

Week Gone

- ⇒ In the week ended on Friday, 31 December 2021, the Sensex rose 1490.83 points or 2.56% to settle at 59,477.65. The Nifty 50 index gained 458.6 points or 2.64% to settle at 17,812.70.
- ⇒ The BSE Mid-Cap index added 502.75 points or 2.01% to settle at 25,472.83.
- ⇒ The BSE Small-Cap index rose 574.38 points or 1.95% to settle at 30,032.14.

Week Ahead

- ⇒ Global and domestic macro economic data, trend in global stock markets, the movement of rupee against the dollar and crude oil prices will dictate trend on the bourses in the trading week ahead.
- ⇒ Investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs) will also be watched.
- ⇒ On the macro front, the Industrial Production and Manufacturing Production data for November will be declared on 12 January 2022.

Technical Overview

Index closed with a gain of 2.64% at 17812. Index opened on a flat note and remained strong throughout the week ending week with decent gains and near weekly highs. Going ahead index has an intermediate resistance around 18000, sustenance above the same will open the way for 18200-18500. While on the other hand support is placed around 17600-17380-17000.



Source: Falcon, BP Equities Research

Weekly Wealth

DOMESTIC INDICES

Index	07-Jan-22	31-Dec-21	Weekly % Chg
Nifty 50	17,812.7	17,354.1	2.6
Nifty Next 50	42,826.4	42,217.9	1.4
Nifty 100	18,054.0	17,618.8	2.5
Nifty 500	15,348.6	14,996.2	2.3
NIFTY MIDCAP 100	31,111.6	30,442.9	2.2
S&P BSE SENSEX	59,744.7	58,253.8	2.6
S&P BSE 100	18,092.3	17,625.5	2.6
S&P BSE 200	7,721.5	7,536.7	2.5
S&P BSE 500	24,374.9	23,811.0	2.4
S&P BSE MidCap	25,472.8	24,970.1	2.0
S&P BSE SmallCap	30,032.1	29,457.8	1.9

WORLD INDICES

Index	07-Jan-22	31-Dec-21	Weekly % Chg
Nikkei Index	28,478.5	28,791.7	-1.1
Hang Seng Index	23,493.3	23,397.6	0.4
Kospi Index	2,954.8	2,977.6	-0.8
Shanghai SE Composite	3,579.5	3,639.7	-1.7
Strait Times Index	3,205.3	3,123.6	2.6
Dow Jones	36,236.4	36,427.7	-0.5
NASDAQ	15,080.9	15,693.9	-3.9
FTSE	7,460.1	7,384.5	1.0

FOREX

Currency	07-Jan-22	31-Dec-21	Weekly % Chg
US\$ (Rs.)	74.4	74.4	0.0
GBP (Rs.)	100.7	100.4	0.3
Euro (Rs.)	84.1	84.2	-0.1
Yen (Rs.) 100 Units	64.2	64.6	-0.6

NIFTY TOP GAINERS (WEEKLY)

Scrip	07-Jan-22	31-Dec-21	Weekly % Chg
Grasim Industries	1797.7	1622.3	10.8%
ONGC	157.1	142.4	10.3%
Bajaj Finance	7,659.4	6,977.3	9.8%
Eicher Motors	2,824.4	2,591.9	9.0%
Bajaj Finserv	17,756.9	16,406.2	8.2%

FII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
07-Jan-22	8,183.8	7,687.6	496.3
06-Jan-22	6,563.7	8,490.5	-1,926.8
05-Jan-22	7,610.5	7,273.7	336.8
04-Jan-22	5,834.7	4,560.9	1,273.9
03-Jan-22	4,226.3	3,323.7	902.6
MTD	32,419.1	31,336.3	1,082.8

NIFTY TOP LOSERS (WEEKLY)

Scrip	07-Jan-22	31-Dec-21	Weekly % Chg
Tech Mahindra	1703.9	1790.6	-4.8%
Dr. Reddys Lab	4708.4	4907.0	-4.0%
Infosys	1814.3	1887.8	-3.9%
Cipla	914.8	944.1	-3.1%
HCL Tech.	1290.6	1319.1	-2.2%

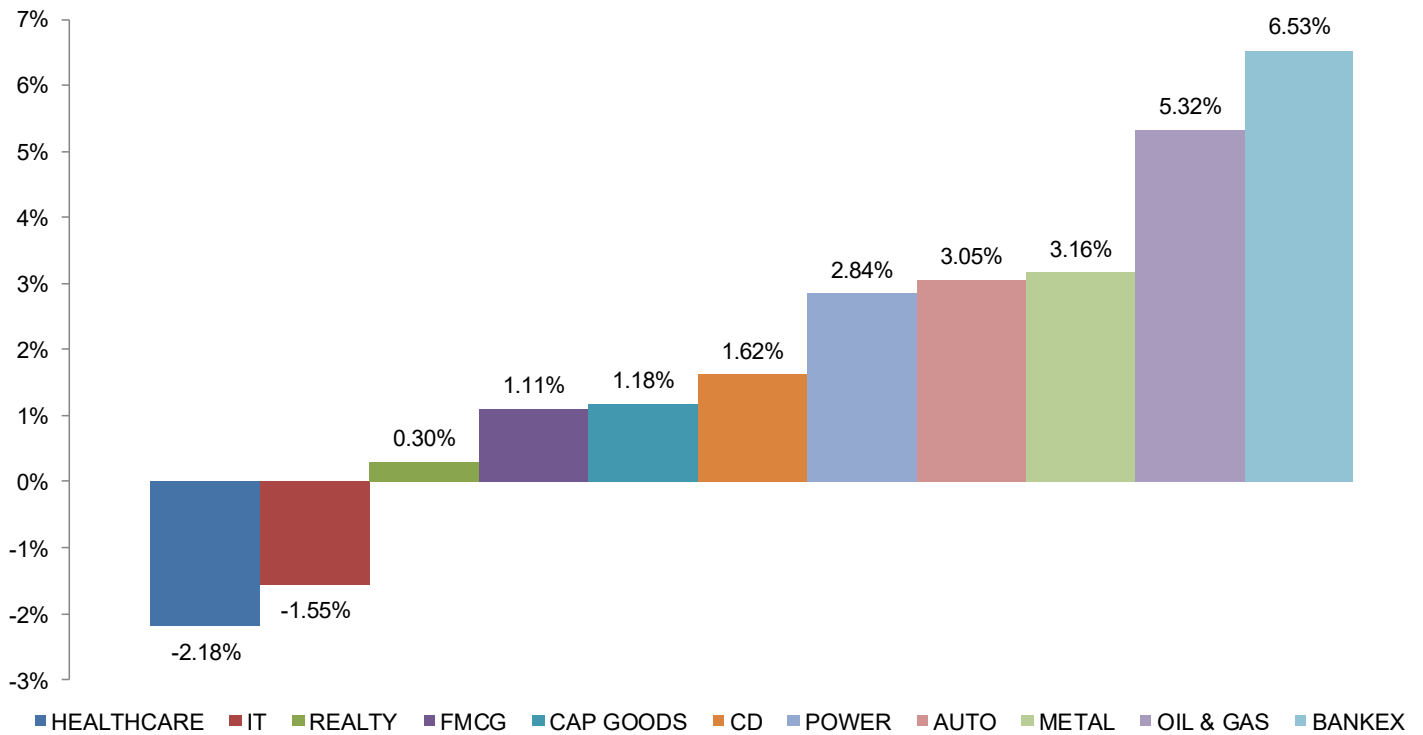
DII - ACTIVITY

(INR. Cr.)

Date	Purchases	Sales	Net
07-Jan-22	5,718.3	5,834.0	-115.7
06-Jan-22	6,661.2	5,860.3	800.9
05-Jan-22	7,001.1	5,729.2	1,272.0
04-Jan-22	5,250.4	4,717.4	533.0
03-Jan-22	4,815.6	4,012.5	803.1
MTD	29,446.5	26,153.3	3,293.3

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	Share Price (Rs.)		Weekly % Chg	Open Interest		Weekly % Chg
	31/12/21	07/01/22		31/12/21	07/01/22	
BALRAMCHIN	369.5	420.1	13.7	532800	4542400	752.6
NBCC	46.3	50.5	9.2	3480000	26868000	672.1
HINDCOPPER	125.4	132.0	5.3	1505000	10203900	578.0
GNFC	443.5	453.4	2.2	436800	2394600	448.2
TATACOMM	1472.5	1471.4	-0.1	749200	2647200	253.3

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	Share Price (Rs.)		Weekly % Chg	Open Interest		Weekly % Chg
	31/12/21	07/01/22		31/12/21	07/01/22	
GMRINFRA	45.95	45.8	-0.2	136012500	83250000	-38.8
EICHERMOT	2602.3	2827.4	8.7	3256050	2165450	-33.5
CHOLAFIN	523.4	575.3	9.9	8013750	6337500	-20.9
NTPC	123.5	131.2	6.3	53876400	44579700	-17.3
ALKEM	3645.2	3691.2	1.3	320400	268400	-16.2

Company Background

Gujarat Narmada Valley Fertilizers & Chemicals Limited. (GNFC), is a joint sector enterprise promoted by the Government of Gujarat and the Gujarat State Fertilizers & Chemicals Ltd. (GSFC) and is engaged in manufacturing fertilizers and chemicals. It also has a small business in Information Technology. It was set up in Bharuch, Gujarat in 1976. The Company has set up core chemicals and Petrochemical plants for chemicals such as Formic Acid, Nitric Acid, etc. The company is the only producer of Acetic Acid and one of the only two producers of Formic Acid in India. The company's chemical/petrochemical products and fertilizers are sold under the brand name "NARMADA "

Investment Rationale

Macro and micro factors supporting the growth of the company

Rise in demand from end user industries, trend of companies-both indigenous and global reducing their dependency on China, and industry friendly policy of Central Government like Atmanirbhar Bharat, PLI scheme, 100% FDI will provide significant tailwinds for this State PSU in both its fertilizer and chemical segments. In addition to this, GNFC also has access to low cost funds from state government financial institutions, given its sovereign ownership. Thus this all adds to the competitive advantage for the company.

Experienced management with established track record and expertise in

Chemicals and Fertilizer business

GNFC has a strong brand image, especially in fertilizer business. It sells under the brand name "Narmada ". It sells through many cooperative societies, dealers, and sub-dealers and has an excellent marketing network, especially in Gujarat. Its experienced management complements this with an extensive track record in manufacturing and marketing fertilizers such as urea and ANP and chemicals such as methanol and acetic acid. GNFC operations are also vertically integrated, allowing high-value addition and diversification. Thus, even under times of extreme price volatilities such as the Covid pandemic, GNFC maintained profitable operations.

Valuation and Outlook

Despite the hiccups induced by the pandemic, such as shortage of manpower, high input costs, etc, the company maintained the top line and grew the bottom line. The company has a demonstrated track record of operations and a dominant market position. It's diversified geographical presence, product portfolio and strong financial performance are favourable for the stock. However, volatility in the chemicals business remains a risk. On the valuation front, we valued the company based on 10x of its FY23e earnings and arrive at a target price of INR 588 (29% upside from CMP) with a 12 months investment horizon.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	451
Target Price (INR)	588
NSE Symbol	GNFC
BSE Code	500670
Bloomberg	GNFC IN
Reuters	GNFC.BO

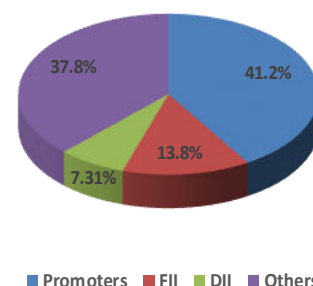
Key Data

Nifty	17,812
52WeekH/L(INR)	518/202
O/s Shares (Mn)	155
Market Cap (INR bn)	70
Face Value (INR)	10

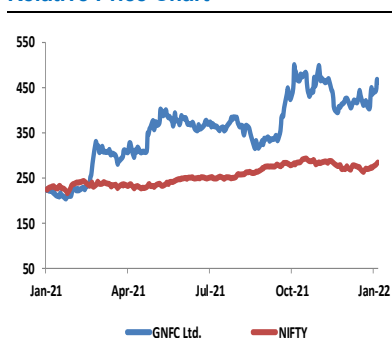
Average volume

3 months	12,80,290
6 months	12,28,560
1 year	13,55,860

Share Holding Pattern (%)



Relative Price Chart



Weekly Wealth

Key Financials					
YE March (Rs. millions)	FY19	FY20	FY21	FY22E	FY23E
Revenue	58,960	51,624	51,287	59,595	63,946
<i>Revenue Growth (Y-o-Y)</i>	1.0%	(12.4%)	(0.7%)	16.2%	7.3%
EBIDTA	8,682	5,418	10,019	13,886	13,940
<i>EBIDTA Growth (Y-o-Y)</i>	(37.6%)	(37.6%)	84.9%	38.6%	0.4%
Net Profit	7,497	5,080	6,970	8,999	9,144
<i>Net Profit Growth (Y-o-Y)</i>	(5.7%)	(32.2%)	37.2%	29.1%	1.6%
Diluted EPS	48.2	32.7	44.8	57.9	58.8
<i>Diluted EPS Growth (Y-o-Y)</i>	(5.7%)	(32.2%)	37.2%	29.1%	1.6%
Key Ratios					
EBIDTA margin (%)	14.7%	10.5%	19.5%	23.3%	21.8%
<i>NPM (%)</i>	12.7%	9.8%	13.6%	15.1%	14.3%
RoE (%)	14.8%	9.6%	11.5%	13.1%	12.0%
<i>RoCE (%)</i>	17.1%	10.2%	16.5%	20.3%	18.3%
Valuation Ratios					
P/E (x)	9.7x	14.3x	10.4x	8.1x	7.9x
<i>EV/EBITDA</i>	8.1x	13.1x	5.8x	4.2x	4.2x
P/BV (x)	1.4x	1.4x	1.2x	1.1x	1.0x
<i>Market Cap. / Sales (x)</i>	1.2x	1.4x	1.4x	1.2x	1.1x

Source: Company, BP Equities Research



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