



Holding Companies Portfolio

Diversified Investment Proposition

26th August 2020

High Trading Discount to Intrinsic Valuation Makes for Promising Investment Case

Holding Company	Key Listed Holdings	Discount to NAV	Market Cap. INR MN	Current Price INR	Target Price INR	Potential Upside
The Ramco Industries	The Ramco Cement, Rajapalayam Mills, Ramco System	56.9%	16,158	186	280	50.5%
HDFC Limited	HDFC Bank, HDFC Life, HDFC AMC	22.2%	3,225,641	1,830	2,403	31.3%
Bajaj Holdings	Bajaj Auto, Bajaj Finserv, Bajaj Finance	61.4%	296,855	2,668	4,166	56.0%
EID Parry	Coromandel International	62.1%	52,231	295	463	57.0%
Pilani Investments	Century Textiles & Industries	77.9%*	12,473	1,576	2,293	45.5%

- Our portfolio selection comprises of stocks trading at deep discounts (Ramco Industries, EID Parry, Pilani Investments)
- Apart from huge discounts, quality of investment portfolio was also assessed through Business analysis (Sector Potential, Operating KPIs, Management & Governance), Financial Analysis (Liquidity, Leverage Profile) and Comparative Peer Analysis for shortlisting attractive opportunities

Source: Bloomberg, KRChoksey Research, Market data as on 25th August 2020

*Include upside from Investment at Market value and Market Cap of Century Textile

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KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

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Low Risk Diversified Play

- Investment in Holding Companies, is one of the most convenient route to achieve portfolio diversification goal, allowing for stable returns while diffusing the overall investor risk
- Holding companies have interest in diversified industries and sectors, which react differently to economic cycles, limiting downside risk to investor capital

Exposure to Market Dominating Businesses

- A model portfolio of holding companies provides the opportunity to invest in many leading businesses at the same time
- The selected holding companies have subsidiaries which are often among the best businesses in their industry e.g. HDFC Ltd. gives exposure to market front running businesses like HDFC Bank, HDFC Life and HDFC AMC

Stable income via dividend pay-outs

- Holding companies have a consistent track record of dividend distribution
- Dual benefit to investors in terms of stable income through dividends and capital appreciation

Sound Management

- Holding companies owned by high quality promoters with strong market reputation and sound execution capabilities enjoys strong credibility
- Our Holding company portfolio picks comprises some of the leading Indian business groups like Ramco Group of Industries, Bajaj Holdings and Birla owned Pilani Investments

Near-term outlook tough; Fundamentals in-tact

CMP INR 186	Target INR 280	Potential Upside 50.5%	Category Small Cap.	Market Cap (INR Mn) INR 16,158	Recommendation BUY	Sector Industrials
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Company Overview

- Incorporated in 1965, The Ramco Industries Ltd is part of Ramco Group which has interests in Cement, Dry Wall & Ceiling products, Roofing products, Cotton Yarn, Surgical Cotton and Computer Software; it has 3 subsidiaries & 6 associate companies
- Operates in three segments viz. Building Materials (~81% of revenue), Textiles (~17% of revenue) & Windmills (~2% of revenue)
- For FY20, had a turnover of INR 9,741 mn. & Net Profit of INR 1,695 mn. (of which ~59% is from Associates)

Investment Positives

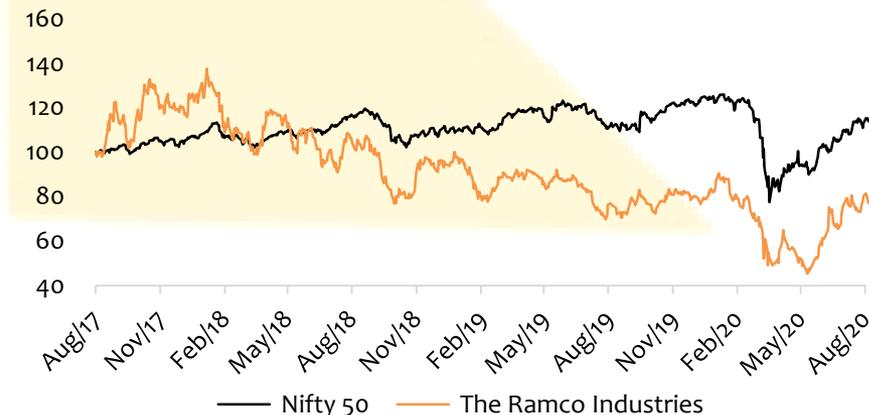
- Diversified conglomerate with market leading positions in respective holding companies
 - One of the leading building materials manufacturers in South Asia with a combined production capacity of 10,00,000 TPA; has 12 plants across South Asia and with 8,000 strong partner network
 - Ramco Cement is 5th largest producer in the country with Ramco SUPERGRADE being most popular cement brand in South India
- Consistently paying dividend for the last 10 years (dividend yield of ~0.5%)

Financial Performance (Consolidated)

INR Million	FY18	FY19	FY20
Revenue	9,320	10,288	9,741
EBITDA	1,091	1,278	1,030
PAT	1,672	1,723	1,695
Profits of Associates	972	978	1,006
EPS (INR)	20.01	20.63	20.29
EBITDA Margin (%)	11.7%	12.7%	10.6%
NPM (%)	17.8%	16.6%	17.40%

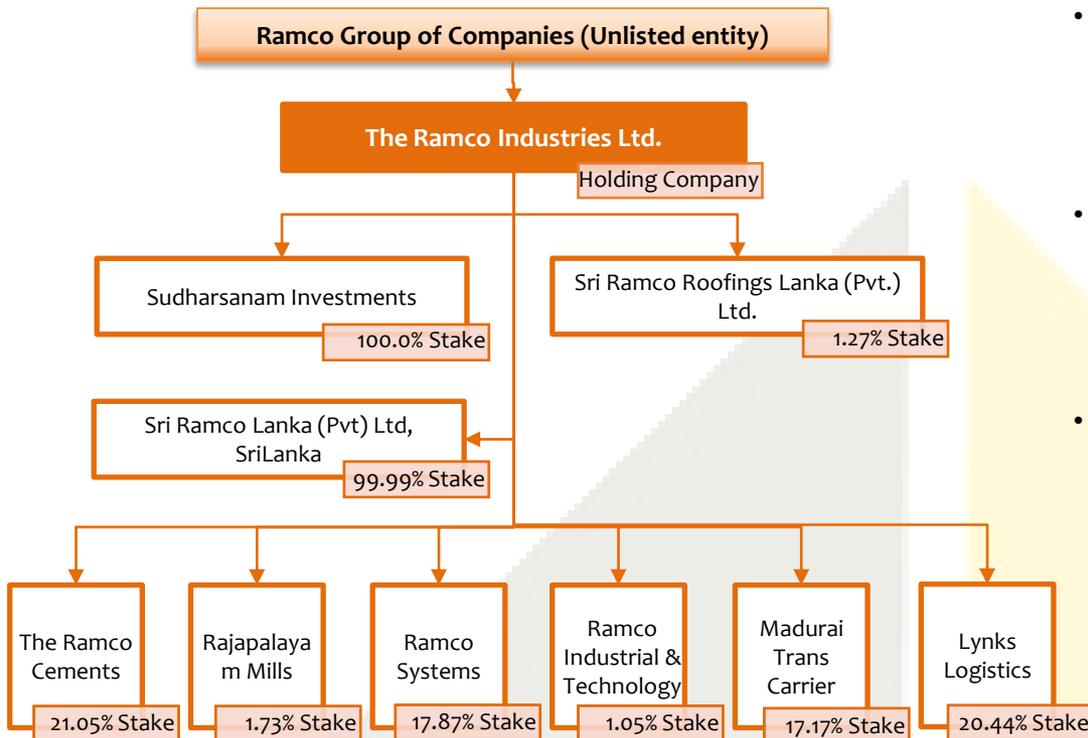
Source: Bloomberg, KRChoksey Research

Share Price Performance



Source: Bloomberg, KRChoksey Research

Organization Structure

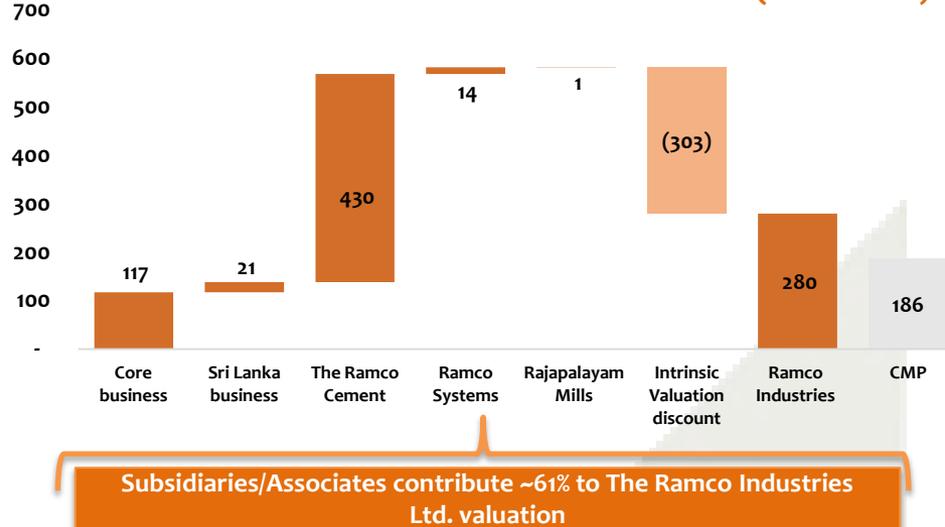


Most of the subsidiaries/associates hold prominent place in their respective industry

Major subsidiaries / associates

- **Sri Ramco Lanka**
 - Sri Lanka based subsidiary, commenced operations in 1999 and serves demand in the region; Accredited with ISO Quality Systems Certificate (ISO 14001/EN ISO 14001) by RWTUV Systems GmbH, Germany
- **Sri Ramco Roofings Lanka**
 - Second plant commenced in 2010 due to ramp-up in demand; Ramco Roofing Sheets, one of top selling brands
 - Along with Sri Ramco Lanka, the combined production capacity is ~2.6 Lakh metric tonne / p.a.
- **The Ramco Cements**
 - 5th largest cement producer in India; operates from 10 plants with a total production capacity of 16.5 mn MTPA
 - Has strong distribution network in Southern region with 50%+ market share in Tamil Nadu and Kerala, 15%+ in West Bengal and Odisha, 15%+ in Andhra Pradesh and Telangana and ~10% Karnataka
 - Ramco SUPERGRADE is the most popular cement brand in South India
- **Rajapalayam Mills**
 - Group of 14 mills; offers cotton yarn, tissue culture saplings to countries including Japan, Korea, Malaysia, Indonesia, Hong Kong, India & Thailand
- **Ramco Systems**
 - Provides enterprise software solutions globally; in the area of HCM and global payroll, ERP and M&E MRO for aviation

The Ramco Industries Ltd. – SOTP Valuation* (Per share)



Source: Bloomberg, KRChoksey Research

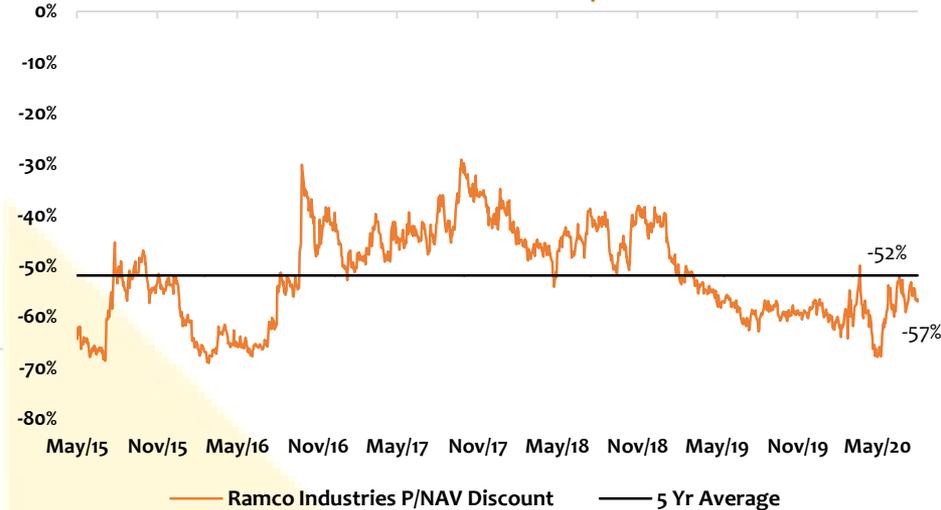
* Core business valuation includes upside from unlisted subsidiaries including Madurai Trans Carrier, Lynks Logistics and Ramco Industrial and Technology Services

Amid muted economic activity and ongoing lockdown, the company benefits through its diversified operations across industries and geographies

- Q1FY21 performance of The Ramco Cement was impacted by instability caused by lockdown, while cement sales volume were down by ~28% YoY; in-line with industry. Amid slowdown, the management has indicated delays in commissioning of new capacities
- We believe demand will pick-up from Q3FY21 onwards; the management remains optimistic on demand uptake led by planned infrastructure spending by the government on infrastructure projects. We also like Ramco Cement for its strong distribution network in Southern region. We expect Revenue/PAT CAGR growth at 8.5/10.4% during FY20-FY22E and value The Ramco Cements at 13.5x EV/EBITDA on FY22E
- Core business is valued at 11.x of FY22E EBITDA and Sri Lanka business is valued at 5.0x of FY22E PAT whereas Ramco Systems and Rajapalayam Mills are valued at market cap

Historically, The Ramco Industries shares traded at 5-year average of 52% P/NAV discount whereas currently, the shares are trading at discount of 57%; offering buying opportunity. We value The Ramco Industries on SOTP basis with Core business at INR 117 per share and subsidiary businesses (after allowing for intrinsic valuation discount and shares pledged by the promoters) valued at INR 163 and arrive at a TP of INR 280 a potential upside of 50.5%. Accordingly, we recommend a “BUY” rating on the shares of The Ramco Industries Ltd.

The Ramco Industries – Price / NAV Discount



Well positioned in challenging times

CMP INR 1,830	Target INR 2,403	Potential Upside 31.3%	Category Large Cap.	Market Cap (INR Mn) INR 3,225,641	Recommendation BUY	Sector Financial
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Company Overview

- HDFC Ltd. Is a prominent conglomerate with stakes in 7+ listed and unlisted subsidiaries
- Has a robust business model with a well diversified loan book in FY20 (Individuals 74%, Corporate 6%, Construction finance 11% and Lease rental 9%); of which Individual loan origination grew at a CAGR of 18% over the last 5 years
- ~80% mortgages loan are sourced through affiliates (HDFC Bank and HDFC Sales Private Limited)
- Has retail footprint and network of 379 outlets

Investment Positives

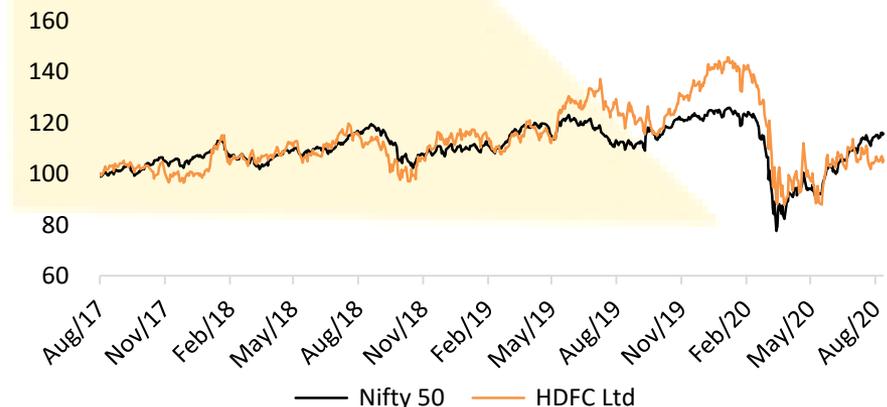
- Diversified investment bet with low risk
 - Gross NPAs (June 30, 2020) at 1.87% of the loan portfolio
 - Capital adequacy ratio stood at 17.3%, above the regulatory norms
 - Has steady NIMs, improving C/I and adequately capitalized
- Consistently rewarded its shareholders with a strong dividend track record for the last ten years
- Follows a prudent risk management policy which is reflected in quality of their loan book and the strength of their B/S

Financial Performance (Consolidated)

INR Million	FY18	FY19	FY20
Net Revenue	552,065	666,807	698,246
Profit before Provisions	120,685	153,066	164,939
Net Income	119,799	161,849	145,506
EPS (INR / Share)	73.9	94.4	83.6
NIM (%)	2.74%	2.51%	2.45%
Advances Growth YoY (%)	20.9%	12.1%	11.6%
NPM (%)	16.4%	18.3%	22.4%

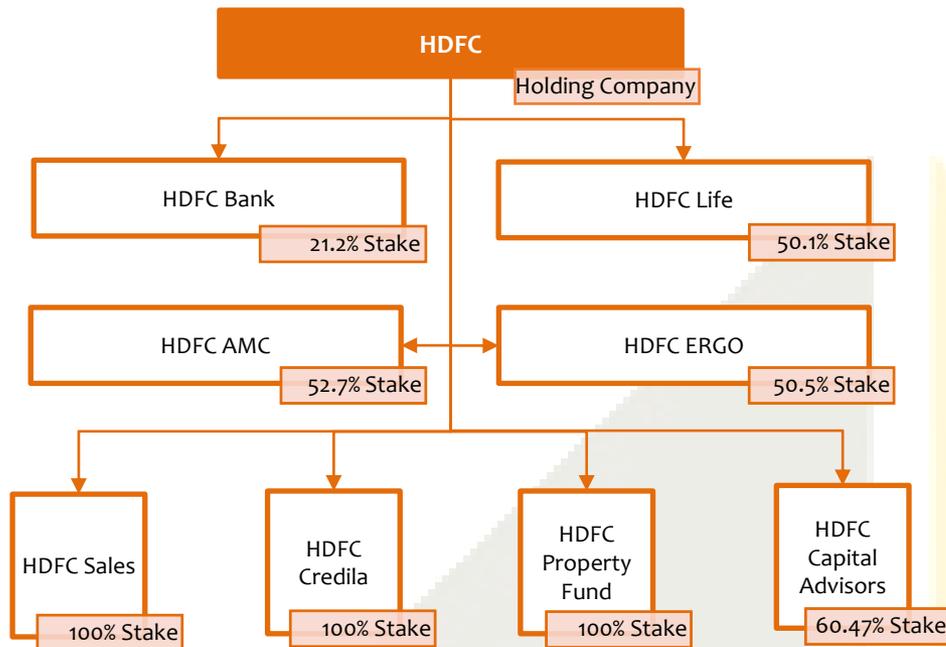
Source: Bloomberg, KRChoksey Research

Share Price Performance



Source: Bloomberg, KRChoksey Research

Organization Structure

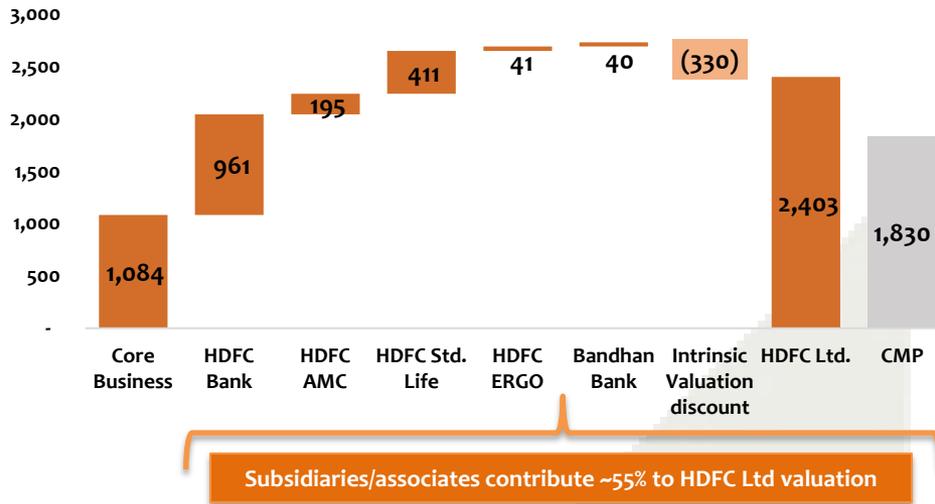


Most of the subsidiaries/associates hold prominent place in their respective industry

Major subsidiaries / associates

- HDFC Bank**
 - Largest private bank (by assets size), ADR listed on NYSE; sources home loans for HDFC
 - The only bank with consistent loan book growth of 20% on QoQ
 - Has a strong retail footprint with 5,326 branches and 14,996 ATMs / CDMs across 2,825 cities; 50% of branches are in semi-urban and rural areas
- HDFC Life Insurance**
 - Holds 22% market share (in new business premium)
 - AUM of INR 1,300+ bn as on June 30, 2020; Debt: Equity mix in AUM stood in the ratio of 68:32
 - Premium play in life insurance space
- HDFC AMC**
 - A strong retail brand with unique investor base of 5.6 million
 - Holds ~14% marker share based on AUM that stood at INR 3,700 bn as on June 30, 2020
 - Has 221 branches and 65K+ distribution partners
- HDFC ERGO**
 - Holds ~5% market share; operates in general insurance segment
- HDFC Credila**
 - Unlisted NBFC, focused on education loans; targets undergraduate and post-graduate students

HDFC Ltd. – SOTP Valuation* (Per share)



Source: Bloomberg, KRChoksey Research

* We have not considered Unlisted subsidiaries including HDFC PROPERTY VENTURES, HDFC CAPITAL ADVISORS and HDFC CREDILA in valuation as their operations are not significant as of now.

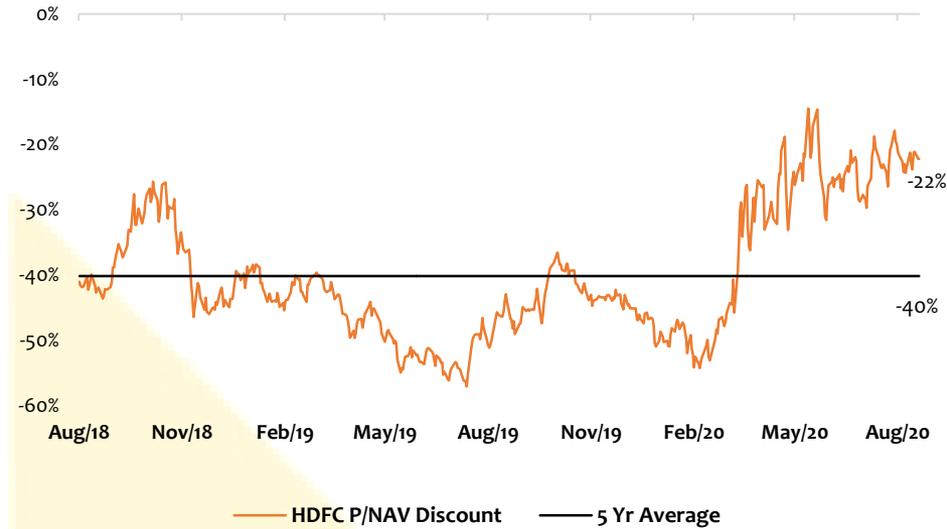
Although current Covid-19 crisis will slow down credit offtake, we believe group companies are well positioned to outperform its peers backed by

- Its established brand presence (individual disbursement grew 18% in Jul'20 over Jun'20); HDFC Ltd has a strong standing in the market, considering its ability to raise long term funds
- Advantage on costs and employee productivity and adequate capitalization

We believe efficient ALM, affordable financing terms, maintenance of healthy spreads, additional growth and focus on affordable housing market to drive HDFC Ltd balance sheet volumes in the long term

HDFC's shares have advanced ~20% in last three months against market advanced of ~48%. Shares are currently trading at 3.5x/3.2x P/ABV FY21E/FY22E, lower than its historic average of 3.8x. Further, HDFC raised INR 14,000 Cr. through combination of equity and NCD to strengthen its balance sheet of which Private banks and FPIs have invested in NCDs to the tune of INR 4,000 Cr. We see a great buying opportunity at current levels to invest in the company's stock. We value HDFC Ltd. on SOTP basis with Standalone business valued at INR 1,084 per share and subsidiary business valued at INR 1,318 (after allowing for intrinsic valuation discount) and arrive at a TP of INR 2,403 a potential upside of 31.3%. Accordingly, we recommend a "BUY" rating on the shares of HDFC Ltd.

HDFC Ltd. – Price / NAV Discount



Diversification augurs well in uncertain times

CMP INR 2,668	Target INR 4,166	Potential Upside 56.0%	Category Large Cap.	Market Cap (INR Mn) INR 296,855	Recommendation BUY	Sector Financial
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Company Overview

- Bajaj Holding is purely an investment company with no own operations and registered with the RBI as a NBFC-ICC
- Earns through dividends, interest and gains on investments held in 35+ subsidiaries / associates (56% of total investments) plus listed (36%) and unlisted (8%) as on March 31, 2020
- Fixed income portfolio composed of corporate bonds (87%), MFs / AIFs (11%) and Govt-sec (2%)
- In unlisted space, the noticeable investments include National Stock Exchange and Fab India

Investment Positives

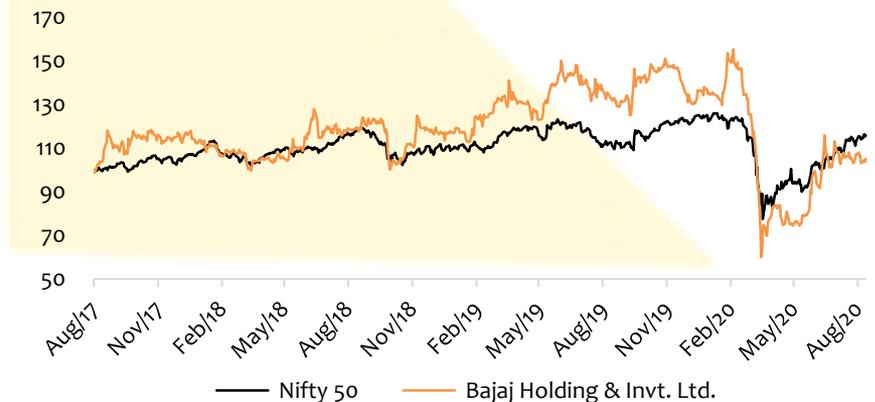
- Diversified investment bet with low risk
 - The sector-wise allocation as on March 31, 2020 represents financials (31%), automobiles (8%), technology (10%), consumers (17%), pharma/agrochemicals/healthcare (8%), material/metals/oil and gas (11%), and construction/infra (6%)
- Follows a prudent risk management policy
 - The allocation towards equities is capped at 60% of its surplus funds at cost (ex. strategic invts.) and a minimum of 40% of surplus funds at cost (ex. strategic invts.) is to be invested in fixed income securities

Financial Performance (Consolidated)

INR Million	FY18	FY19	FY20
Total Income	4,244	4,314	4,357
Net Profit	26,548	30,484	29,920
EPS (INR / Share)	238.5	273.9	268.8
NPM (%)	625.5%	706.6%	686.7%

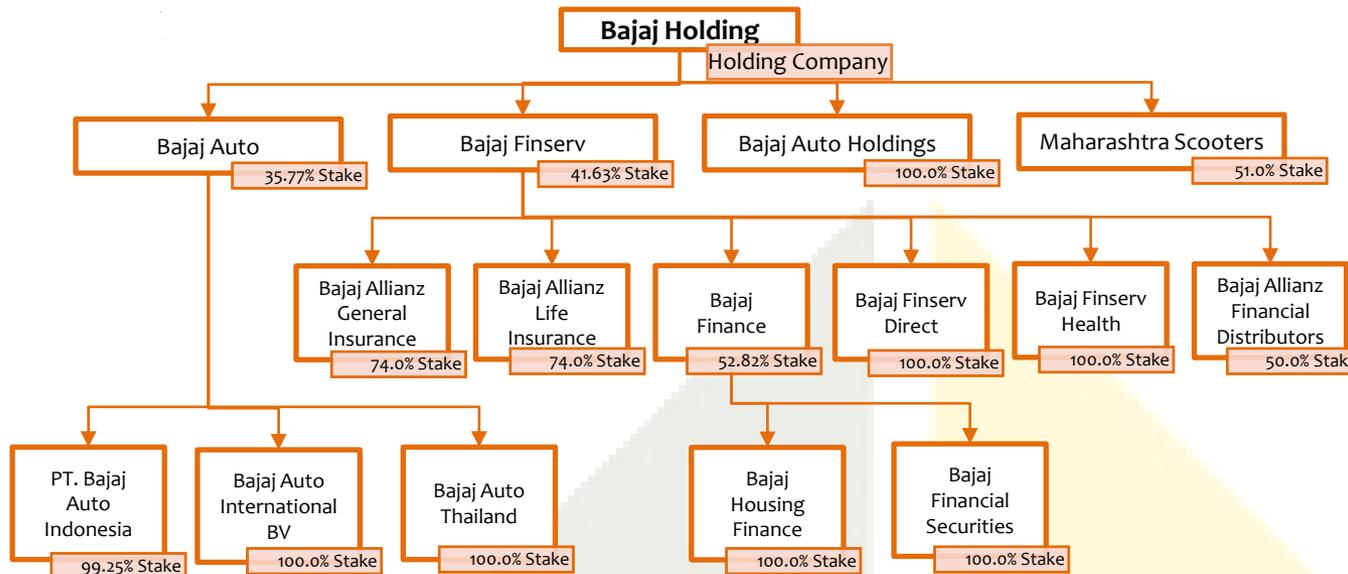
Source: Bloomberg, KRChoksey Research

Share Price Performance



Source: Bloomberg, KRChoksey Research

Organization Structure



Most of the subsidiaries/associates hold prominent place in their respective industry

Major subsidiaries / associates

• Bajaj Auto

- Third largest motorcycle manufacturer in the world; has a domestic motorcycle market share of ~19%.
- The market leader in the three-wheeler Passenger category; commanded a market share of ~64% in FY2020. In exports, Bajaj Auto has ~60% market share in three-wheeler category; that are exported to ~36 countries globally.
- In load / Goods segment, Bajaj Auto is the second largest manufacturer with ~27% market share in FY20

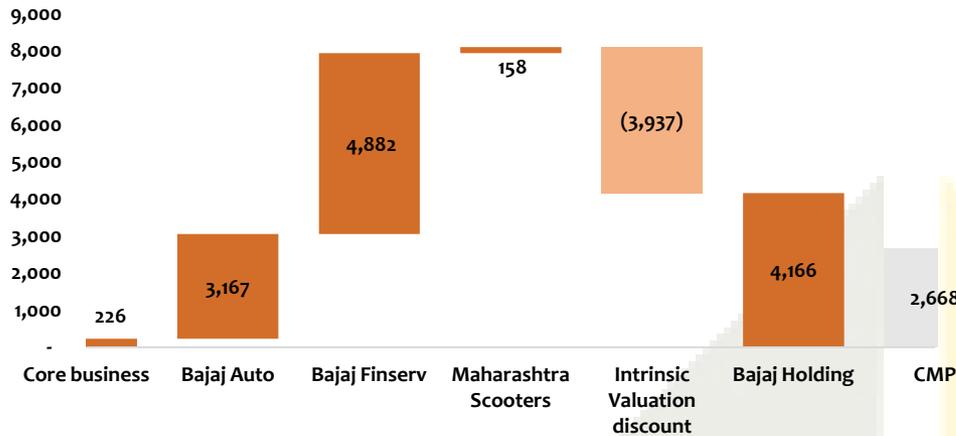
• Bajaj Finserv

- Holds AUM of INR 147,153 Cr. as on March 31, 2020 (10-year CAGR of 39%) with diversified mix of consumers
- Insurance arms (BALIC and BAGIC) enjoys decent market share of ~6% in general insurance and life insurance segment

• Maharashtra Scooters

- Incorporated as joint-sector company between Maharashtra govt and Bajaj Auto in 2003; acquired additional 27% stake in 2019; consequently Maharashtra Scooters became subsidiary with 51% stake.
- Currently focused on manufacturing of pressure die-casting dies, jigs and fixtures, primarily meant for the two- and three-wheeler industry

Bajaj Holding & Investment – SOTP Valuation (Per share)



Subsidiaries/associates contribute ~95% to Bajaj Holding valuation

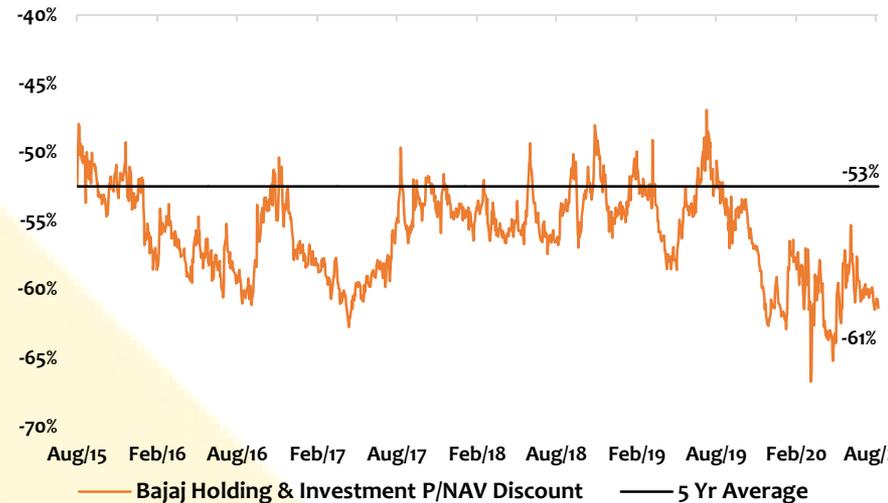
Source: Bloomberg, KRChoksey Research

Q1FY21 was first full quarter which captured the effect of nationwide lockdown that lasted for 60+ days, followed by multiple ongoing state-wide lockdown. Amid crisis, the group enhanced its digital capabilities and continue to offer superior services to its customers.

- Gaining from Bajaj Finance’s strong customer and retail franchise in consumer lending, we expect Bajaj Finserv to deliver strong revenue growth at a CAGR of 7.9% from FY20-FY22E. On a YoY basis, the company witnessed robust growth in premium mobilization for both life and general insurance business for FY20 (+10.1% & +15.6%, respectively).
- Bajaj Auto is well placed to benefit from the expected revival in 2-wheelers demand especially in rural markets in 2HFY20 and remains our preferred play in the 2-wheelers space. Considering the muted Q1FY21 performance, we expect Bajaj Auto to deliver lower single-digit revenue growth at a CAGR of 3.8% from FY20-FY22E.

Historically, Bajaj Holding shares traded at 5-year average of 53% P/NAV discount whereas currently, the shares are trading at discount of 61%; offering buy on dip opportunity. We value Bajaj Holding & Investment Ltd. on SOTP basis with core business valued at INR 226 per share and subsidiary businesses valued at INR 3,940 (after allowing for intrinsic valuation discount) and arrive at a TP of INR 4,166 a potential upside of 56.0%. Accordingly, we recommend a “BUY” rating on the shares of Bajaj Holding & Investment Ltd.

Bajaj Holding & Investment – Price / NAV Discount



Defensive stock with robust vertical integration

CMP INR 295	Target INR 463	Potential Upside 57.0%	Category Mid Cap.	Market Cap (INR Mn) INR 52,231	Recommendation BUY	Sector Sugar
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Company Overview

- Founded in 1788, EID Parry is part of Murugappa Group, is a leading sugar manufacturer in India that operates through 20+ subsidiaries / associates
- Has 9 sugar plants spread across South India with a total sugarcane crushing capacity of 43,400 TCD, co-generation capacity of 160 MW and Distillery capacity of 234 KLPD across units
- For FY20, on standalone basis, the group had a turnover of INR 1,875 Cr. & Net Profit of INR 2 Cr. At a consolidated level, the group reported turnover of INR 17,129 Cr. & Net Profit of INR 468 Cr.

Investment Positives

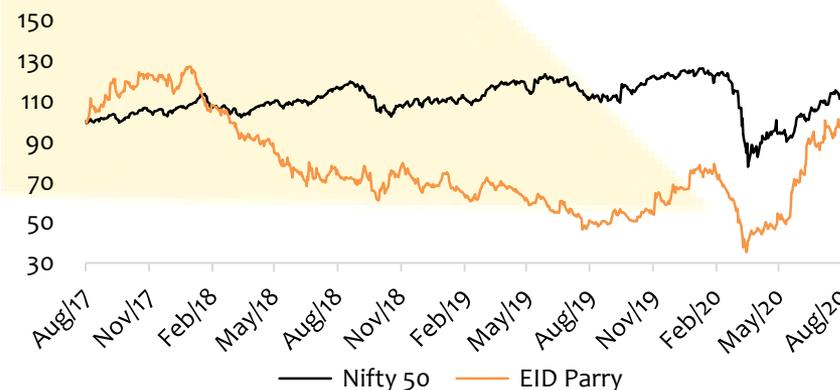
- Diversified manufacturer of fertilizers, pesticides, sugar, ceramics, electronics and seeds.
 - Also diversifying into the manufacturing of organic fertilizers, bio-pesticides, acetic acid, wall tiles and horticultural activities
 - Reported improvement in profitability, attributed to the government measures of a) Minimum Selling Price of sugar b) monthly release orders c) robust ethanol prices

Financial Performance (Consolidated)

INR Million	FY18	FY19	FY20
Revenue	125,952	132,917	137,108
EBITDA	15,951	19,991	21,917
PAT	2,444	1,669	4,678
EPS (INR)	13.71	9.43	26.34
EBITDA Margin (%)	10.9%	12.0%	14.6%
NPM (%)	1.9%	1.3%	3.4%

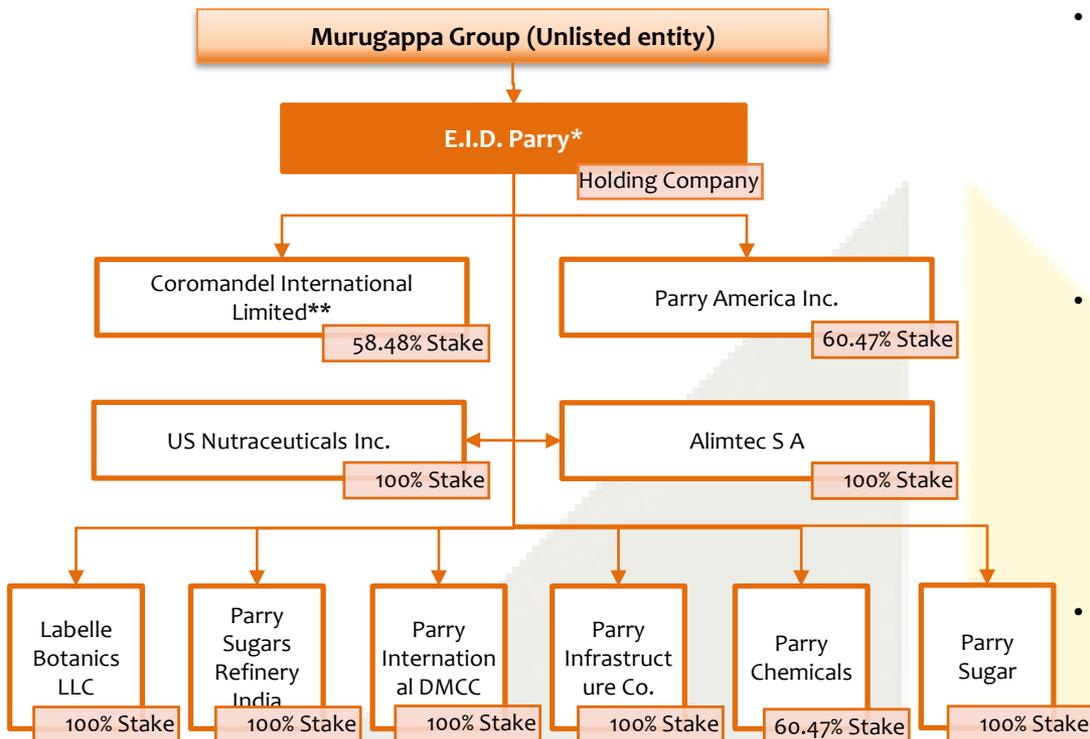
Source: Bloomberg, KRChoksey Research

Share Price Performance



Source: Bloomberg, KRChoksey Research

Organization Structure



*EID Parry has total 23 subsidiaries.

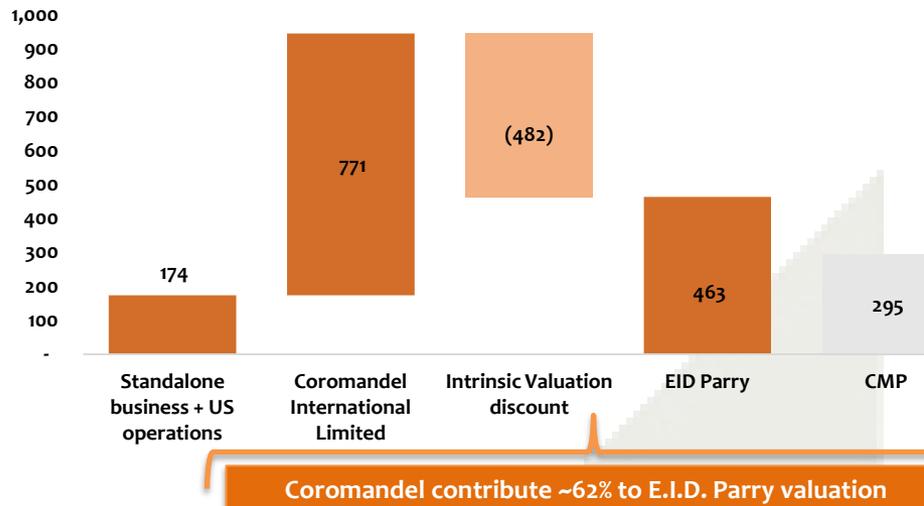
** Coromandel International Limited has 15+ subsidiaries including Coromandel Brasil Limitada, Parry America, Sabero Organics America, Sabero Australia, Sabero Europe, Sabero Argentina, Parry Chemicals, Liberty Pesticides and Fertilisers etc. In some of these subsidiaries, E.I.D. Parry also has stake.

Most of the subsidiaries/associates hold prominent place in their respective industry

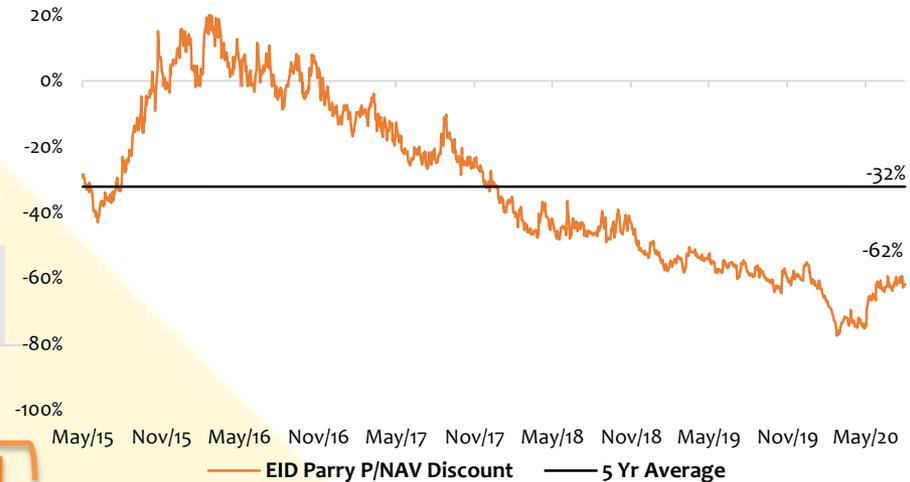
Major subsidiaries / associates

- Coromandel International**
 - Second largest Phosphatic fertilizer player (~15% market share); produced ~4.5 million tons of fertilizer in FY20
 - Operates in segments including fertilizers, specialty nutrients, crop Protection and retail
 - Clocked revenue of INR 13,177 Cr. in FY20 with PAT of INR 1,065 Cr.
- US Nutraceuticals (Valensa)**
 - Founded in 1999, the Company leader in micro algae technology comprising organic spirulina and natural Beta Carotenoids-Dunaliella Salina and Haematococcuspluvialis (Astaxanthin).
 - Products have 3 major international certifications; sold in 40+ countries globally with reported sales of \$21.5 million in FY20
- Alimtec SA**
 - Acquired from Bayer Group in 2014; located in Chile
 - Major supplier of Astaxanthin, a raw material from algae, used in food supplements by US Nutraceuticals
 - The entire production line of Alimtec used by the US firm for its Astaxanthin products catering to US and Europe Markets. Thus, it offers significant cost savings to Group as a whole
- Parry Sugars Refinery India**
 - Produces and supplies sugar and nutraceuticals

E.I.D. Parry – SOTP Valuation (Per share)



E.I.D. Parry – Price / NAV Discount



Source: Bloomberg, KRChoksey Research

E.I.D. Parry is a defensive play with operations in sugar industry (essential commodity) with interests in Nutraceuticals segments. It is one of the top five sugar producers in India. On standalone business, for the period of FY11-20, its topline grew at a CAGR of ~4%. E.I.D. Parry is preferred pick in the sugar space backed by leadership position, stable growth prospects and best-in class return profile.

- On Standalone business (incl. US operations), we apply a P/E multiple of 7.0x to the FY22E EPS of INR 25 to arrive at a target of INR 174 per share
- E.I.D. Parry holds 58.48% stake in Coromandel International which is one of largest integrated agri solutions provider in India. The Company is the largest private player in domestic phosphatic market with substantial share (~50%) in markets of South India. Coromandel is likely to benefit from strong dealer network, 60+ brands across product portfolio, healthy pipeline of new product development, and the capacity expansion to boost crop protection.

EID Parry's shares have advanced ~80% in last 12 months against its subsidiary – Coromandel's shares advanced of ~115%. Besides, EID Parry shares traded at 5-year average of 32% P/NAV discount whereas currently, the shares are trading at discount of 62%; offering attractive valuation. We value E.I.D Parry on SOTP basis with Standalone operations valued at INR 174 per share and Coromandel International valued at INR 289 per share (after allowing for intrinsic valuation discount and shares pledged by the promoters) and arrive at a TP of INR 463 a potential upside of 57.0%. Accordingly, we recommend a "BUY" rating on the shares of E.I.D. Parry (India) Limited

Strong management; investments focus on growth markets and segments

CMP INR 1,576	Target INR 2,293	Potential Upside 45.5%	Category Small Cap.	Market Cap (INR Mn) INR 12,473	Recommendation BUY	Sector Financial
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Company Overview

- Pilani Investment is a Core Investment Company controlled by Birla Group; registered as NBFC without accepting deposits
- Main activity is investment in shares and securities of Birla group companies, and providing finance to them; largely income is earned through dividend from the investments
- PIC Realcon and PIC Properties are subsidiaries with no major operations
- Management includes Vanita Bhargava, Yazdi P Dandiwala, Giriraj Maheswari, AV Jalan, AK Kothari, D K Mantri, Rajashree Birla

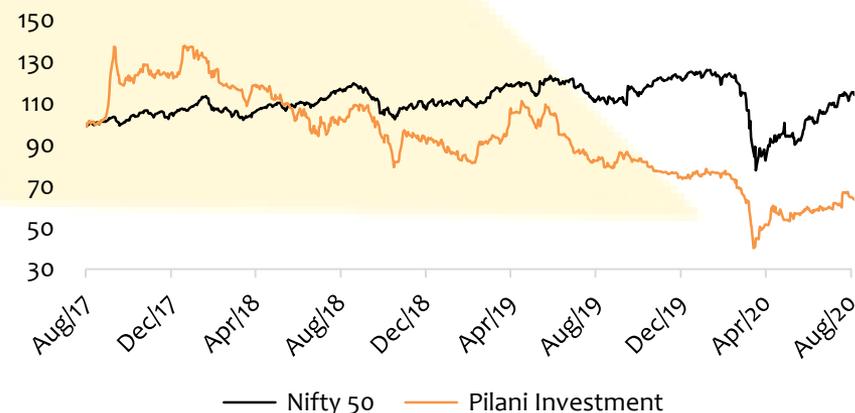
Investment Positives

- Diversified investment portfolio that benefits from
 - the robust credit risk profiles of the operating entities in which the value of investments is substantial
 - the strong reputation of the Birla group
- Enjoys steady financial performance from its stake in Hindalco, Grasim, ABFRL, ABCL, Ultratech, Century textiles, Hindalco and others.
- Consistently rewarded its shareholders with a strong dividend track record for the last ten years (dividend yield stood at ~1.6%)

Financial Performance (Consolidated)

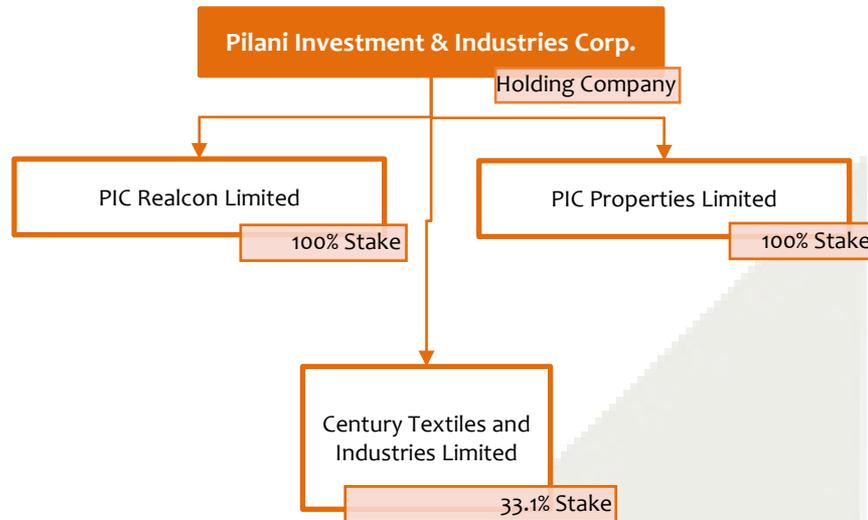
INR Crores	FY18	FY19	FY20
Total Income	31	25	126
EBITDA	24	3	72
PAT	134	231	175
Share of Profit of Associates	114	231	121
EPS (INR)	169.39	292.46	221.2
EBITDA Margin (%)	77.32%	11.80%	57.24%
Dividend per share (INR)	25	25	25

Share Price Performance



Source: Bloomberg, KRChoksey Research

Organization Structure



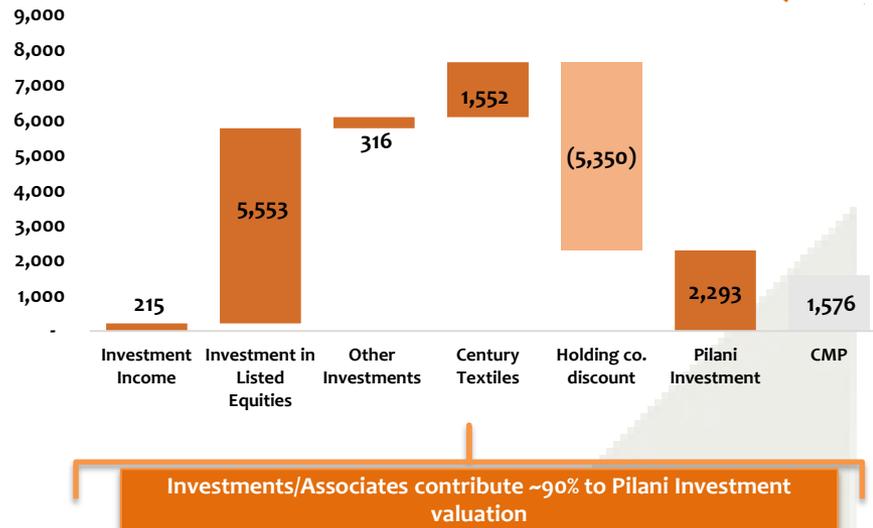
Major subsidiaries / associates

- **Century Textiles and Industrial Limited**
 - Diversified players; operates into cement, cotton textiles and cotton yarn
 - Operates through 3 subsidiaries namely Century Pulp & Paper, Birla Century and Birla Estates

Investment Portfolio (In INR Lakhs)

Listed Entities	Industry	Market Value	Market Value (%)
Aditya Birla Fashion & Retail	Retail	3,121	0.7%
Aditya Birla Capital Limited	Financials	21,152	4.8%
Birla Tyres Limited	Tyre	6,097	1.4%
Grasim Industries Limited	Construction material	1,64,315	37.4%
Hindalco Industries Limited	Base metals	59,388	13.5%
Vodafone Idea Ltd.	Telecom	9,278	2.1%
Jayshree Tea & Industries	Consumer products	2	0.0%
Mangalam Cement Limited	Cement	2,294	0.5%
Tanfac Industries Limited	Chemicals	1,021	0.2%
Ultra Tech Cement Limited	Cement	1,61,122	36.7%
Kesoram Industries Limited	Cement	11,441	2.6%
Kesoram Textile Mills Limited		48	0.0%
Total Investment in Listed Entities		4,39,279	99.9%
Investment in MF		231	0.1%
Investment in Unlisted Entities		19	0.0%
Total Investment		4,39,529	100.0%

Pilani Investment & Industries – SOTP Valuation (Per share)

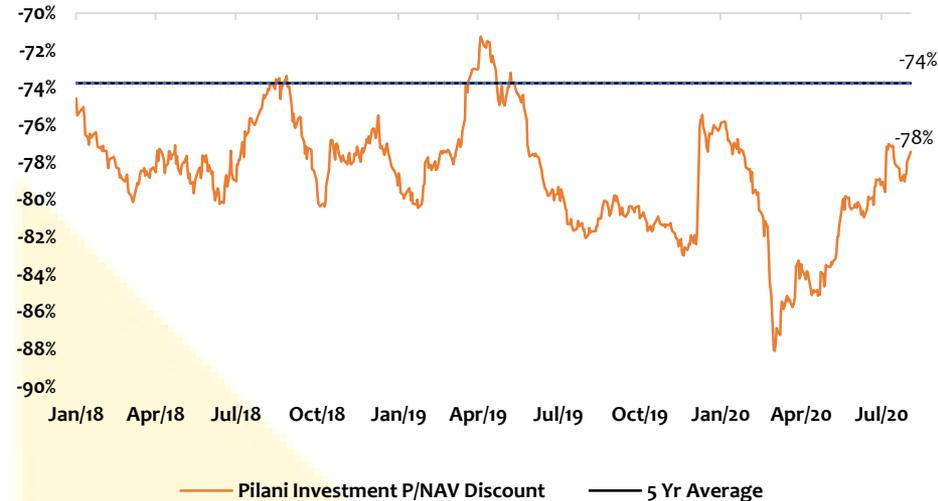


Source: Bloomberg, KRChoksey Research

For Valuation, Investment details are updated from latest annual report (i.e. Annual 2020)

* Include upside from Investment at Market value and Market Cap of Century Textile

Pilani Investment – Price / NAV Discount*



Amid muted economic activity, the performance of Pilani Investment also have been soft. The management admits that Covid-19 pandemic will have an impact on the performance of several investee companies. The major investments of Pilani include UltraTech Cement, Grasim Industries and Hindalco Industries. These stocks have recovered near their February 2020 levels despite weaker fundamentals. In Q1FY21, UltraTech Cement revenues (down 33% YoY) while PAT (fell ~38% YoY), Grasim revenues (down 32% YoY) while PAT (before exceptional items) fell by 73% YoY and Hindalco revenues (down 16% YoY) while it reported loss of INR 5,690 mn versus profit of INR 10,630 mn in Q1FY20. However, the shares of Grasim, UltraTech Cement and Hindalco Industries have rallied 27%, 10% and 49% respectively in the last three months, indicating investor confidence in these stocks and expectation of improved fundamentals going forward, on the back of favorable infrastructure regime, uptake in consumer sentiments and recovery beginning in H2FY21. The buoyancy in these stocks will positively impact the investment portfolio of Pilani Investment & Industries Limited.

Historically, Pilani Investment & Industries Corp. Ltd. shares traded at 5-year average of 74% P/NAV discount whereas currently, the shares are trading at discount of ~78%; offering upside to current market price. We value Pilani Investment on SOTP basis with Standalone business (dividend and interest income) valued at INR 215 per share and investments in listed/unlisted/MFs valued at INR 2,078 (after allowing for intrinsic valuation discount) and arrive at a TP of INR 2,293 a potential upside of 45.5%. Accordingly, we recommend a “BUY” rating on the shares of Pilani Investment & Industries Limited

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