non-metro housing segments, leveraging its underwriting skills developed over time. Gold loans (29% of total AUM) have a collection efficiency of 95%. The advantage of gold loans is that these are small-ticket loans with very low rate of delinquencies. IIFL has a competitive advantage over its peers, given its vast branch network and segment experience.

Analyzing from O'Neil Lens:

The stock advanced 280% in FY21. It has formed two bases during FY21 and both breakouts were successful. It formed the first base in September–October 2020 and after breaking out, hit power-to-pivot. It formed another base in December–January and hit power-to-pivot for the second consecutive time. It had a poor fundamental rating with EPS Rank of 55. However, its technical ratings were good, with an RS Rating of 97 and an A/D Rating of A+.

Financial

CholaMandalam Investment & Finance



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The company provides financial and investment services. It is one of the 28 businesses under the Murugappa Group. The company has a diversified product portfolio spread across vehicle finance, loan against property, home loans, stockbroking, and distribution of financial products. The company has a strong geographical presence across 29 states/Union Territories, with 81% presence across tier III-VI towns. The company rapidly grew to Rs 20K crore in 2020 from Rs 840 crore in 2008.

Key Growth Drivers in FY21

The company had an AUM of Rs 68,745 crore as of Dec 31. Vehicle finance contributed the most of Rs 49,936 crore, followed by LAP&SME and the home loan business, which accounted for AUM of Rs 14877 crore and Rs 3932 crore, respectively. During 9M FY21, the company reported disbursements of Rs 17,972 crore, which is 23% lower compared to disbursements of Rs 23,429 crore for the corresponding period last year. Vehicle finance accounted for 78% of total disbursements in 9M FY21. PAT reported a growth of 26% y/y to 1,272 crore.

During 9M FY21, the vehicle finance division witnessed an asset growth of 12% y/y. Disbursements declined 25% in 9M FY21, compared with 9M FY20. Loan losses are at 2% in 9M FY21 as compared to 1% in 9M FY20, while PBT advanced 19% in 9M FY21 as compared to 9M FY20. Demand in the tractor sector is healthy amid a faster recovery in the rural sector. Chola intends to maintain a strong focus on financing tractors to cater to the demand. More than 80% of the company's branches are present in rural areas, towns, and semi-urban areas. The company is one of the largest players in the used vehicle financing business with a disbursement mix of almost 30% in this space. During 9M FY21, the loan against property division witnessed an asset growth of 11% y/y. Disbursements declined 21% in 9M FY21 as compared to 9M FY20. However, disbursements are expected to pick up in Q4 with the revival of MSME business activities across India. Portfolio LTV at origination stands low at 52%, which provides adequate security cover.

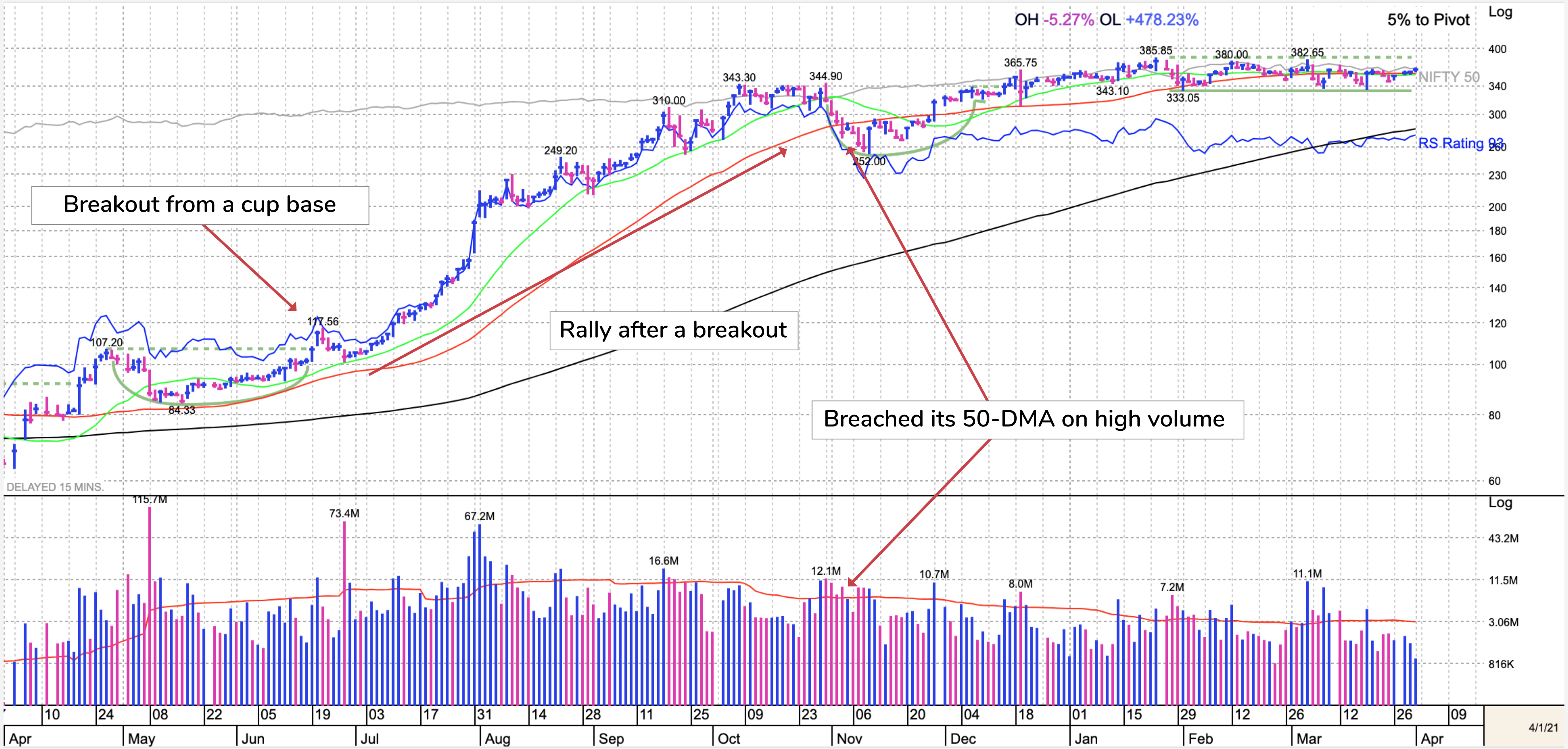
The home loans business has increased assets by 35% in 9M FY21. Loan losses stood at 1.4% as compared to 0.5% of 9M FY20. The company does not have material under construction exposure to developer-supplied houses. Also, the company's LTV at a portfolio level is ~60% at origination, which indicates adequate security cover. Further, tier 2, 3, 4 cities and suburbs of tier 1 cities cover about 87% of assets.

Analyzing from O'Neil lens

The stock rose 266% in FY21. After making a low during the correction in February–March 2020, it galloped 2.5x in five months. It reclaimed all its key moving averages during the rally. Then, it moved sideways for the next two months in the range of 215–265. After breaking out from the range, the stock showed a robust uptrend with strong support at its 21- and 50-DMA. The stock has rallied more than 2x from its November high. The stock has spectacular price strength of 91 and good buyer demand of A. The stock is currently extended from its last base. According to O'Neil, we will wait for a new base formation before adding it to our buy watchlist.

Health Care

Laurus Labs



Laurus Labs is a leading research-driven pharmaceutical company that sells its active pharmaceutical ingredients (APIs) in 56 countries. It has partnered with the world's top 10 generic pharmaceutical companies. In FY20, it spent 5.7% of its revenue on R&D. Due to its continuous focus on R&D, the company has filed 282 patents and owns 141 patents. Its businesses include formulations, synthesis, and generic APIs.

Key Growth Drivers in FY21

Laurus Labs partnered with Global Fund, which offers higher volume contracts with reasonable predictability in the FDF tender business. This stream offers greater revenue visibility. It formed a strategic partnership with , which possesses a healthy order book in the FDF contract business in the EU. There is also high order visibility from key therapeutic segments like cardiovascular (CVS), anti-diabetic, and PPI, which will provide growth in another API segment.

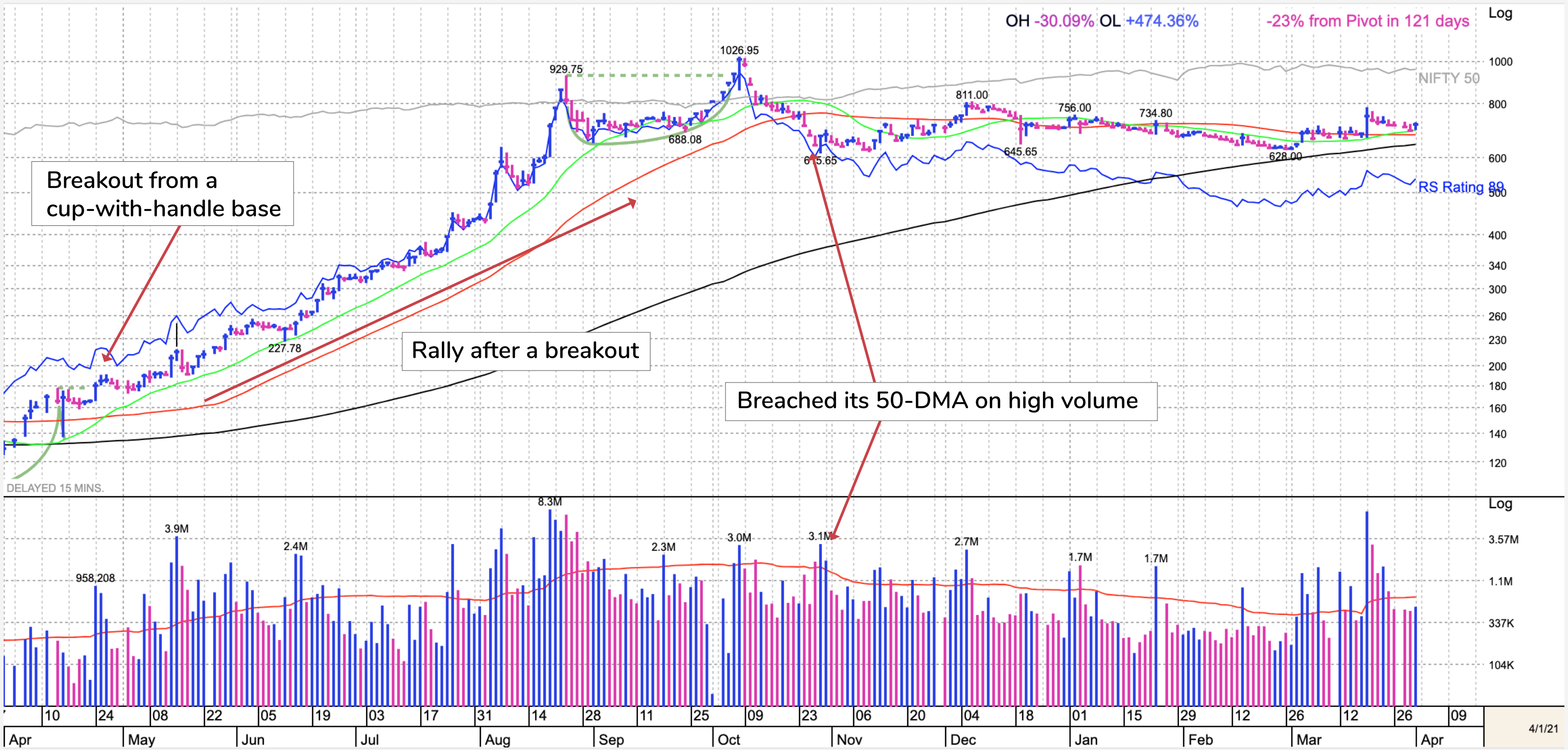
The company is increasing capacity in the FDF and API segments. This can spur growth in the ARV/ANDA-led formulations segment as well as in new molecules/market share in the API segment. Management guided capex of Rs 300 crore in FY21, especially in the FDF/API segments.

In the last few quarters, Laurus Labs was able to expand its gross and EBITDA margins. Management and consensus expect the growth trajectory to continue in the upcoming quarters due to a good product mix. Also, revenue growth can be decent with the addition of new launches. In May 2020, the company received approval for two ANDA filings – TLE 400 and TLE 600 tablets – from the U.S. FDA under the President's Emergency Plan for AIDS Relief.

Analyzing from O'Neil Lens

The stock rose 457% in FY21. Between February and March 2020, it was down about 30% and formed a consolidation base. It broke out of a base in April 2020 and has surged sharply since then. It made a series of "Blue Dots" in Q2 FY21 as it outperformed the majority of stocks. After this sharp rally, it consolidated in Q4 FY21 and broke out of its stage-2b flat base recently on April 6. In FY21, the RS line was trending upward and the A/D Rating remained high, showing good accumulation. For most of the year, it traded above its 21- and 50-DMA. The number of funds invested in this stock increased 13.3% q/q in the previous quarter.

Aarti Drugs



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Aarti Drugs manufactures active pharmaceutical ingredients (APIs), pharma intermediates, and specialty chemicals with its wholly owned subsidiary, Pinnacle Life Science Private Limited. Products under the API segment include Ciprofloxacin Hydrochloride, Metronidazole, Metformin HCL, Ketoconazole, and Ofloxacin; products in specialty chemicals include benzene sulphonyl chloride, methyl nicotinate, etc.

The company is the largest producer of nimesulide, ketoconazole, metronidazole, metronidazole benzoate, and tinidazole. It is a leading global manufacturer of metformin and fluoroquinolones.

Segment-wise revenue split year-to-date September 2020: API, 79%; formulation, 14%; specialty chemicals, 4%.

In the last five years, the lab has developed about 30 APIs (new and existing). It has also developed new-age formulation products for Europe, the U.S., Australia, Brazil, Canada, and Chile for Day 1 launches.

Key Growth Drivers in FY21

Diversified clientele drives company's top line: The company's local and export markets are diversified. Its top 10 export clients accounted for only 19.6% of export sales, indicating less dependence on a particular client. Its top client contributes only 3.45% of total export sales. In case of local clients, the top 10 clients account for around 24.8% of total local sales.

Strong focus on R&D: The R&D section located at Tarapur, which focuses mainly on API process developments, supports the company's manufacturing facilities at Tarapur and Sarigam. Its Mumbai R&D center develops complex oral solids for regulated markets as well as the emerging world.

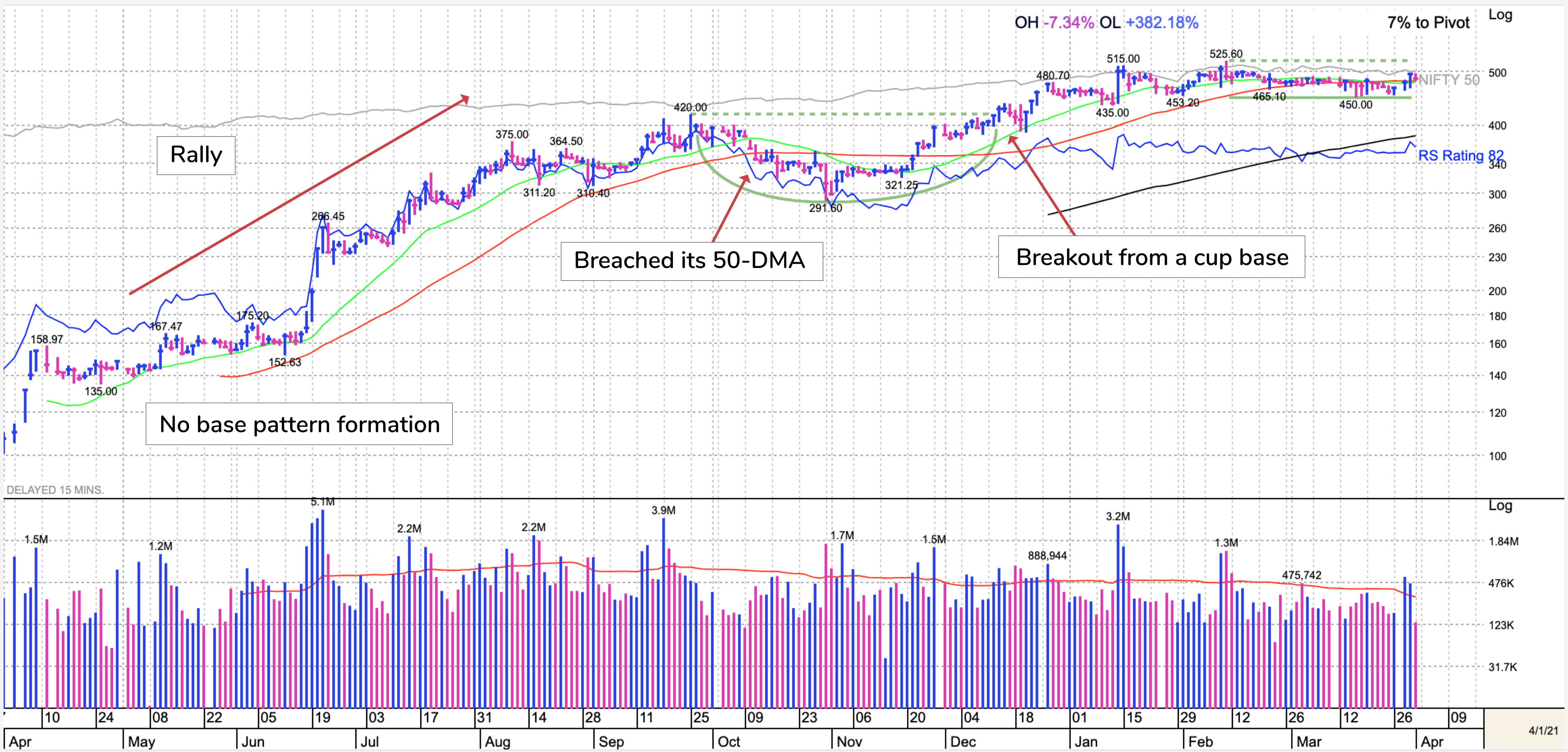
The company's competitive advantages include economies of scale, good purchasing power, superior quality, long-term relationships, repeat business, more than three decades of experience, client diversification, international presence, and less regional dependence.

Analyzing from O'Neil Lens

The stock had gained 70% as of February 28. It broke out of its stage-one, cup-with-handle base on about 3x the average volume on April 24. It hit power-to-pivot as it advanced over 20% within three weeks of the breakout. Since then, the stock has rallied strongly, surging over 400%, before forming another cup base. However, the breakout in October 2020 was a failure, as it corrected about 35%. Since then, the stock moved sideways, along with its 50- and 100-DMA. Its ratings remain intact: EPS Rank of 99 and RS Rating of 86. Currently, there is no buy point as the stock has not formed any base pattern.

Health Care

Suven Pharmaceutical



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Suven Pharmaceuticals was formed after the demerger of Suven Life Sciences in February 2019. It is a contract development & manufacturing organization (CDMO) with three major business segments: active pharmaceutical ingredients (API), intermediates, and formulations. Its key strengths are its capabilities across the CDMO value chain, which make it a preferred global outsourcing partner, and its strong chemistry skills. The demerger intended to focus on growth and increase operational efficiency and business synergies. The division also enabled the company to leverage the financial and operational resources of each business.

Key Growth Drivers in FY21

The global pharmaceutical industry is growing steadily and is expected to surpass $1.1T by 2024, driven by the increasing spending on drugs. The launch of specialty and innovative product composition of new brands in the market are also reasons for the rise in spending. New product growth is projected to contribute $165B over the next five years, up from $126B in the past five years (2015–2019).

Its existing relationships with various multinational companies remain strong, thus bringing in repeat business. More than 90% of its revenue is from regulated markets, indicating the company's compliance with stringent regulations across developed markets.

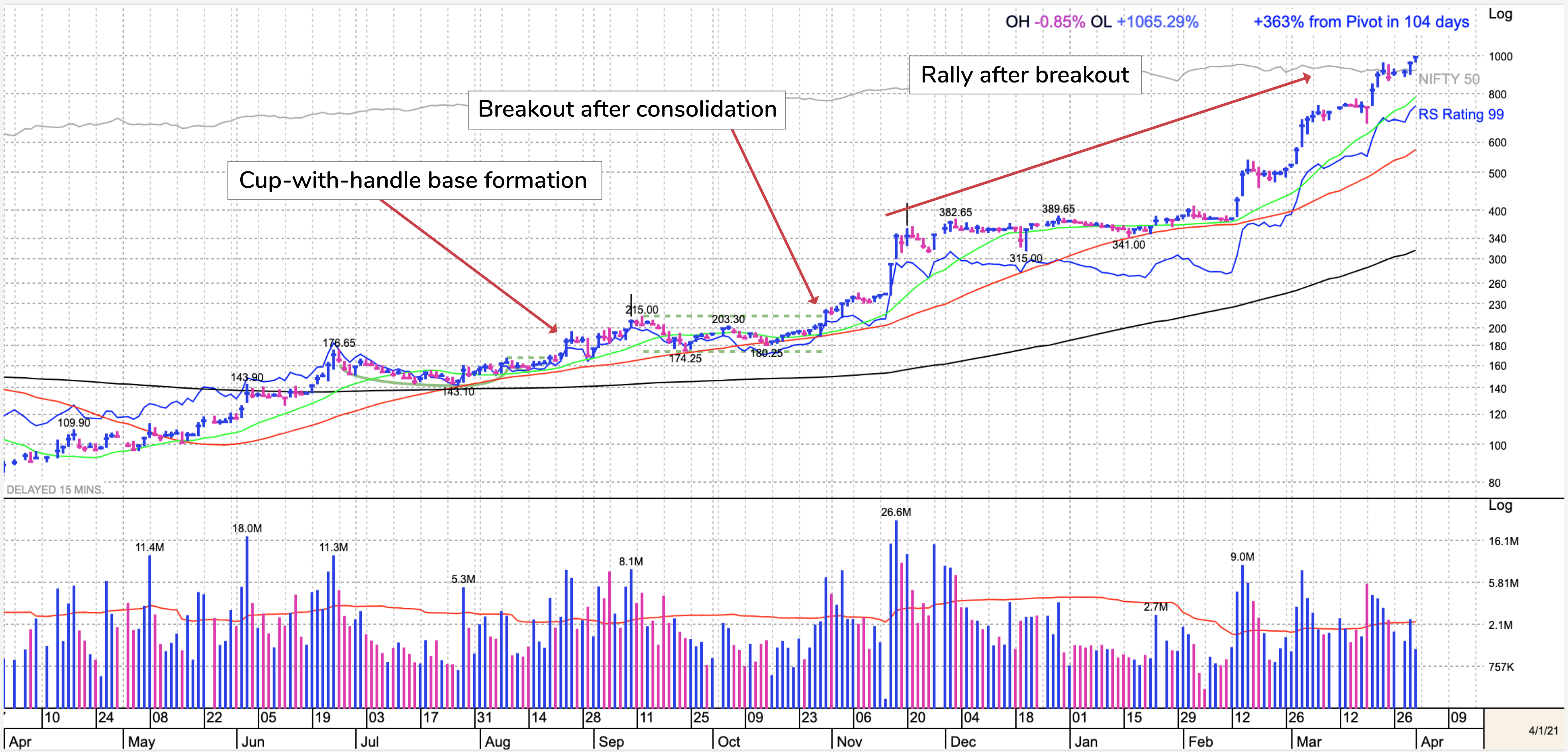
The outsourcing market is the major driver of pharmaceutical companies in India. The market is estimated at $90B (2019) and is projected to have a CAGR of 7%, reaching approximately $117.3B by 2023, and representing about 30% of the overall manufacturing requirements. (Source: The Future of the CDMO Market, March 19, 2020)

Suven Pharmaceuticals invested in R&D for NCE molecule development and supply of intermediates. The commercial supply of intermediates for NCE is a high-value, high-margin business. The company supplies intermediates for four molecules addressing rheumatoid arthritis, diabetes, depression, and women's health for clients based in the U.S. and EU. The four commercial molecules in the CDMO segment are all patent-protected up to 2025. Suven Pharmaceuticals is among the two suppliers of intermediates to makers of these molecules.

Analyzing from O'Neil Lens

The stock was listed on exchanges at the wrong time – during the market fall of March 2020. It quickly recovered with the market direction, surging 2x within a month from the low of March 2020. After consolidating for two months (May–June), it advanced further. However, it formed a base during October–November and broke out of it in December. It advanced 20% from there and formed a stage-two flat base. Currently, it is 9% to the pivot and the base formation looks good as volume has dried up. EPS Rank of 39 is poor and a cause for concern. Its technical parameters – RS Strength and A/D Rating – look good. If it reports good numbers in Q4 FY21, we can expect an improvement in EPS Rank. In that case, one can initiate a fresh position after a breakout on at least 1.5x the average volume.

Adani Total Gas



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Adani Total Gas Limited (ATGL) is in the business of city gas distribution (CGD), supplying piped natural gas (PNG) to the industrial, commercial, and domestic (residential) sections, and compressed natural gas (CNG) to the transport sector. ATGL operates 151 CNG stations and has a pipeline network covering over 7,800 kilometers. It has 0.46M residential customers. ATGL operations in Ahmedabad, Vadodara, Faridabad, and Khurja contribute 95% to total sales volume.

Key Growth Drivers in FY21

ATGL has been awarded 15 GA in the ninth and tenth bid rounds. The company aims to have over 500 CNG stations, 2.5M PNG connections, and more than 1,650km of steel pipeline in the next eight years. In November 2020, ATGL collaborated with Italy-based Snam, a leading gas infrastructure company in Europe. The collaboration would envisage the exploration of the hydrogen value chain in India and global markets as well as development of biogas, biomethane, and low-carbon mobility. ATGL signed a share purchase agreement in January 2021 to acquire a 5% stake in Indian Gas Exchange Limited.

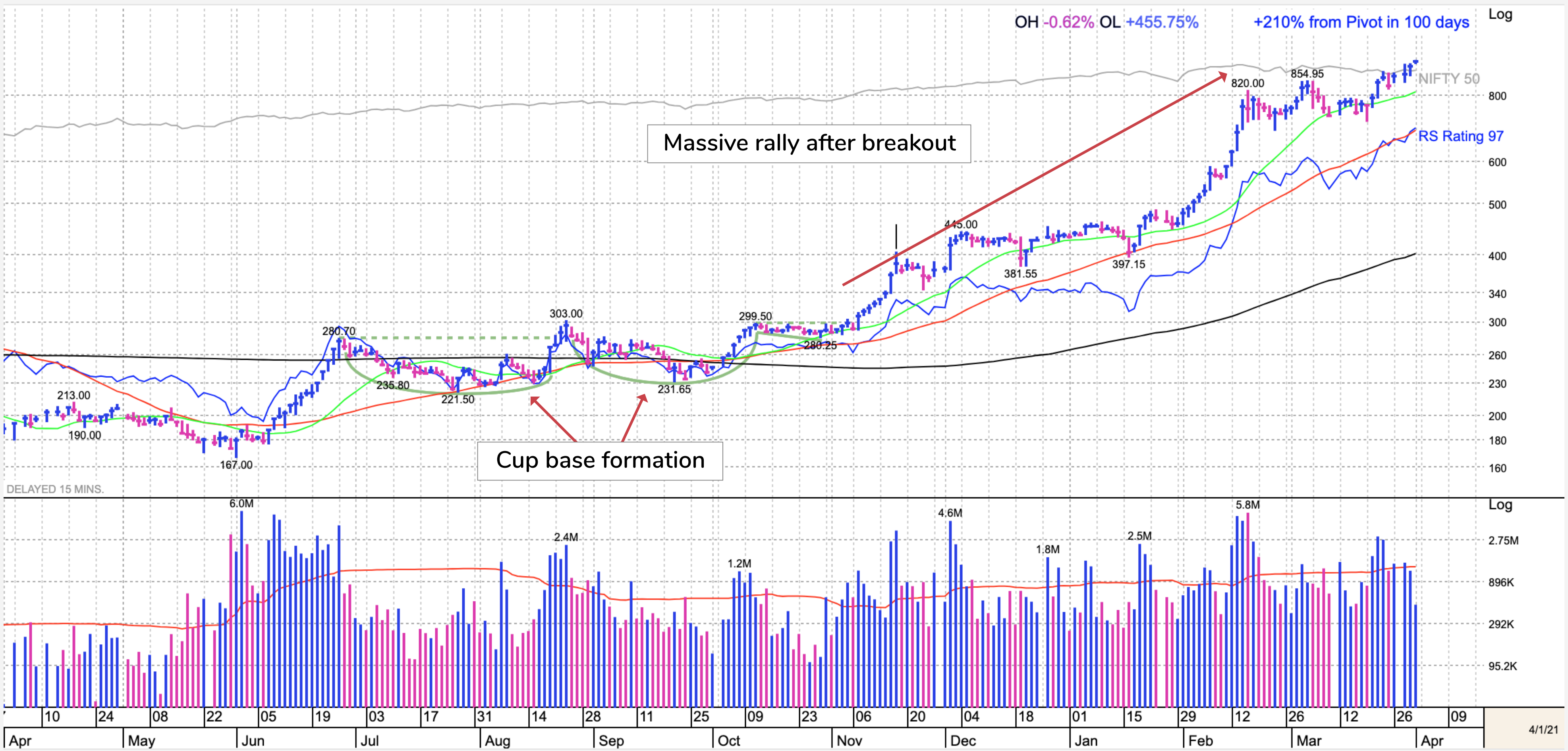
In Q3 FY21, the company had more than 150 CNG stations. Average volume in Q3 FY21 increased to 1.67MMSCMD as compared with the average volume of 1.43MMSCMD in Q2 FY21. PNG home connections increased to 4.57 lakh (10,346 new connections added in Q3 FY21). In January, the company surpassed a major milestone of 2M gas volume sales per day (2MMSCMD). During 9M FY21, EBITDA grew 14% y/y to Rs 525 crores. PAT at Rs 327 crores was up 4% y/y.

In March, spot LNG price fell 70–75% to $6.6/mmbtu for May delivery from the February high. The low LNG price should ensure strong domestic demand from industrial sectors (power, petrochemicals, etc.). This can help AGTL's top line as well as profitability growth.

Analyzing from O'Neil Lens

The stock went up 1,013% in FY21. After making a low during the February–March 2020 correction, it doubled in less than two months. The stock formed a stage-one cup-with-handle base in July–August and hit power-to-pivot following a breakout. In September–October, the stock gained and formed a staged-two flat base and again hit power-to-pivot after a breakout. It moved sideways in November–January. In February, it gained 37%, and in March, galloped 88%. In FY21, RS line was trending upward and A/D Rating remained high, showing good accumulation. It continuously traded above its 21- and 50-DMA. EPS Rank of 76 is decent. The stock is currently extended from its last base. Looking forward, we will wait for a new base formation to consider adding it to our buy watchlist.

Adani Transmission



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Adani Transmission operates in the space of power transmission in India. The company has a transmission capacity of more than 30,000MVA with a power transmission length spanning more than 17,200ckt km. The company has a pan-India network and is the only private sector company to operate a 500KV HVDC in Southeast Asia. It has more than 3M connections of retail electricity households. The company's total regulated asset base (fully-built) stood at Rs 314B.

Key Growth Drivers in FY21

During 9M FY21, the stable transmission business delivered operational revenue of Rs. 2,072 crore and operational EBITDA of Rs. 1,917 crore, translating into a strong margin of 92.3%. In the distribution business, operational EBITDA declined 3% in the given period despite a 3% decline in operational revenue. However, the distribution business's operational EBITDA grew 10% in Q3. The company added 650ckt km to the transmission network in Q3 with the Alipurduar acquisition.

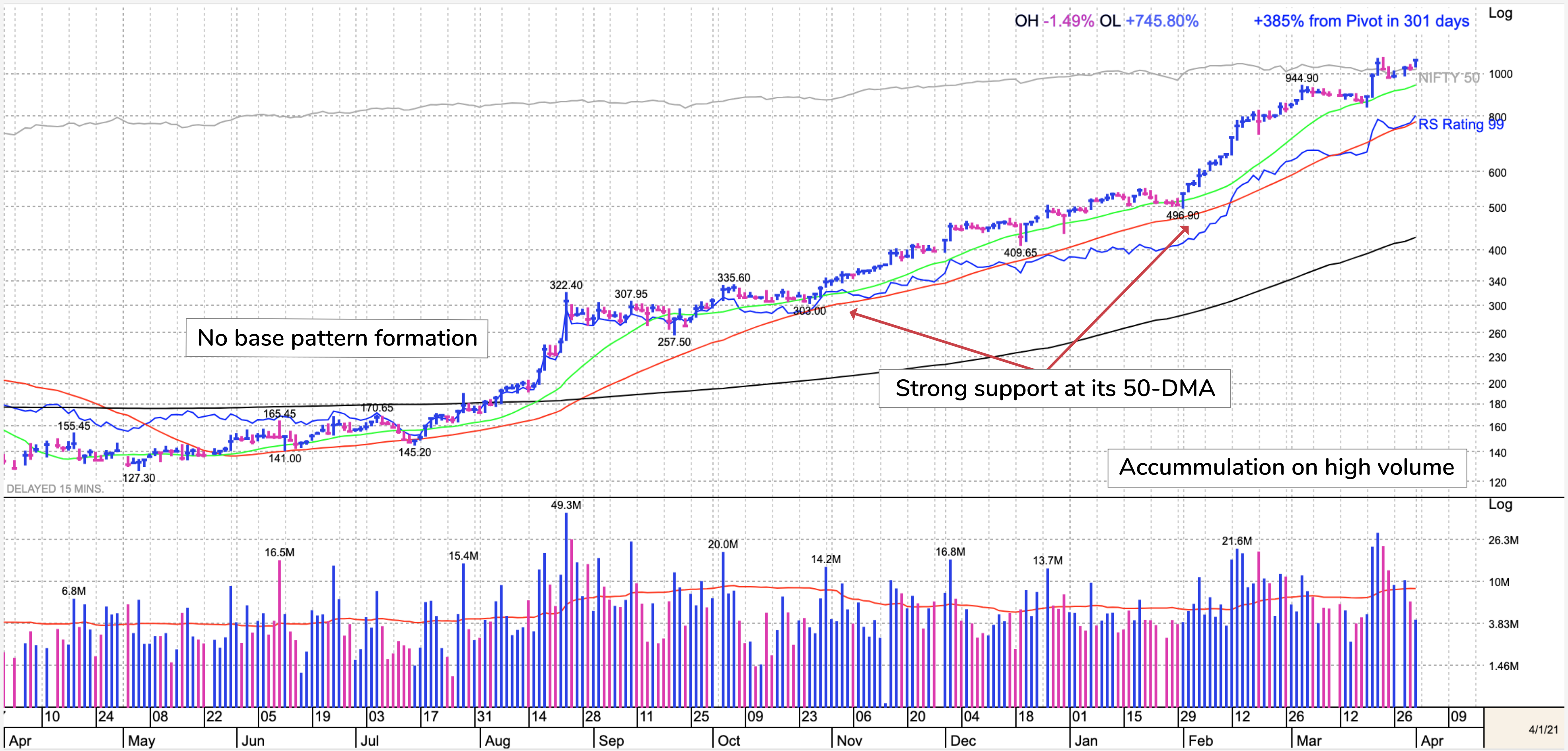
India's transmission sector is poised for stellar growth, driven by policy support. Historically, significant underinvestment in the transmission sector in India has translated into a very low MVA/MAW ratio. The ratio for India stood at 2.3x as compared to the global ratio of 7x. The market opportunity in this sector is placed near Rs 8T till FY29. Mandatory competitive bidding has created a level playing field for private players. The opportunity for private sector players is Rs 2.3T. The company had a 37% market share in transmission bids in FY20. Schemes like UDAY, 24x7 Power for All, Village Electrification, etc., continue to strengthen the value chain. The company is sitting with a sufficient cash balance with working capital lines tied up. Management does not foresee any major delay in receivables on the transmission side with CTU/STU pooling mechanism in place.

The company recently signed a deal with Essel Infraprojects Limited (EIL) to acquire Warora-Kurnool Transmission Ltd. ("WKTL"). WKTL will develop, operate, and maintain transmission lines aggregating to ~1,750ckt km. The acquisition of WKTL will expand the company's pan-India presence, further cementing its position as the largest private-sector transmission company in India. This strategic West to South 765KV interconnector with a substation in Southern India completes the company's presence in all regions of the country.

Analyzing from O'Neil Lens

The stock went up 381% in FY21. After making a low during the correction in February–March 2020, it galloped ~2x in just three months. Then, it formed a stage-one cup base. After breaking out from this base, the stock corrected toward the 100-DMA on lower volume and formed a stage 1(b) cup-with-handle base. Post break out, the stock showed an uptrend with strong support at the 50-DMA. The stock has rallied about 256% from the pivot in three months. The stock is currently trading around 7% off high with spectacular price strength of 98 and good buyer demand of A+. The stock is currently extended from its last base. According to O'Neil, we will wait for a new base formation before adding it to our buy watchlist.

Adani Enterprises



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Adani Enterprises Limited (AEL) focuses on establishing new businesses in the infrastructure and energy sector. Its business verticals include resources (mining services), transport & logistics (Airports, Roads, Rail), utility (water, data center), and strategic investments (solar, defense, Agro). AEL has mining service contracts for nine coal blocks with a peak annual capacity of 100M metric tons. The solar manufacturing segment has a 990 MW solar module volume. Adani Wilmar Limited (AWL) is the company's food segment. It is a joint venture between the Adani Group and Wilmar International Limited-Singapore. Its products are marketed under the Fortune brand.

Key Growth Drivers in FY21

AEL's solar manufacturing segment is the largest vertically integrated solar photovoltaic manufacturer in India. It has an EPC order book of more than 400MW in FY21, including major clients such as SCCL, NTPC, and EESL. The solar module volume in Q3 FY21 was constant y/y at 285MW, but EBITDA margin expanded to 30% from 16% due to higher sales in the DCR segment in the sales mix.

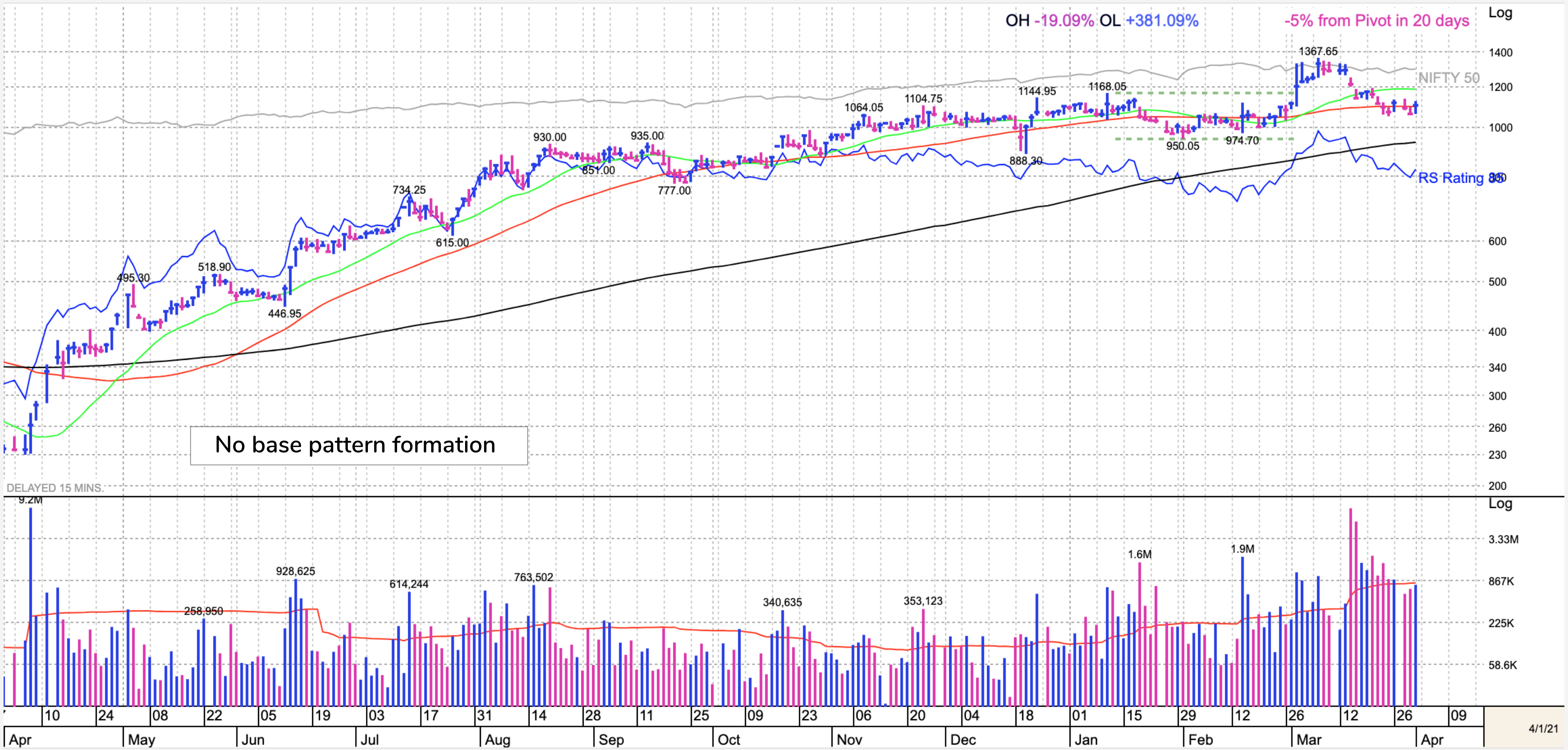
The Fortune brand continues to dominate the domestic retail consumer pack market with a 20% share. In 9M FY21, revenue grew 18% y/y to Rs 26,484 crore. Meanwhile, EBITDA grew 5% y/y to Rs 1,050 crore. Capacity increased to 8,825 tonnes per day in crushing and 16,515 tonnes per day in refining.
In the mining business, AEL commenced operations at Talabira 2 and 3 from December 2019. The peak rated cumulative capacity of its coal mines is 100mtpa, expected to be achieved by FY25. Management expects to commence operations in Suliyari, Parsa, and Kurmitar in FY22. AEL targets to produce 15mt of washed coal by FY22. This target and its implementation have pushed up the stock price.

AEL forayed into the airport sector in 2019. It won the mandate to modernize and operate six airports – Ahmedabad, Lucknow, Mangaluru, Jaipur, Guwahati, and Thiruvananthapuram – through the Airports Authority of India's globally competitive tendering process. Adani Airports will operate, manage, and develop the six airports for 50 years. In February 2021, AEL acquired a 23.5% stake in Mumbai International Airport Limited. This N factor (new airport and road contracts) has worked well for the business and attracted good investment.

Analyzing from O'Neil Lens

The stock went up 649% in FY21. After making a low during the February–March 2020 correction, it gradually formed a bottom and reclaimed its 200-DMA in August. The rally began from there. Though the stock galloped 6x from August to March, it did not form any base pattern. The rally was largely driven by the N factor. A couple of times, the stock pulled back to its 50-DMA but rebounded strongly from there without breaching it. RS line was trending upward, and A/D Rating remained high, showing good accumulation. EPS Rank of 59 is weak but could potentially increase with profitability from the new businesses in FY22. The stock is currently extended from its last base. According to O'Neil Methodology, we will wait for a new base formation to consider adding it to our buy watchlist.

Tata Communications



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Technology

The company enables the digital transformation of enterprises globally. It is present in more than 200 countries and territories around the world and serves over 7,000 customers globally. Tata Comm has 300 of Fortune 500 companies as its clients. The company connects four out of five mobile subscribers worldwide. It operates the largest wholly-owned and most advanced subsea fiber network, which underpins the internet backbone, where its network carries around 30% of the world's internet routes. Its Internet of Things network in India will be the world's largest network of its kind, spanning nearly 2,000 communities and touching over 400M people.

Key Growth Drivers in FY21

Tata Communication has a partnership with Star Group for the live streaming of the Indian Premier League. Revenues from live streaming started to bounce back with the resumption of sporting events in 2020. Also, the new season of IPL starts in April and is likely to have a positive impact on the company. Following a boost from the lower network cost, EBITDA margins expanded and were above 26% in H1 FY21. Network cost declined in H1 FY21 due to the timing benefit as some costs were pushed to H2.

The company is innovating and ready for the latest technology. Using Tata communication's technology, Croma Retail has gone live with a personalized interactive solution, which enables the demonstration of products through a combination of audio, video, and chats on a virtual basis. Croma will deploy it across its 150 stores. The innovation portfolio has been doing well. Cloud-first and internet-first strategies are accelerating digital adoption, leading to strong demand for cloud security and hosting services. Strong growth from OTT and Enterprise customers is expected due to the trends around cloud adoption and digitization.

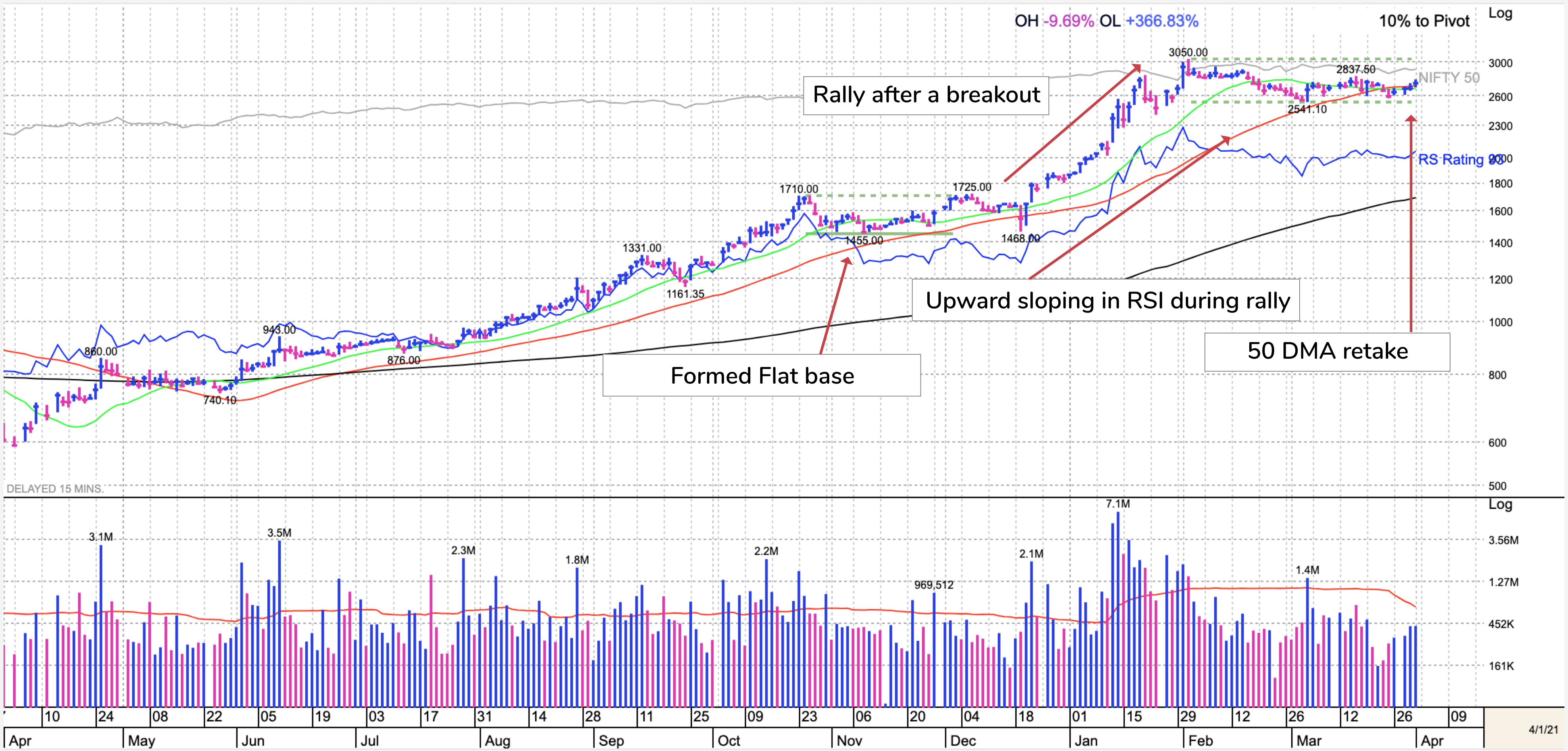
Management has strongly emphasized a strong sales funnel pipeline in GDS, which is also witnessing healthy growth. The company has been working on realigning its operating model with the changing business model. The move can save costs of Rs 200 core and improve profitability. Management has guided for an EBITDA margin of 22–25% in GDS, which is achievable with an increase in revenue and cost control. In addition to these growth drivers, the government's decision to reduce its stake in the company, and an increase in Tata Sons' stake, had a positive impact on the stock.

Analyzing from O'Neil Lens

The stock rose 356% in FY21. After making a low during the correction that occurred in February–March 2020, it galloped 3x in less than four months. After digesting gains and moving sideways, the stock formed a stage-one consolidation base in January–February. After a breakout, it failed to extend the positive momentum and breached its 50-DMA. In FY21, RS line was trending upward, and A/D Rating remained high, showing good accumulation. For most of the year, it traded above its 21- and 50-DMA. Any pullback to the 50-DMA gave an alternate entry point. EPS Rank of 87 is strong. The stock had a failed breakout in March and has pulled back to its 50-DMA. Looking forward, it can give a good entry point if the stock rebounds from the 50-DMA and breaks out again.

Technology

Tata Elxsi Ltd.



Technology

Tata Elxsi is a leading provider of technology and design services for product engineering and solutions to industries such as automotive, broadcast and communication, and health care. It largely thrives on R&D expenditures made by global companies. Tata Elxsi operates in three segments: embedded product design (EPD), industrial design and visualization (IDV), and system integration.

Key Growth Drivers in FY21

Sustained Market Recovery in Automotive Market led to Some Large Deals: Recovery continued in the automotive market for the second consecutive quarter, prompting original equipment manufacturers (OEMs) to reinitiate key R&D programs, leading to a resumption of stalled projects as well as new deals with tier 1 suppliers. It added new automotive customers, including a new-age OEM in North America. Tata Elxsi also closed some large deals, including a multi-million dollar deal with a European tier 1 supplier for vehicle electronics and software and one with a North American tier 1 supplier for autonomous driving.

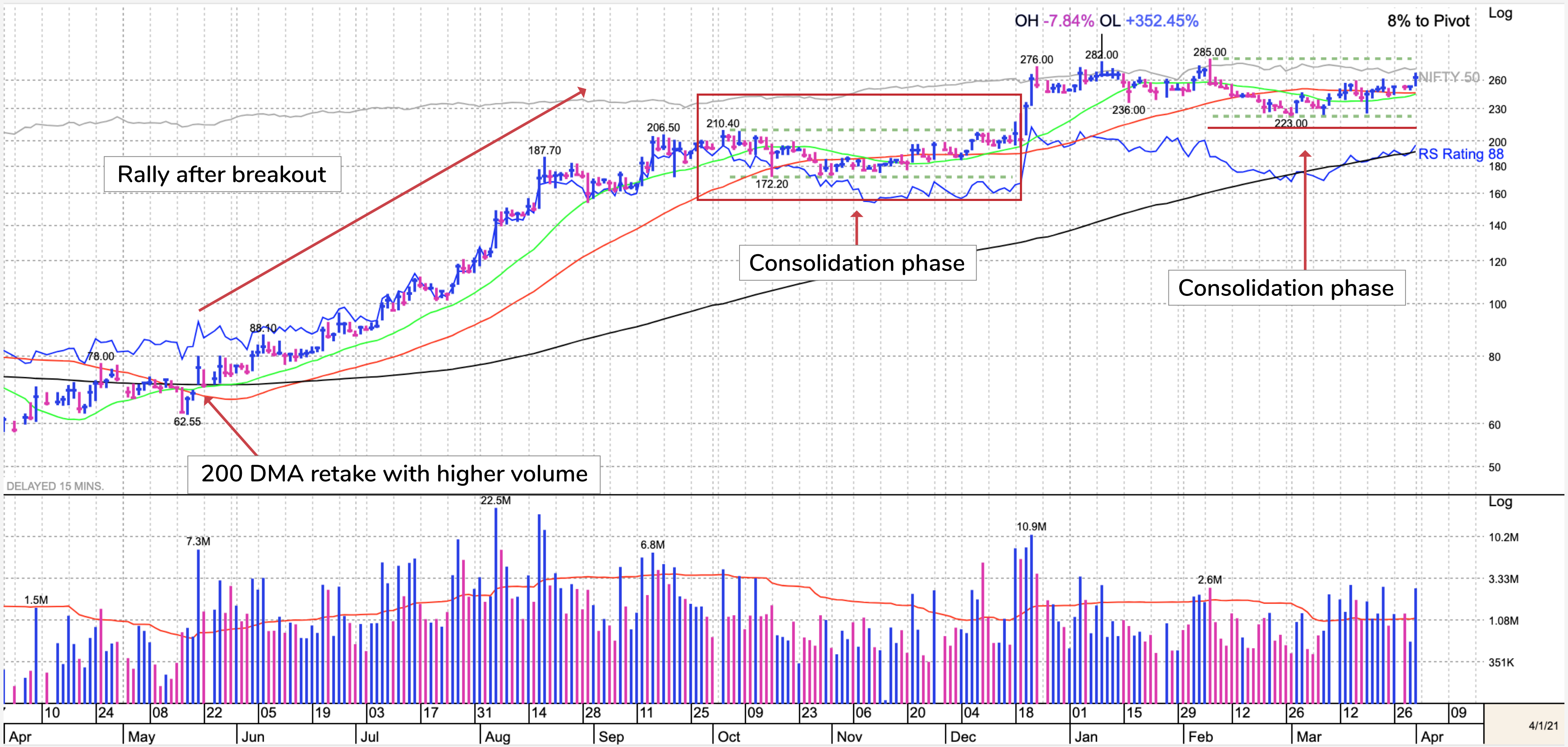
Ever-Growing Areas such as OTT, 5G Helped Revenue Growth: Tata Elxsi has partnered with ZEE5, India's largest, most comprehensive digital entertainment platform offering original content, Indian and international movies and TV shows, music, and lifestyle content in 12 languages. The company's media and communications segment continued on the growth path, with revenue rising 8.0% q/q. It received recognition from industry analysts as a leader in its key industry verticals and for its specialist leadership in growth areas such as OTT, ADAS, 5G, and network transformation.

Government's Mission of a 100% EV Nation by 2030: This initiative is likely to bring ample growth opportunities for the automobile software industry. Thus, most automobile companies are manufacturing EVs. Since Tata Elxsi is a niche player in the automobile segment, it is in a strong position to capitalize on the opportunity in embedded software development for EVs for companies, especially Tata Motors.

Analyzing from O'Neil lens:

The stock advanced 328% in FY21. After a correction in March 2020, it had an upside reversal and retook its key major moving averages in June 2020. Since then, the stock has advanced along its uptrending 21-DMA. It formed a stage-one flat base in November 2020 on lower volume. The breakout was successful as it advanced over 70% in just over a month. The stock formed a stage-two cup base in the last two months of FY21. Its ratings remain top-notch, with EPS Rank of 94, an RS Strength of 93, and an A/D Rating of A+. The number of funds invested in the stock increased more than 22% in the previous quarter.

Birlasoft



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Birlasoft provides multi-shore business application IT services globally, with a presence in the U.S., Europe, Asia-Pacific, and India. It operates development centers in the U.S., China, Poland, and India. Birlasoft's clients include Fortune 100 enterprises across the manufacturing, banking & financial services, insurance, media, and healthcare industries.

Key Growth Drivers in FY21

During 9M FY21, revenue from operations grew 9% y/y to Rs 2,652.8 crore as against Rs 2,383.9 crore in 9M FY20. PBT advanced 3% y/y to Rs 317.9 as compared to Rs 225.3 in 9M FY20. PAT registered a growth of 49% y/y and rose to Rs 221.9 crore as compared to Rs 155.3 crore for the same period last year.

During Q3 FY21, the company signed TCV deals of $179.7M. Furthermore, the company was selected by a global building material company to provide remote infrastructure and by a European insurance major for transforming its global HR solutions.

In the latest quarterly results, the company demonstrated many milestones that it achieved. The company's EBITDA margin surpassed the 15% mark and stood at 16.4%. The company's billed DSO continued to improve and stood at 57 days, which is the best to date. Further, the cash and cash equivalent reached Rs 1,000 crore mark, driven by an improved margin, better collection, and higher PAT. The number of active clients declined to 295 in Q3 from 310 in Q2 and dropped by 86 on a y/y basis. As of December 31, the company's annuity revenue contribution stood at 67%. Management aims to reach a 75% mark, which, in turn, will improve the predictability of the company's revenue and growth.

Management has stated that they will continue to focus on key objectives such as platform-based digital initiatives, cloud adoption, and aggressive automation. Further, the company is executing multiple programs and deals on SAP on azure, JDE on Azure, which should drive the revenue for the next quarters.

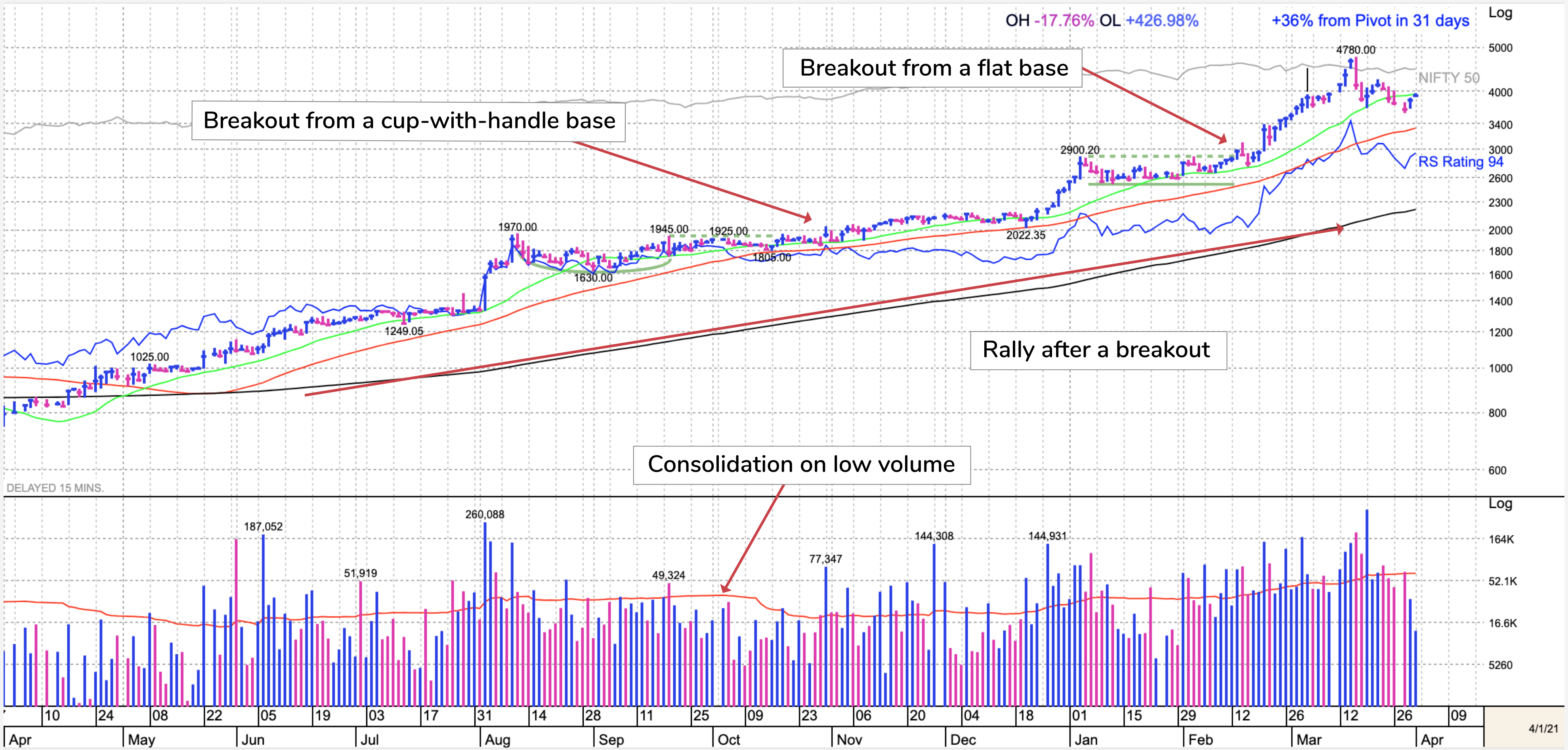
The company recently announced its partnership with Riversand, a cloud-native Master Data Management (MDM) and Product Information Management (PIM) solution provider. Riversand's cloud-native and multi-domain platform is essential for any company considering an investment in a scalable infrastructure. This partnership will offer the strength of both partners in implementing a successful digital transformation strategy. Also, it partnered with Innoveo, a leading global technology company for strengthening domain and digital capabilities.

Analyzing from O'Neil Lens

The stock rose 315% in FY21. After making a low during the correction in February–March 2020, it surged 5x in the next five months. Then, it formed a stage-one consolidation base during October–November. After breaking out from this base, the stock showed a strong move and hit power to pivot with a gain of about 34%. The stock has now formed a stage-two cup base. A fresh position can be initiated once the stock breaks out on above average volume. The stock has a price strength of 90 and good buyer demand of A+.

Retail

Vaibhav Global



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VAIBHAV GLOBAL LIMITED

The company was incorporated in 1989 and evolved into a vertically integrated electronic retailer of fashion jewelry and lifestyle products in the U.S. and the U.K. on its TV Shopping channels - ShopLC, USA, and The Jewellery Channel (TJC), UK. It has a reach of around 100M households through these two channels.

Key Growth Drivers in FY21

A distinctive business model is a key moat for Vaibhav Global. It has created a niche for itself in the global retail (jewelry, accessories, and lifestyle) product segments in two of the largest economies of the world – the U.S. and the U.K. It also offers deep discounts and value offerings for its customers. The company's strategy of a wider catalog, deepening omnichannel engagement in the U.S. and the UK, proven order fulfillment capability, reputed logistics partners, and specialist call center operations has resulted in an expanded customer base and growing revenue. Also, a 4R strategy to strengthen Reach, Registrations, Retention, and Repeat Purchases is working well for the company.

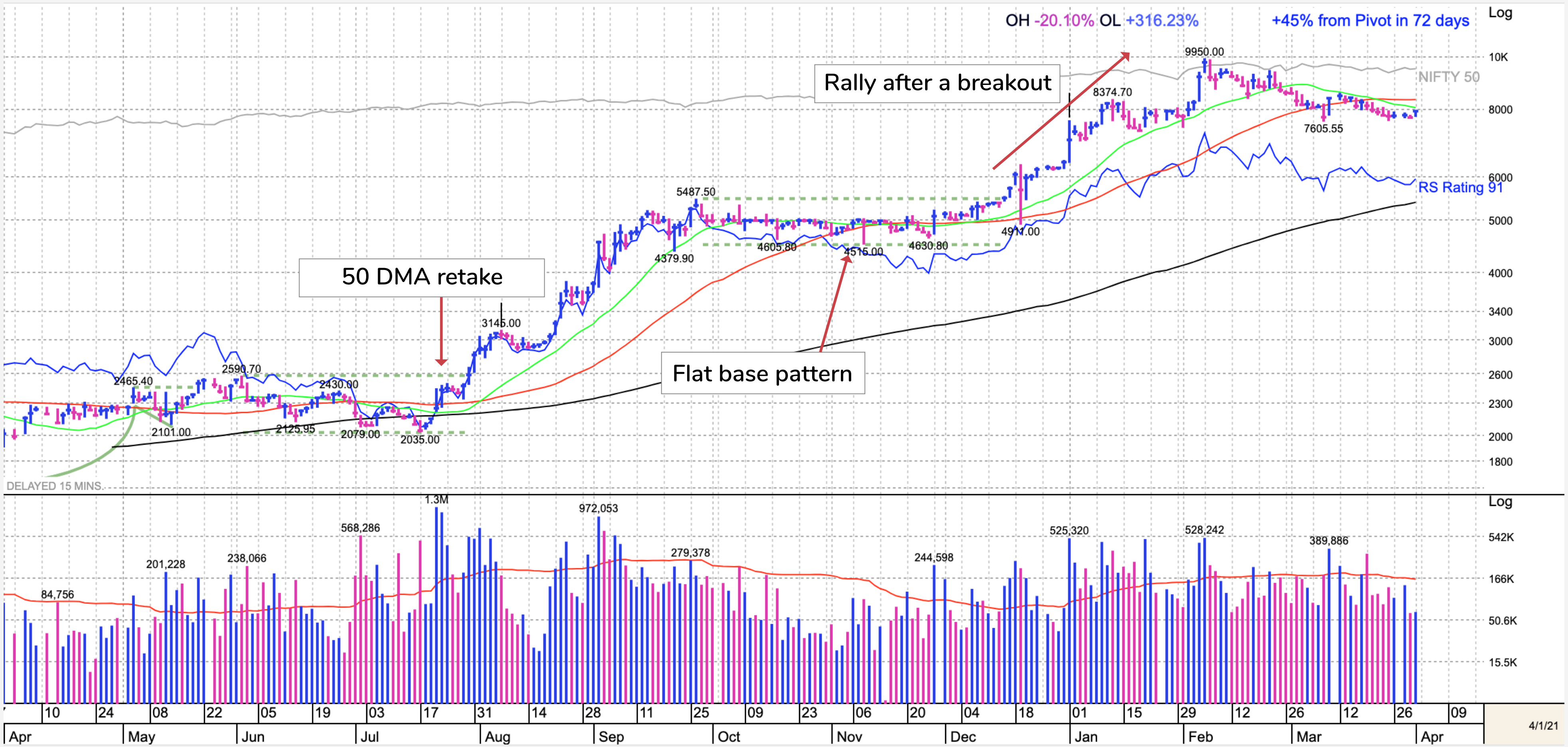
- Omnichannel sales platform of the company aided growth during the pandemic. The current disruption brought about by the pandemic has threatened business continuity for traditional retail formats while opening massive home shopping format opportunities. The post-pandemic retail world would comprise changing consumption patterns, a transition to home-shopping avenues (teleshopping and digital platforms), and the consolidation of retailers, decisively altering the competitive landscape. Vaibhav Global, already having an omnichannel sales platform, can benefit.

- Incremental contribution from non-jewelry revenue and non-budget pay revenue through B2C spurred growth. The non-jewelry business, such as fashion accessories and lifestyle products that contributed 9% to B2C revenue in FY15–16, contributed 32% in H1 FY21. This indicates reduced dependence on jewelry revenue in calculating total B2C revenue. Similarly, non-budget revenue currently accounts for 36% of the total B2C revenue as against a contribution of 8% in FY15–16. In terms of geographical expansion, the company expanded to Canada in Q3 FY21. It is also testing a marketplace in Germany and Japan.

Analyzing from O'Neil Lens

The stock went up 398% in FY21. After making a low during the correction in February–March 2020, it galloped 3x in three months. During August–October, it formed a stage-one cup-with-handle base. After the breakout in October, it was added to the MSI portfolio. We booked 32% profit in less than three months. In January-February, it formed a stage-two flat base. The stock was added again to the MSI portfolio after the breakout. In one month since addition, we booked 50% profit in the stock. In FY21, RS line was trending upward, and A/D Rating remained high, showing good accumulation. It continuously traded above its 21- and 50-DMA. EPS Rank of 98 is strong. The stock is extended from its last base and it is 15% off-highs. According to O'Neil, we will look for the base formation and breakout to consider adding it again if fundamental growth drivers remain intact.

Indiamart



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The company operates in an online B2B marketplace, connecting buyers with suppliers. In India, the B2B marketplace is a growing space. It has garnered a 60% share of the online B2B classified space in India. The channel focuses on providing a platform to small & medium enterprises (SMEs), large enterprises, as well as individuals. Indiamart is diversified across categories (99,000+) and geographies. As of Q3 FY21, buyers were spread across categories such as metro (33%), tier 2(26%), and rest (41%). It is a two-way marketplace where buyers seek sellers and vice versa. Its in-house technology team enables behavioral–data-driven, algorithmic matchmaking to simplify buying and selling decisions. The company associates with more than 93M buyers, 5.7M suppliers, and 63M products and services.

Key Growth Drivers in FY21

IndiaMart has over 60% share (consensus) in online B2B marketplaces. Its monetization through a "freemium" model is working well. In IndiaMart, buyers can list free, but suppliers need subscriptions. In FY20, IndiaMart had about 1.5 lakh premium subscribers. Its subscriber CAGR was 19% for FY16–20. The top 10% of customers contribute 40% of its revenue.

Per management, there are more than 63M MSMEs in India, of which only 17–18% use the internet. Of these, only 5.7M are registered with IndiaMart. The company has a big market opportunity as the increasing internet penetration rate will boost the traffic of buyers and sellers, and there will be a steady shift from offline buying to online services.

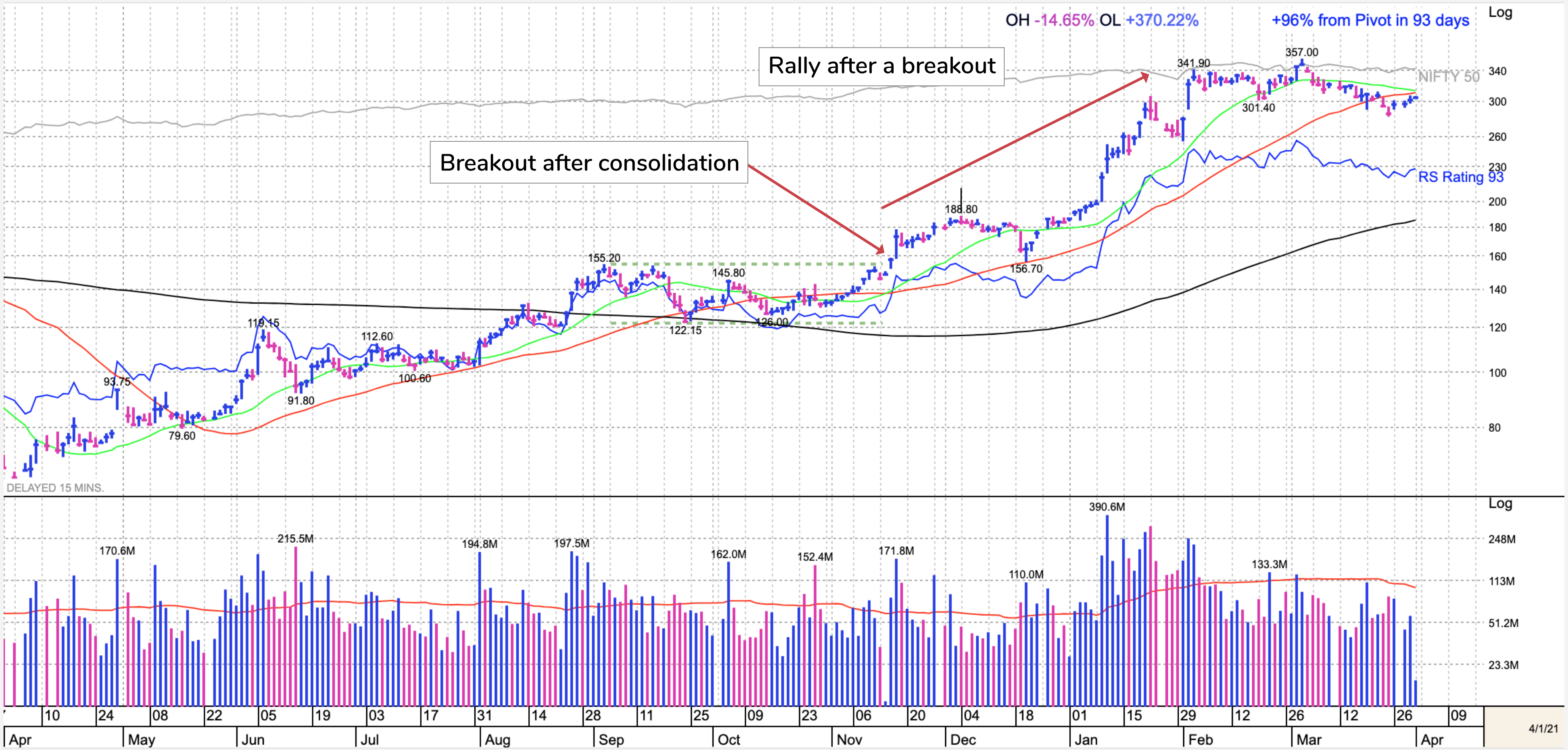
IndiaMart collects subscriptions in advance, giving it good revenue visibility. The number of registered suppliers had a CAGR of 27% while that of premium suppliers had a healthy CAGR of 19% from FY16 to FY20.

Analyzing from O'Neil lens:

The stock advanced 300% in FY21. It debuted on exchanges in July 2019 and, since then, has multiplied over 5x to date. It has been one of the greatest wealth creators in the country/worldwide in the past couple of years. The stock broke out of its base a few times during FY21. Its first breakout in May 2020 was not a successful one, and it formed another base during June–July 2020. The second breakout was successful as it hit power-to-pivot and made blue dots, indicating strong RS Strength, making new highs. The third breakout in December 2020 was also successful as it hit power-to-pivot for the second consecutive time.

Auto

Tata Motors



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Tata Motors is a leading global automobile manufacturing company. Its portfolio includes passenger cars, sport utility vehicles, trucks, buses, and defense vehicles. It is also one of the country's largest OEMs offering an extensive range of integrated, smart, and emobility solutions. Its cars are manufactured to meet various customer aspirations. The company has invested heavily in R&D to come up with leading-edge powertrain and electric solutions packaged for power performances and user comfort at the lowest possible lifecycle costs. Tata Motors believes in the following six key mobility drivers that will lead to the future: modular architecture, reduced manufacturing complexity, connected and autonomous vehicles, clean drivelines, shared mobility, and low total cost of ownership. It is also changing its brand proposition by favoring the younger generation, launching sporty cars with embedded technology. It partnered with the country's largest sports event, IPL 2021, to showcase the SAFARI. Its major selling brands are Tiago, Altroz, Tigor, Nexon, and Harrier.

Key Growth Drivers in FY21

After the lockdown eased, sales of the New Land Rover Defender started to increase in the U.K., Europe, and North America, with sales in China and other markets picking up since July 2020. Tata Motors' flagship vehicles – Range Rover and Range Rover Sport – are available in these markets with special editions and a suite of upgrades, including the Jaguar Land Rover's new 3.0-litre straight six-cylinder Ingenium diesel engine with Mild Hybrid Electric Vehicle technology. These vehicles are also expected to be supported by the newly revealed enhancements.

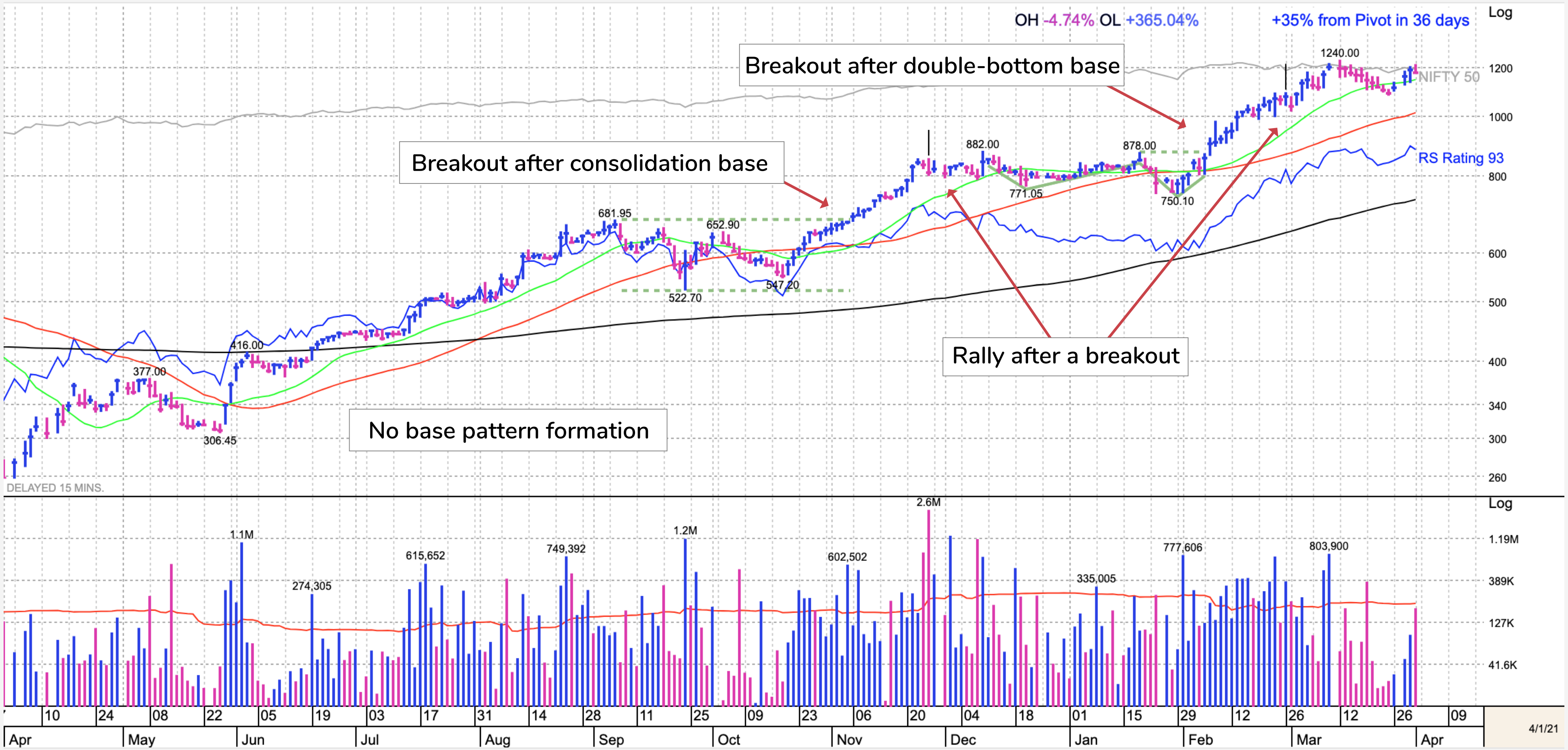
The Brexit deal is an encouragement to Jaguar Land Rover as it has avoided the risk of tariffs on automotive parts and finished vehicles. Despite the increased risk of COVID-19 infection, most Tata Motors plants are open and the majority of its retail outlets are functioning. In restricted areas, sales are achieved on a "click and deliver" basis through online ordering systems.

The company's India operations continued to grow strongly in Q3 FY21. The commercial vehicles (CV) segment grew sequentially; the passenger vehicles (PV) segment also continued to grow due to its "New Forever" portfolio, resulting in the highest EBITDA in 10 years for the PV segment. CV business profitability improved sequentially due to a better mix of vehicles and ongoing cost savings. This has led to strong positive cash flows and yielded Rs 26T in the quarter and Rs 51T year-to-date.

Analyzing from O'Neil lens:

The stock advanced 325% in FY21. It has a poor EPS Rank of 36 due to its poor earnings in the past few quarters. However, its technical parameters are strong, with an RS Rating of 93 and an A/D Rating of B+. It formed one base in FY21, a successful one. The stock hit power-to-pivot, advancing over 20% within three weeks of breakout. Its 200-DMA is a key level to watch for as it found support a few times at that level. Per O'Neil Methodology, the stock lagged on fundamental aspects with poor EPS and negative ROE; hence, we did not add it to our portfolio. However, if it reports good numbers in the next few quarters, its EPS should improve and the stock can probably be added to our model portfolio.

Tube Investments



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Tube Investments of India manufactures bicycles and parts, metal-formed products, precision steel tubers, and roll-formed car door frames, among others. Its main brands include Hercules, BSA, and Philips. It is the market leader in precision steel tubes and roll-formed car door frames, and is the second largest motorcycle chain manufacturer in India. Its major customer base includes auto and auto component industries.

Key Growth Drivers in FY21

All-time High Margin: In Q2 FY21, gross margin expanded 360bps y/y to 44%, and EBITDA margin came in at 15% on a better product mix and favorable input cost. Also, management implemented stringent cost-control initiatives. Engineering/metal-formed segment's EBIT margin stood at 15% compared with 11% y/y.

Railway Sector – A New Growth Engine: The railway sector proved a major growth engine for the company. With the Government of India's focus on expansion and modernization of the railway network and the Make in India drive, the sector is poised for accelerated growth. The company, already a supplier of quality assemblies and components for the railways, is well-positioned to mine the sector's burgeoning growth potential.

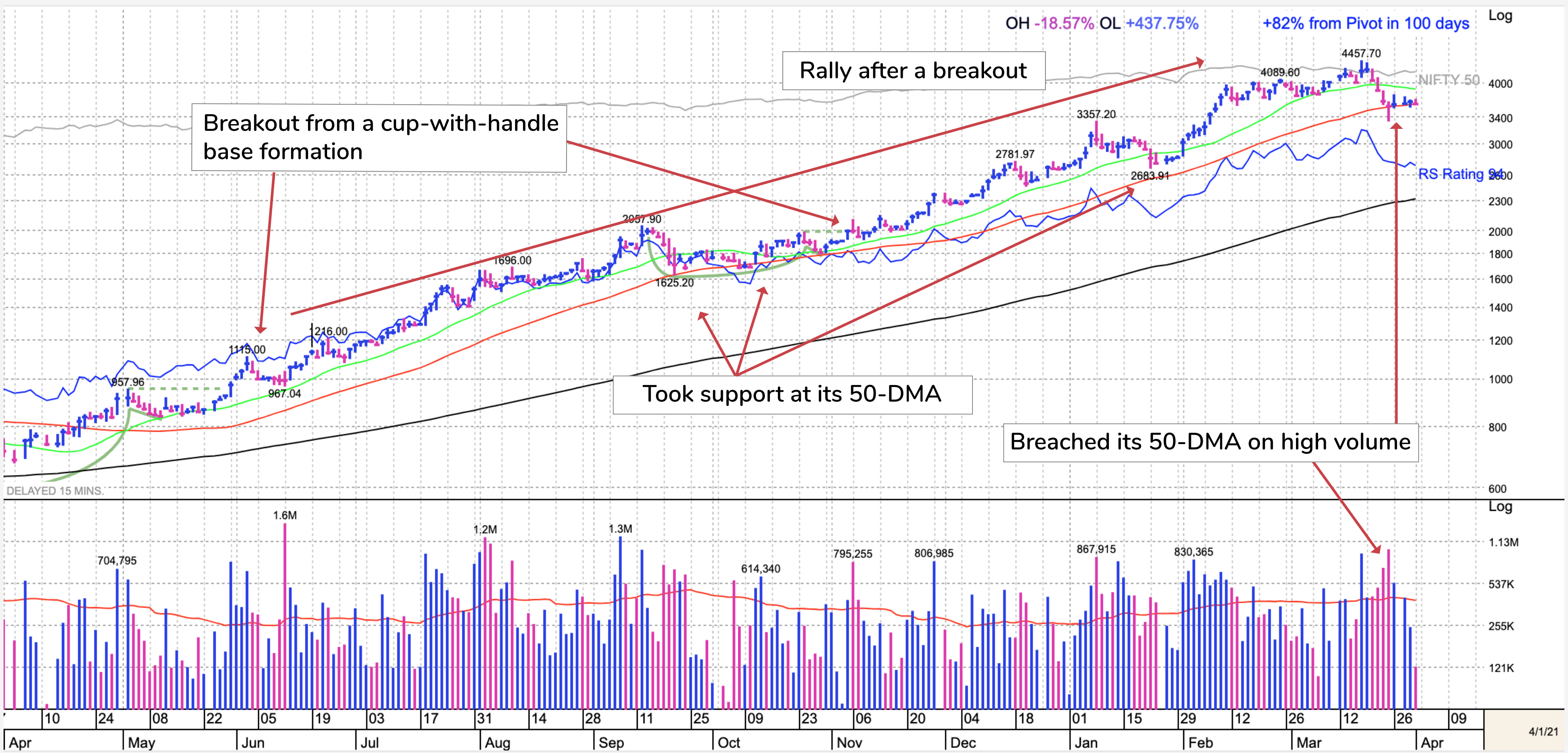
Transition to BS-VI Emission Norms a Growth Opportunity: The business segment launched 70 new models across the kids, standards, and MTB segments with aggressive market-penetration and branding strategies. In line with its ambitious roadmap for growth and resurgence, this business segment is exploring opportunities in exports and the fitness, spares, and accessories space.

Analyzing from O'Neil lens:

The stock started its recovery in April 2020, but had a small correction in May 2020. However, in June 2020, the stock reclaimed its key moving averages. Since then, it has surged higher. After a good rally, the stock consolidated a bit and formed a stage-one consolidation base during September–October 2020. Starting November 2020, it broke out and hit a power-to-pivot, advancing over 25% within the three weeks of breakout. It again formed a stage-two, double-bottom base, hitting a power-to-pivot for the second time. In the last month of FY21, the stock moved sideways and traded along with its 21-DMA.

It has hit blue dots various times as its RS line made new highs consecutively. Its ratings remain high with EPS Rank of 87, an RS Rating of 91, and an A/D Rating of A+.

Dixon Technologies



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Dixon
The brand behind brands
Dixon Technologies (India) Limited

Dixon Technologies Limited is the leading player in the electronic services manufacturing (EMS) space in India, with diversified products in various sub-segments of the electronics vertical. The company offers cost-effective consumer products in India through leading domestic as well as global retail brands. The six main divisions are consumer electronics, home appliances, lighting solutions, mobile phones, security devices, and reverse logistics. Consumer electronics contributed 60% of total revenue (in 9M FY21) while lighting products contributed 17%. Dixon produces various products for Voltas, Samsung, Xiaomi, Wipro, Croma, and many others.

Key Growth Drivers in FY21

Investors took the new tie-ups positively. The company started the production of Samsung's feature mobile phones, LED TVs, semi-automatic washing machines for Voltas, and the entire range of lighting products of HPL Electric & Power. Dixon also manufactured in-house white goods brands for Flipkart and Croma. Xiaomi and Samsung together contributed to 75% of LED TV revenues. Dixon has completed the expansion of PCBA annual capacity to 1.8M units and will further enhance capacity to 2.8M by Q2 FY22. Management, during the interview, was confident of 3M units of LED TV sales in FY21, which was welcomed by investors.

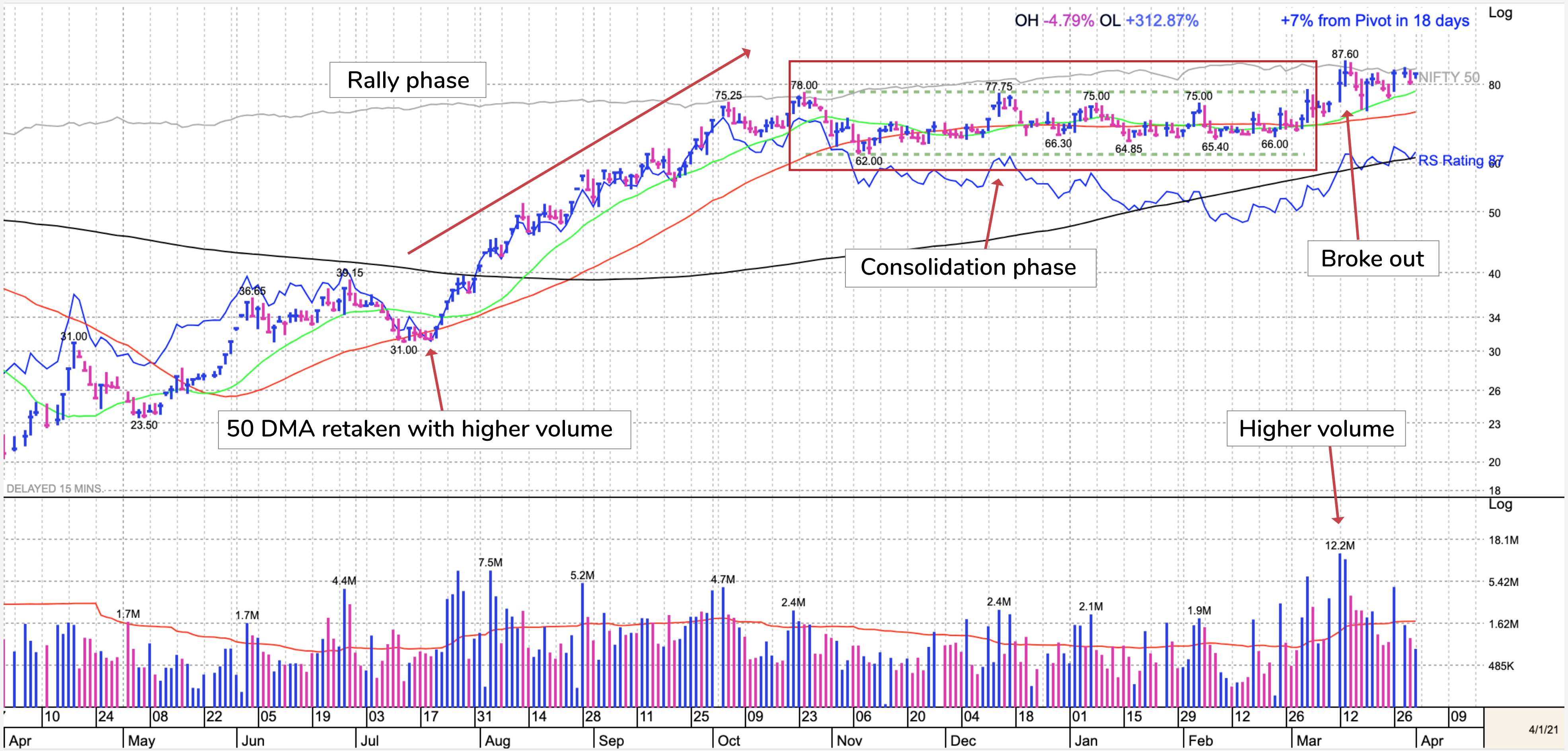
The company has a capacity of producing 300M LED bulbs, and it can serve 45% of India's requirements. One-third of the LED bulb production has been automated. This will help Dixon reduce manufacturing costs and improve margins. The company is the frontrunner to take advantage of the government's PLI scheme. The new factory under the PLI scheme has already been set up, and the eligibility criteria of 50 crores of capex to get the PLI benefits has already been met. This year, the company added global brands Motorola and Nokia as new customers.

Dixon is confident of increasing capacity for smartphones annually in the next couple of years to almost 20M per annum. Management is confident of generating cumulative revenue of around Rs 25,000–28,000 crores over a period of five years. Also, in Q3 FY21, the company manufactured 9 lakh set-top boxes for Jio, Dish TV, and City Cable. For the set-top box, it also has a very healthy order book of approximately 3 to 4 lakhs a month for the forthcoming quarters.

Analyzing from O'Neil Lens

The stock went up 413% in FY21. After making a low during the correction that occurred in February–March 2020, it formed a stage-two cup-with-handle. After the breakout in May, it progressed more than 100% in four months. In September-October, it formed a stage-three cup-with-handle base, and after the breakout, it again galloped more than 100%. In FY21, RS line was trending upward, and A/D Rating remained high, showing good accumulation. It continuously traded above its 21- and 50-DMA. EPS Rank of 97 is strong. Looking ahead, it is extended from its last base but has pulled back to its 50-DMA. If the stock rebounds from the 50-DMA, it can be an alternate entry point.

Welspun India



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Welspun India Ltd (WIL), a part of $2.7B Welspun Group, is a global leader in the home textiles market space. Further, it operates in the emerging business of flooring solutions and advanced textiles. The company has a strong distribution network in more than 50 countries and world-class, vertically integrated manufacturing facilities in India. Also, it has strategic partnerships with top global retailers.

Key Growth Drivers in FY21

During 9M FY21, the company recorded a total income of Rs 5,251.1 crore, a growth of 1.5%. Similarly, EBITDA stood at Rs 1,061.6 crore, resulting in a margin of 20.2%. Further, the company posted a profit of Rs 409.6 crore. Also, net debt of the core business is reduced by Rs 1,238.2 crore from Mar 31, 2018. Moreover, the company has registered a consistent improvement in net debt/equity and net debt/EBITDA. On TTM basis, net debt/equity stood at 0.70 and net debt/EBITDA stood at 1.8.

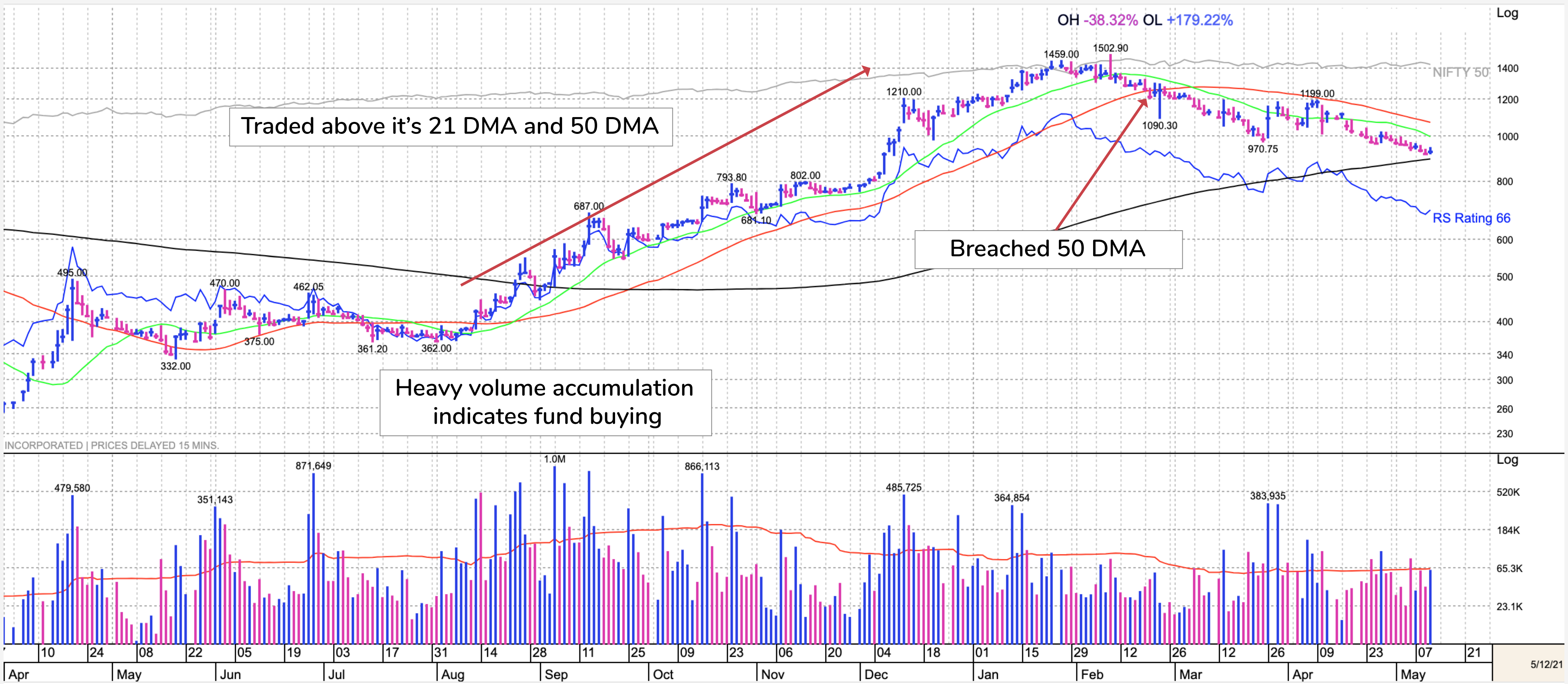
Consumers spending on home products has witnessed a significant structural shift with the emergence of the homebody economy. The company has delivered solid performance despite a seasonally weak quarter, clocking highest ever quarterly revenue in the history of the company. In Q3 FY21, the company's branded business delivered 28% growth y/y and the innovation portfolio contributed 45% to the total home textile export sales. Emerging business (Advanced Textile & Flooring) grew 97% y/y.

The company focused on capacity expansion in FY21 through debottlenecking and rebalancing facilities to cater to this demand. Home textile products witnessed calibrated consumptions driven by rise of homebody economy and focus on hygiene. To meet this rising demand, the company made capacity expansion at Vapi and Anjar through expected investment of around Rs 2,250M over FY21 and FY22. The company expects benefits accruing from as early as Q1 FY22 and revenue potential of Rs 12,000M from the second year . Similarly, in the advanced textile division, disinfectant wipes line is expected to commence production in September 2021 and spun lace expansion is under consideration to commence operations by September 2021. Out of the projects worth Rs 4,957M announced earlier, projects worth Rs 1,961M have been deferred. Management has guided for a potential top line of Rs 6,000M by FY23.

Analyzing from O'Neil Lens

The stock was up 274% in FY21. After making a low in February-March 2020 correction, it galloped ~7x in just seven months. Then, it formed a stage-one consolidation base during November 2020-February 2021. Volume was lower during the base formation, which is a positive sign. The stock recently broke out on above average volume and is currently trading in the higher side of the ideal buy zone with good support at its 21-DMA. The stock has a decent price strength of 85 and good buyer demand of A.

IFB Industries



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IFB Industries, originally known as Indian Fine Blanks Limited, started their operations in India in 1974 in collaboration with Hienrich Schmid AG of Switzerland. It has two engineering divisions, one each in Kolkata and Bengaluru. The product range includes fine-blanked components, tools and related machine tools like straighteners, decoilers, strip loaders, and others. The Bengaluru unit, apart from fine-blanked components, manufactures motors for white goods as well as automotive applications.

Key Growth Drivers in FY21

Appliances business division is ramping up new product launches and targets healthy growth. The consumer electronics and appliances sectors have seen sales growth in the last two quarters, due to new as well as pent-up demand. With pandemic-related restrictions in place, consumers are seeking alternatives for hired domestic help, which has increased the demand for appliances such as washing machines, microwaves, dishwashers, and refrigerators.

IFB launched a new washer-dryer-refresher in December, which received excellent initial response. It plans to launch new models in the next two quarters. Q4 FY20 and Q1 FY21 are prime periods for sales of air conditioners, in both branded as well as OEM segments. After the lockdown eased last year, the company ramped up manufacturing as well as sales and distribution efforts. In the last two quarters, conversion ratios rose to 50–60% from 40%. The company plans to increase the number of IFB points over the next two years while also increasing sales at its existing stores.

Home appliances division: IFB dominates the washing machines category. Front-loading washing machines are well differentiated, both in terms of aesthetics and performance.

The demand for these machines remains high. IFB has also addressed gaps in its models versus competing models and in terms of availability. It is testing a clothes cleaning process to significantly reduce/eliminate water usage. It is also focussing on its distribution network to increase revenue from large key accounts. In the top-loading washing machine segment, demand has been high over the last two quarters. IFB introduced new models in the 6.5kg segment including ones with inbuilt heaters, which have generated very high demand.

Analyzing from O'Neil Lens:

The stock advanced 317% in FY21. It has not formed any base pattern during FY21. During the first five months of FY21, it moved sideways. The real upmove happened after it retook its 200-DMA at the end of August. The stock has a fair fundamental rating, with EPS Rank at 77. Its technical ratings were also fair, with an RS Strength of 68 and an A/D Rating of C+.

Consumer Cyclical

Index

Company	FY 21 gain (Full year)	Sector Name	Industry Group
Adani Total Gas	1013	Utility	Utility-Gas Distribution
Adani Enterprises Lt	649	Technology	Elec-Misc Products
Adani Green Energy	621	Energy	Energy-Alternative/Other
Hind. Copper	462	Basic Material	Mining-Metal Ores
Apl Apollo Tubes	462	Basic Materials	Steel-Producers
Laurus Labs	457	Pharma	Medical-Diversified
Aarti Drugs Ltd	453	Pharma	Medical-Diversified
Affle (India)	443	Capital Equipment	Comml Svcs-Consulting
Dixon Technologies	413	Consumer Cyclical	Hsehold-Appliances/Wares
Vaibhav Global	398	Retail	Retail/Whlsle-Jewelry
Suven Pharmaceutical	394	Pharma	Medical-Generic Drugs
Adani Transmission L	381	Utility	Electrical power
Alkyl Amines Che	373	Basic Materials	Chemicals-Specialty
Tata Communications	356	Technology	Telecom Svcs-Integrated
Tube Investments	336	Auto	Auto/Truck-Original Eqp
Prism Johnson	333	Capital equipment	Bldg-Cement/Concrt/Ag
Deepak Nitrite	330	Basic Materials	Chemical Specialty
Tata Elxsi Ltd.	328	Technology	Computer Sftwr-Desktop
Tata Motors Ltd.	325	Auto	Auto Manufacturers
Jindal St & Pwr	318	Basic Materials	Steel-Producers

Company	FY 21 gain (Full year)	Sector Name	Industry Group
IFB Ind	317	Consumer Cyclical	Hsehold-Appliances/Wares
Birlasoft	315	Technology	Computer-Tech services
Firstsource Solution	315	Capital Equipment	Comml Svcs-Outsourcing
Prince Pipe	307	Capital equipment	Bldg-Constr Prds/Misc
Graphite India Ltd.	302	Capital Equipment	Electrical-Power/Equipmt
Indiamart Intermesh	300	Retail	Retail-Internet
Iifl Finance	280	Financial Services	Finance-Consumer Loans
Welspun India	274	Consumer Cyclical	Apparel-Clothing mfg
Linde India	271	Basic Materials	Chemicals-Basic
Cholamandalam Invest	266	Financial Services	Finance-Consumer Loans

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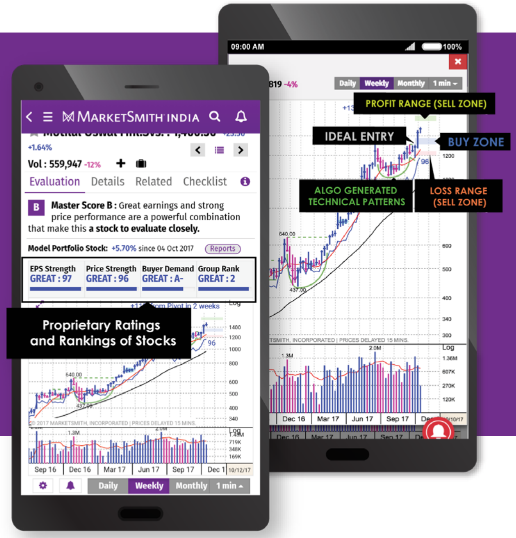

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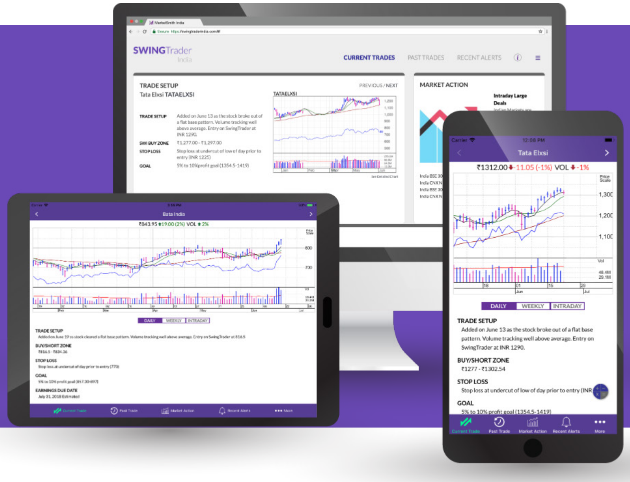

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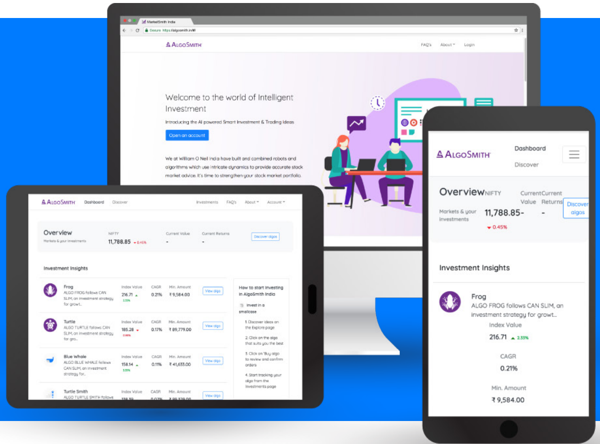

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- It uses years of stock market expertise and technology to understand the market and advise

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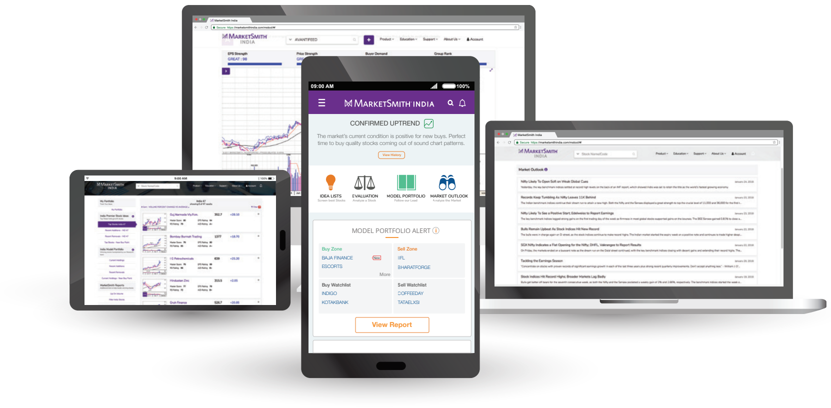

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