

Gladiator Stocks

New recommendations					Time Frame: 6 Months	
Date	Scrip	I-Direct Code	Buying Range	Target	Stoploss	Upside (%)
28-Jul-20	Escorts	ESCORT	1145-1170	1,380.00	1,045.00	19.0%

Open recommendations					Time Frame: 6 Months	
Date	Scrip	Avg Rec Price	Target	Stoploss	CMP	Return till date (%)
27-Jul-20	Hindustan Zinc	206.00	238.00	185.00	210.00	2%
23-Jul-20	SMS Pharma	75.00	88.00	68.00	76.00	1%
16-Jul-20	Cipla	662.00	750.00	595.00	664.00	0%
15-Jul-20	Tata Consultancy Services	2,220.00	2,550.00	2,060.00	2,294.00	3%
24-Jun-20	Asian Paints	1,755.00	2,020.00	1,580.00	1,764.00	1%
10-Jun-20	Lupin	916.00	1,080.00	835.00	848.00	-7%
2-Jun-20	Bata India	1,408.00	1,625.00	1,230.00	1,256.00	-11%
1-Jun-20	Proctor&Gamble Health	4,200.00	5,090.00	3,570.00	4,175.00	-1%
1-Jun-20	Pidilite Industries	1,470.00	1,670.00	1,320.00	1,352.00	-8%

All the recommendations are in Cash segment

July 28, 2020

Open Recommendations

Momentum Picks

Scrip	Action
Birla Corporation	Buy
Aarti Industries	Buy
SBI	Buy
Duration: 14 Days	

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Our Products

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Escorts (ESCORT): In secular up trend. Rebound from lower band of rising channel offers fresh entry opportunity....

Rec. Price

1145.00-1170.00

Target

1380.00

Stop loss

1045.00

Upside

19%

Weekly Chart

The stock in secular up trend trading in a rising channel and has recently rebounded taking support at the lower band of the channel thus provides fresh entry opportunity

A major supply line breakout signalling structural turnaround and resumption of the long term up trend

Target @ ₹ 1380
Support @ ₹ 1050

The weekly MACD in uptrend and is seen diverging from its nine periods average signalling strength in the current up move

Source : www.SpiderSoftwareIndia.Com

Macd(E,12,E,26,E,9)

Source: Bloomberg, ICICI Direct Research

July 28, 2020

Recommended on I-click to gain on 28th July 2020 at 13:31

ICICI Securities Ltd. | Retail Equity Research

- In 2020, Escorts emerged as the major outperformer in the auto space. It is currently in a secular up trend forming a higher peak and higher trough in all time frames
- The entire up move since bottoming out in March 2020 (₹ 526) is well channelled signalling sustained demand at elevated levels. The stock has recently rebounded taking support near the lower band of the channel as can be seen in the adjacent chart. Hence, it provides a fresh entry opportunity
- Earlier, during May 2020, the stock resolved above a major falling supply line joining highs of May 2018 (₹ 1017) and February 2020 (₹ 915) signalling a structural turnaround and resumption of the long term up trend
- We expect buying demand to emerge around ₹ 1050 levels in case of any corrective decline as it is the 50% retracement of the previous up move (₹ 895 to 1210)
- We expect the stock to continue its up move and head towards ₹ 1380 in the medium term as it is the 161.8% external retracement of the entire CY19 decline (1017- 424) at ₹ 1380

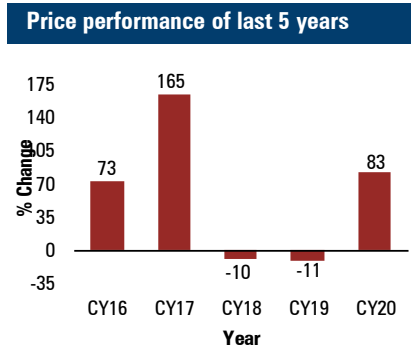
Fundamental View: Escorts Ltd (ESCORT)

- Escorts Ltd (Escorts) has significant exposure to the rural economy through its tractor division where it is one of the prominent players thereby commanding domestic market share at ~ 11.6% as of FY20. We expect the tractor segment to stay largely unaffected by demand side issues being faced by the rest of the automotive industry amidst Covid-19 outbreak, courtesy stability in the outlook of rural incomes (on the back of good Rabi crop harvest, remunerative crop prices, healthy water table levels and normal monsoon 2020) and lack of regulatory disruption like BS-VI norms. Longer term demand drivers like the government's continued focus on doubling farm incomes and improving rural infrastructure as well as underpenetrated nature of farm mechanisation in India stay intact. Escorts derives ~77% of its sales from the tractor segment with rest being comprised by construction equipment (~15% of sales) and railways (~8% of sales)
- The domestic tractor segment is outpacing rest of the automotive space by a wide margin after lifting of nationwide lockdown. July retail volumes are ~20% higher than pre-Covid levels (vs. ~40% decline for the overall industry), and up ~9% YoY, ~33% MoM - showcasing the robustness of demand on ground. We believe the demand trajectory would continue to remain healthy in coming quarters courtesy positive farm sentiment. Escorts continues to make inroads to newer geographies by focusing on channel expansion and new product development and is well placed for further market share gains. We build 5% tractor volume CAGR at Escorts in FY20-22E (2.5% YoY growth in FY21 & 7.5% YoY growth in FY22E)
- Margins have entered a higher orbit over the past decade (11.7% in FY20P vs. 6.1% in FY14) on the back of volume growth and product mix improvement. Sharpened focus on costs during present tough business environment (aims to lower fixed costs by ~ 10-15% in FY21E) adds to existing positives, namely operating leverage and further improvement in tractor mix (>40 hp tractors at 62% in Q1FY21 vs. 45% YoY). We build in steady improvement to 12.8% levels by FY22E
- Sales, PAT are expected to grow at 7.4%, 17.3% CAGR, respectively, in FY20P-22E. The company is net cash positive with surplus cash on books to the tune of ~ ₹ 1,000 crore as of June 2020. It also realises healthy cash flow from operations and possesses an capital efficient business model with RoCE > 15%. We hold a positive view on the company courtesy bright tractor division prospects, healthy cash on books and strategic entry of Kubota Corporation

Particulars	
Particular	₹ crore
Market Capitalization	13,720.0
Total Debt (FY20P)	6.6
Cash & Investments (FY20P)	956.6
EV (₹ Crore)	12,770.0
52 week H/L (₹)	1210 / 423
Equity capital (₹crore)	122.6
Face value	₹ 10

Financials					
₹ Crore	FY19	FY20P	FY21E	FY22E	
Net Sales	6,196.4	5,761.0	5,899.2	6,649.2	
EBITDA	733.3	675.8	728.6	847.8	
Net Profit	484.9	485.6	565.3	668.6	
EPS (₹)	39.6	39.6	46.1	54.5	

Valuation					
	FY19	FY20P	FY21E	FY22E	
P/E	28.3	28.3	24.3	20.5	
EV / EBITDA	18.3	18.9	16.0	13.4	
P/BV	4.5	3.9	2.7	2.4	
RoNW	15.6	14.2	11.2	11.8	
RoCE	21.7	18.9	15.0	15.2	



Summary Performance - Recommendations till date

Total Recommendations	541	Open	9
Closed Recommendations	532	Yield on Positive recommendations	17.0%
Positive Recommendations	390	Yield on Negative recommendations	-8.0%
Closed at cost	16		
Strike Rate	76%		

Momentum Picks open recommendations

Date	Scrip Name	Strategy	Recommendations Price	Target	Stoploss	Time Frame
21-Jul-20	State Bank of India	Buy	188.00-195.00	220.00	177.00	14 Days
22-Jul-20	Relaxo	Buy	618.00-634.00	679.00	585.00	14 Days
24-Jul-20	Aarti Industries	Buy	935.00-955.00	1035.00	895.00	14 Days
28-Jul-20	Birla Corporation	Buy	585.00-605.00	655.00	565.00	14 Days

All the recommendations are in Cash segment

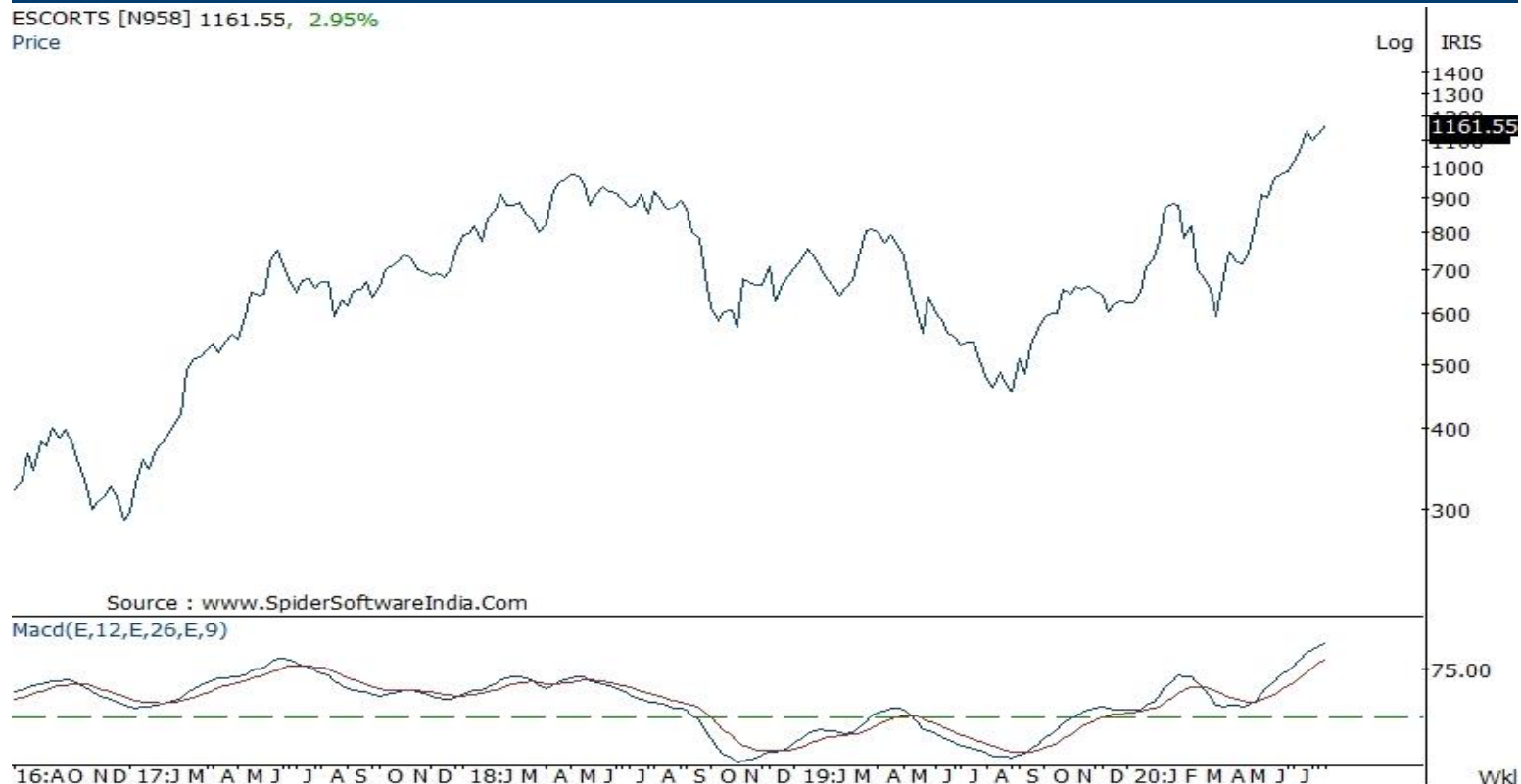
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Price history of past three years

Escorts

ESCORTS [N958] 1161.55, 2.95%

Price



- It is recommended to enter in a staggered manner within the prescribed range provided in the report
- Once the recommendation is executed, it is advisable to keep strict stop loss as provided in the report on closing basis
- The recommendations are valid for six months and in case we intend to carry forward the position, it will be communicated through separate mail

Trading portfolio allocation

- It is recommended to spread out the trading corpus in a proportionate manner between the various technical research products
- Please avoid allocating the entire trading corpus to a single stock or a single product segment
- Within each product segment it is advisable to allocate equal amount to each recommendation
- For example: The 'Momentum Picks' product carries 2 intraday recommendations. It is advisable to allocate equal amount to each recommendation

Recommended product wise trading portfolio allocation

Product	Allocations		Number of Calls	Return Objective	Duration
	Product wise allocation	Max allocation In 1 Stock			
Momentum Picks-Intraday	10%	30-50%	2 Stocks	1-2%	Intraday
Momentum Picks-Positional	25%	8-10%	8-10 Per Month	5-8%	14 Days
Gladiator Stocks	35%	10-13%	Opportunity Based	15-20%	6 Months
Yearly Technical	25%	12-15%	7-9 Per Year	20-30%	1 Year
Cash	5%				
<hr/>					
	100%				



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