

Gladiator Stocks

New recommendations

Time Frame: 6 Months

Date	Scrip	I-Direct Code	Buying Range	Target	Stoploss	Upside (%)
28-Aug-20	Mahindra EPC Irrigation	EPCIND	175.00-181.00	206.00	160.00	16

Open recommendations

Time Frame: 6 Months

Date	Scrip	Avg Rec Price	Target	Stoploss	CMP	Return till date (%)
24-Aug-20	Pfizer	4,740.00	5,450.00	4,340.00	4,834.00	2%
21-Aug-20	Nilkamal	1,350.00	1,590.00	1,225.00	1,388.00	3%
21-Aug-20	Cummins India	458.00	540.00	410.00	470.00	3%
18-Aug-20	Britannia Industries	3,895.00	4,510.00	3,560.00	3,800.00	-2%
11-Aug-20	Berger Paints	547.00	635.00	497.00	560.00	2%
11-Aug-20	ITC	205.00	233.00	183.00	195.00	-5%
28-Jul-20	Escorts	1,157.00	1,380.00	1,045.00	1,152.00	0%
1-Jun-20	Pidilite Industries	1,470.00	1,670.00	1,320.00	1,460.00	-1%

All the recommendations are in Cash segment

August 28, 2020

Open Recommendations

Momentum Picks

Scrip	Action
EIH	Buy
Nippon Life Asset Mgmt	Buy
Birla Corp	Buy
Duration: 14 Days	

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Research Analysts

Dharmesh Shah

dharmesh.shah@icicisecurities.com

Pabitra Mukherjee

pabitra.mukherjee@icicisecurities.com

Nitin Kunte, CMT

nitin.kunte@icicisecurities.com

Vinayak Parmar

vinayak.parmar@icicisecurities.com

Ninad Tamhanekar, CMT

ninad.tamhanekar@icicisecurities.com

Mahindra EPC Irrigation (EPCIND): Change of polarity as previous supply line reverses its role, acting as support, augurs well for next up move...

Rec. Price	175.00-181.00	Target	206.00	Stop loss	160.00	Upside	16%
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- The stock during July 2020 registered a resolute breakout above the major falling supply line joining highs since January 2018 (₹ 208) signalling a reversal of the corrective trend and resumption of up trend
- In the last six weeks, it is seen forming a higher base around ₹ 155-160 as it is the recent major supply line breakout area signalling a Change of Polarity as the previous resistance has reversed its role and is acting as support. The sharp up move from the support area in the current week highlights strength and offers a fresh entry opportunity with a favourable risk reward set up
- Structurally, the stock during the current breather has already taken six weeks to retrace just 61.8% of the previous four weeks up move (₹ 137 to 194). A slower retracement highlights robust price structure and a higher base formation
- Among oscillators, the weekly 14 periods RSI is in up trend and is seen taking support at its nine period's average, thus validating positive bias
- We expect the stock to continue its current momentum and head towards ₹ 206 levels as it is the confluence of the 123.6% external retracement of recent breather (₹ 194-154) and high of January 2018 (₹ 208)

Source: Bloomberg, ICICI Direct Research
August 28, 2020

Recommended on I-click to gain on 28th August 2020 at 10:03
ICICI Securities Ltd. | Retail Equity Research

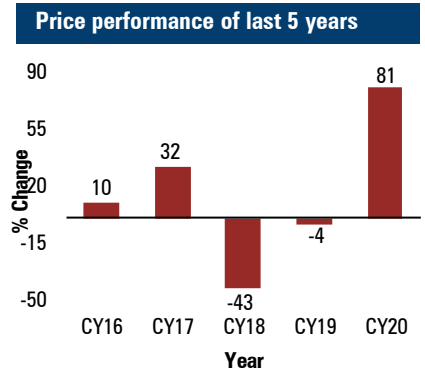
Fundamental View: Mahindra EPC Irrigation (EPCIND)

- Mahindra EPC Irrigation (EPC) is a leading micro-irrigation player in the organised segment of micro-irrigation system (MIS) industry domestically. It is into manufacturing both sprinkler and drip irrigation system with a presence in agri input material like greenhouse technical textiles among others. The company's performance has improved drastically with H2FY20 being the period wherein it clocked double digit margins on a consistent basis. In FY20, the company benefitted largely on account of a decline in raw material costs due to economies of scale (better procurement terms) on better product mix in favour of high margin drip irrigation business (200 bps improvement). With increase in sales, employee costs also got apportioned on the larger base with its RoCE clocking higher double digit mark in FY20, for the first time in the last 10 years
- Micro irrigation system (MIS) is essentially an irrigation technique wherein regulated quantum of water is applied to the most critical part of the plant i.e. roots. The benefits of MIS vis-à-vis traditional method of irrigation include: increase in crop yield (~20-30%) and savings of labour (~30- 50%), water (~30-40%) & power (~20-40%). The current domestic industry size of MIS is pegged at ~₹ 5,000 crore with penetration merely at ~11% [8 million hectares (MH) out of the net irrigated area of ~70 MH]. The medium term potential of MIS is pegged at ~17 MH. The government supports the industry by subsidising the product for farmers with allocation on the rise since its inception. However, execution machinery at the state level is weak leading to elongated working capital cycle for micro irrigation players. Of the total MIS industry size of ~₹ 5,000 crore, EPC realises sales of ~₹ 300 crore, thereby commanding a market share of ~6%
- Given the current outperformance by the rural economy amid greater government spend, record food grains procurement as well as healthy progress of monsoon 2020, Mahindra EPC stands to benefit and can command better valuation multiples with recent CFO as well as capital efficiency parameters. The company has also tied-up with an Israeli firm for promoting greenhouse cultivation methods in India. It also fits well under the broader M&M vision wherein they envisage all agri-related businesses under their umbrella to cumulatively attain sales of US\$1 billion in coming years. Moreover, its key competitor with bloated balance sheet can very well get into trouble thereby benefiting incumbent players like Mahindra EPC
- As of FY20, Mahindra EPC reported a topline of ₹ 284 crore, up ~10% YoY. It reported an EBITDA of ₹ 37 crore with corresponding EBITDA margins at 13%. Consequent PAT was at ₹ 23 crore in FY20 vs. ₹ 11 crore in FY19. It is currently quoting at ~1.8x P/S and ~21x P/E on FY20 numbers

Particulars	
Particular	₹ crore
Market Capitalization	500.0
Total Debt (FY20)	13.1
Cash & Investments (FY20)	12.8
EV (₹ Crore)	500.3
52 week H/L (₹)	195/74
Equity capital (₹crore)	27.8
Face value	₹ 10

Financials				
₹ Crore	FY17	FY18	FY19	FY20
Net Sales	201	205	260	284
EBITDA	13	12	20	37
Net Profit	10	5	11	23
EPS (₹)	3.6	1.8	4.1	8.4

Valuation				
	FY17	FY18	FY19	FY20
P/E	51.1	101.2	43.7	21.5
EV / EBITDA	39.0	41.0	24.6	13.6
P/BV	3.7	3.6	3.3	2.9
RoNW	7.3	3.5	7.6	13.6
RoCE	6.9	6.3	11.3	18.0



Summary Performance - Recommendations till date

Total Recommendations	559	Open	8
Closed Recommendations	551	Yield on Positive recommendations	17.0%
Positive Recommendations	408	Yield on Negative recommendations	-8.0%
Closed at cost	16		
Strike Rate	76%		

Momentum Picks open recommendations

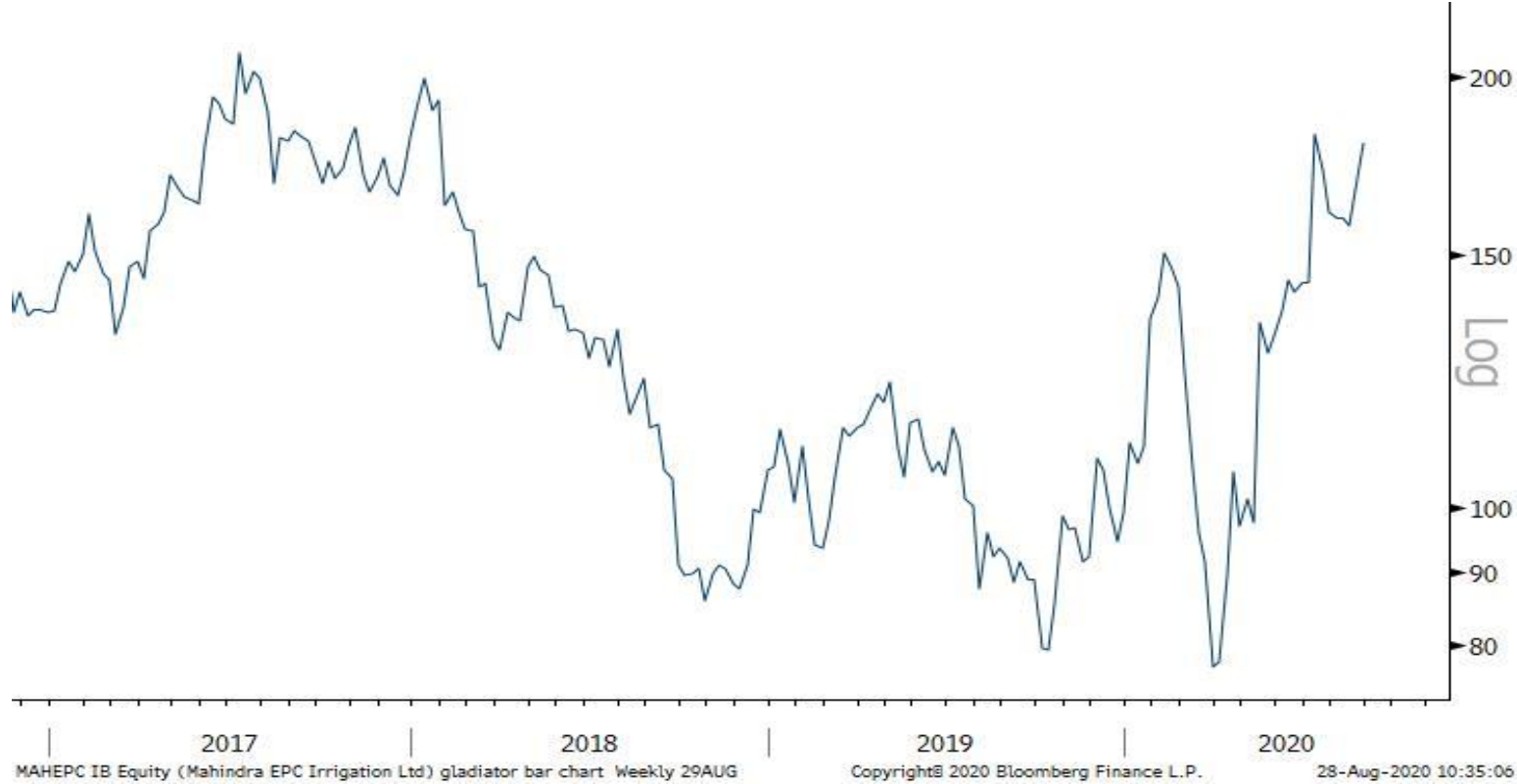
Date	Script Name	Strategy	Recommendations Price	Target	Stoploss	Time Frame
13-Aug-20	Sequent scientific	Buy	133-136	150.00	127.00	14 Days
26-Aug-20	Birla corp	Buy	625-635	685.00	585.00	14 Days
26-Aug-20	Nippon Life India Asset Mgmt	Buy	280-288	324.00	269.00	14 Days
27-Aug-20	EIH	Buy	91-93	101.00	87.00	14 Days

All the recomeda

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Price history of past three years

Mahindra EPC Irrigation



- 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%				
	100%				



Pankaj Pandey

Head – Research
ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

pankaj.pandey@icicisecurities.com

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