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Weekly summary

Editorial

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ET Headlines: India Emerges as the Beauty Call, Becoming the New Darling of Global Brands

Which companies have global brands? Is it Lakme Tata or Mykaa? The answer is no. Reliance Industries Limited (RIL) acquired Revlon and other company which is the only company with global brands is MK, which possesses five brands compared to RIL's one brand. Unilever and Tata approached foreign companies, but they declined to sign deals. This is how MK witnessed a trading volume of 2.5 lakh shares, resulting in a 10% increase in its stock price. This exemplifies the effectiveness of CNI research. We are at Gangotri, unparalleled by anyone else. INTEGRA, IMNSPIRISYS, MK, and AKAR are now acknowledged by the street.

The stocks that are not yet accepted have significant upside potential, and we should focus on them. The most notable emerging story is the toy industry. India's Prime Minister NAMO has triumphed over China in the toy war, which speaks volumes. Refer to the headlines in the R I section of ET, which indicate that global brands are swiftly approaching the Indian toy market. Although there are a few companies involved in toys, some of them are questionable due to suspect promoters and operators, and their stocks have already surged by 500%. Consequently, it is advisable to avoid them. ARCHIES is the only other company that manufactures toys under its own brand, selling them through their 122 outlets and online, with a significant share in the market for printed paper bags This story is poised to become the biggest success in the toy and gift items industry. Today, there are good sellers, which means you can even acquire 2 to 5 lakh shares. I consider this a positive sign. I had previously mentioned Integra when it was at 53 during a period of significant selling, and now it stands at 240.

ESM will not have a significant impact on long-term investors. In any case, some letters have been filed with SEBI, and most likely, they will modify this rule, as they have done in the past.

Change of the week

	23-June-23	Rise /Gain
Sensex	62979	403
Nifty	18665	158

Net Investments (` Cr)

	FII	DII
19-June-2023	1756.2	(365.2)
20-June-2023	5866.4	1972.5
21-June-2023	5508.3	550.3
22-June-2023	946.2	219.4
23-June-2023	(344.8)	(684.0)
	13732	1692

Turnover (` Cr)

	FII	DII	Combined
23-June-23	98,183	73,924	1,72,107

23-June-23	Advances	Declines	Ratio
BSE	1107	2373	2.14

Why should we wait until it becomes headline news? Alpine is the most remarkable real estate story, where the operator has vested interests and attempts to suppress it. At 127, it is a steal for me. Even metal coating appears to be an excellent opportunity. With assets worth 6,000 crores, if this doesn't capture our attention, then we are not suitable investors. SEBI is correct in suggesting that we should avoid ESM-threatened micro-caps and instead focus on F and O (Futures and Options). But what makes a difference is that we lose money there. Nevertheless, we are not here solely to make money. The greatest opportunities lie where assets are most undervalued.

The metal sector will soon revolutionize India's demographic landscape. I see Tata Steel (Tisco) at 400 and Steel Authority of India Limited (SAIL) at 500, although I cannot provide the exact timing. Nonetheless, this demonstrates where the metal industry is heading

Someone purchased over 50,000 shares of Sunil Agro last week. Why? It is nearing its new high of 212, and it will soon surpass it. Once it surpasses Rs 212, the writing on the wall indicates 700. The I B has valued the B Shantilal group company, Sunil, with a capacity of 3.09 lakh tons, at Rs 225 crores, even though its current market capitalization is only 55 crores. At 55 crores, one cannot acquire a well-established plant, let alone one with a capacity of 3.09 lakh tons and 9,500 tons of storage capacity, along with a world-class brand. The value of a single brand alone is worth Rs 100 crores.

There was a new listing in SME CFF, a defense-related company. Please exercise caution with this stock, as its revenue is less than 50 crores, which does not make it eligible for defense orders. Approximately 97% of SME companies are fraudulent, so be cautious. They might manipulate the stock price for pump and dump schemes. Instead, invest in ARCHIES at 26, which is worth it, considering its 16 crores in IBITDA and 80 crores in revenue. CFF has a market capitalization of 350 crores, whereas Archies' market capitalization is 80 crores. NAMO states that Indian toys have surpassed China's for the second time, and ARCHIES is the biggest toy brand in India.

5 Top Gainers

Stock	19-05-2023	15-05-2023	% Gain
LG BALAKRI	1041.1	841.3	23.7
PTC IND	4546	3736.7	21.6
SHRIRAM FINANCE	1670.7	1401	19.2
CREDIT ACCESS	1382.2	1178.0	17.3
SEQUENT SCIEN	88.3	75.8	16.4

5 Top Losers

Stock	19-05-2023	15-05-2023	% Loss
BLUE STAR	785	1528.4	48.6
RAJESH EXPORT	544.6	620.4	12.2
ADANI ENTER	2233.1	2506.6	10.9
IDFC	98.3	108.3	9.24
ADANI POWER	242.4	266.4	9.01

Top 5 Picks By CNI 'A' Group

Company
RELIANCE IND
SBI
TATA STEEL
BAJAJ AUTO
TATA MOTORS

Top 5 Picks By CNI 'B' Group

Company
ALPINE HOUSING
MK EXIM
DREAM FOLKS
HARSHA ENG
AKAR AUTO

Nifty today touched a lifetime high. Against all odds, CNI had the conviction of nifty moving towards 19000 when we were at 17000.

All CNI recommendation stocks are buzzing. MK Exim today closed at 103, Integra Engineering at 250 and Akar Auto at 108. We were the only company shouting loudly to buy Integra Engineering at 50.

Currently, we are highly bullish on BHEL Ltd. Once stock crosses 92 may see 100 soon. Second, we have started recommending BLAL at 165 and Jayeswal Neco.

We are also strongly advising buying Archies Ltd at cmp

Recently we have issued a research report on Sandhar technologies at 300.

Nifty will stay strong; may cross 19000 soon.

At the end of the day, the BSE has crossed Rs 600 and is steadily approaching its all-time high. As mentioned in our tweet, starting from August 1, BSE will be allowed to trade in all segments, which could result in BSE derivatives volumes rising to 50% of NSE within a year. Currently, NSE trades at Rs 3 lac crs in unlisted stocks, while BSE stands at 8000 crs. If we exclude the minus cash of Rs 3000 crs, BSE's value stands at Rs 5000 crs, making it one of the most challenging businesses to enter worldwide. I possess knowledge about a factor that could drive BSE to surpass Rs 3000 again, but I am unable to share it publicly. If you trust me, you can consider adding and holding.

Regarding GTV Engg, the worst phase is over as the expected correction following the exit of several CNI investors has already occurred, and new investors have entered the market. With an anticipated EPS of 80 for the current year, the stock can easily reach Rs 2000, resulting in a 5x return. Additionally, with the unlocking of its power value, the stock's future trajectory is anyone's guess. I advised you to exit at Rs 410 solely to reduce your cost to zero, and now the road map ahead is clear.

Usha Martin is currently trading at Rs 300, and B and K has issued a report with a target of Rs 336. In the coming days, we can expect more reports with targets like Rs 500. We initially recommended buying it at Rs 28. Similarly, we now suggest buying ARCHIES at Rs 27, as it is a stock of exceptional quality. As the price reaches Rs 200 or 300, numerous reports advocating for its purchase will surface. Although our research covers all aspects, the market ultimately follows the price. Price is paramount to me, and with time, it will align with the stock's true value. I understand that you have ample funds, but perhaps lack confidence and tend to follow the VOLUMES model, which focuses on distribution. Regardless, we have a vested interest in ARCHIES and intend to hold it for the long term. I will continually emphasize ARCHIES' potential as it enters the three-digit range: ARCHIES, ARCHIES, ARCHIES...

For me, Apolo Sindoori is the next Apolo, and Integra is the next Siemens. We initially recommended buying Siemens at Rs 800, and now it is at Rs 4300.

YMV will explain BHEL this time.

If JAYSWAL, a company with a size of 5000 crs, does not appeal to us, then we should consider buying SAIL and holding it for another 10 years. When JAYA announces superb results in July or August, the stock is expected to reach Rs 45-50, and at that time, we should capitalize on the opportunity, similar to what we did with HIMADRI. When we have control over the operator, we can take advantage and profit from the situation, just as we did with INTEGRA, AKAR, or MK.

Regarding Nifty, it is projected to reach 20000, and the fear of correction only affects those who missed the opportunity

ESM is not a threat. We are already subjected to GSM which is as good as ESM so why worry if co is strong. Only traders bother about lower circuit. Why would RKD buy INSPIRISYS when stock is in ESM 2 because he is MNC lover and such lower cct are planned to get your D Mat vacated. No one can stop this stock to reach 2000 in course of time.

Japan investors have already sent complaint about INDIA functioning to PMO. It is repeat of RAMBAXY where PM had to intervene and request SANGHAVI to give exit to DYCHIE. Now ISNPIRISYS raised concern as Japan is afraid of investing funds in INDIA.

So tweaking will happen. And my suggestion HOLD for 2 years without fear.

ALPINE is next big bet when DLF has become almost 500 now. ALPINE is still at nascent stage. Just imagine someone if want to buy 1 lac shares he will have to buy till 20% up like RDB Rasayan where yesterday one investor bought 1 lac shares and stock had to go up 20%. Rs 130 is not new bottom. 145 is new resistance. Smart people are working behind this and they are creating new bottom at every level.

GTV engg is same status. No one can get even 1% equity till 500.

Zerodha is buying BSE every day. BSE will test 50% of derivatives volumes in comparison with NSE. Watch today it may cross 5 lac crs. With 25% NSE volumes BSE should also command 25% of NSE price NSE trades at 3 lac crs hence BSE should try and test at least 30000 crs and at Rs 30000 crs price has to be 2500 to 3000.

Apolo Sindoori yesterday some bought 15000 shares and he had to buy till 1500 this is how prices are made. Siemens can rise from 800 to 4500 then why not APOLO Sindoori ? We will discuss when it cross Rs 3000 4000 5000. The same men are involved who were in PTC which is now Rs 10000.

ARCHIES and JAYSWAL 2 stocks are under massive accumulation and day is not too far when sellers dry out and stocks will become BABY's DAY OUT.

Stock market is all about conviction. After defense tie ups HAL and BHEL will be the largest beneficiates but HAL priced in and BHEL is still in nest.

Nifty made 5 near tops in June and ready to make another one before making new high. Yesterday it missed just 1 point and that is not co incidence. Market is suggesting EXIT and creating fear among already fearful investors. Investors were feared at 15000 also and Nifty near 19000. Now investors are feared and Nifty will be 20000.

Special feature

Let's start this week with a famous quote that always holds true in a bull market, especially when the market is at a new high. “Many people refer to a rising market as a "bubble." A bubble is essentially a bull market where most people didn't participate. However, for those riding that bubble, it's a wealth creation opportunity (CNI family has witnessed this). For those watching from the outside, it can be a painful bubble, and they wish they could have been a part of it.” This is a common story in every bull market, known to every household. Therefore, I would love to see correction expectations until 16,300 across all the "What's Up University" channels which will never come. The non-participation rather will set tone for 20000 first.

As I mentioned in my previous note, there is a high influx of money, whether it be from DII SIPs, FPIs, or HNIs. DIIs are receiving Rs 15,000 crores per month that need to be deployed. FPIs are diverting flows from China, and HNIs are benefiting from FPI buys through block deals and buybacks. In the last 30 days alone, Wipro releasing Rs 12,000 crores, and other block deals could add up to Rs 40,000 to 50,000 crores. The rise in block deals indicates aggressive FPI buying, which is a true indicator of a bull market. If FPIs were bearish on Indian markets, why would they buy aggressively through block deals? Time and again, I have explained the valuations of the market, whether based on P/E ratio or market capitalization to GDP ratio, both of which indicate enough strength in the indices. Although market capitalization reached a record high of $3.6 trillion, we cannot ignore that GDP has also reached $3.74 trillion, resulting in a comfortable ratio of 96%, in my view. With the 10-year average now close to this at 91%, I don't see any reason for a major correction. Instead, the gaps in valuations strongly support a bold call for the Nifty to reach 21,000 to 25,000 in the next 3 years.

I have written many times, and I won't hesitate to write it again: there is no case for a recession in the US. While Europe may suffer, it is not a significant factor to consider. Whether it is the US or Europe, the fact remains that their central governments have taken control of public loans through banks, leading to increased deficits and the need for deficit financing, whether we admit it or not. As an economist with a top rank in my university, I understand this better. Deficit financing will never allow any country to go into a recession. The control on inflation will also be temporary. This is why the Fed kept saying that rate cuts could be deferred. They will have to balance their economies between growth and inflation, and a rate cut will be warranted soon. After a few rate cuts, the economy will be on track, and inflation will start rising again after 2 years, at which point rate hikes will commence. In the next 5 to 6 years, the real worry of a recession may arise. Currently, the outcome of financial measures controlling inflation is wrongly labeled as a recession. Please note that when the Dow crosses 36,000, no one will talk about a recession; that is the hard reality. This is why many FPIs have changed their stance after misguiding millions that the recession is over. The bigger the name, the bigger the scam. Yesterday, I saw a news article about how Amazon looted millions.

The author expresses a bullish view on the market, highlighting the rise in money flows from various sources and the indication of a bull market based on FPI buying through bloc deals. They also mention valuations, GDP growth, and the expectation of Nifty reaching higher levels in the next three years.

I was not surprised to see a "buy" report on USHA MARTIN by a broker.

CNI Research is a market research company with professional research analysts. The note we shared appears to be an excerpt in their reports. The note discusses various topics related to the investment opportunities, and specific stocks like Usha Martin. Usha Martin has seen journey of Rs 28 to 336 and now found way in such research reports.

The introduction of the ESM (Enhanced Surveillance Mechanism) suggests a strong interference of exchanges in the price discovery mechanism of stocks. With existing measures such as Z group, trade to trade, ASM, and GSM, the question arises: what would ESM achieve? Even if ESM is accepted by investors, there seems to be no rationale for placing a company directly in ESM 2, where trading is suspended, while still applying normal listing fees.

For instance, Inspirisys, a Japanese multinational company with Rs 34 crore in EBITDA, was a victim of GSM 4 a year ago and is now placed in ASM 2, where trading is suspended for every Monday. Some Japanese investors raised concerns with Prime Minister Modi when he was in Japan, and as a result, Modiji had to request an Indian industrialist to bail out the Japanese from Ranbaxy, which was successfully done. Japanese investors want to invest in India but are apprehensive due to past experiences.

The bottom line is that there should be a mechanism in place to assess companies, both those with and without fundamentals, before taking such actions. It is important to consider the possibility of refining these guidelines to ensure a fair and transparent market.

Regarding BHEL, the note emphasizes the company's exposure to multiple sectors, such as power, transportation, defense, aerospace, oil and gas, and more. The author discusses BHEL's significance in the defense sector, its partnerships with organizations like ISRO, and the potential for growth in the railway sector with orders for Vande Bharat Express. The note also mentions the trigger of land monetization and the absence of dilution, which the author believes could lead to BHEL's stock price appreciation.

It's important to note that this note represents the views and opinions of the author and CNI Research Ltd. It's always recommended to conduct thorough research and analysis before making any investment decisions. Market conditions and stock performances can change, so it's crucial to stay updated with the latest information.

BHEL, with its specialization in each and every sector and a workforce of approximately 37,000 employees, holds a massive presence. The company is actively involved in enhancing India's power generation capacity and developing capabilities in key industrial and strategic sectors, aligning with the vision of a self-reliant India. BHEL's commitment to contributing not only to its business interests but also to society at large is evident through consistent investment of over 2.5% of its turnover in research and development, establishment of world-class manufacturing assets, adoption of new technologies, and the implementation of sustainable business solutions. The dedicated and motivated workforce of over 37,000 employees has been the driving force behind BHEL's success over the years. This Indian PSU gem is highly undervalued, as it possesses the potential to reach a market capitalization of at least Rs 5 lakh crores if it were an MNC.

The company has received its first order for two upgraded SRGMs, making BHEL the exclusive supplier of this main gun for Indian warships. BHEL has been a pioneer in the Indian nuclear power sector, being the only company involved in all three stages of India's nuclear program. As the sole indigenous supplier of Nuclear Turbines and Generators, BHEL has supplied 14 TG sets to PHWR technology-based nuclear power plants, while the remaining 4 sets were imported from Russia and Canada several decades ago. Recently, BHEL signed an MoU with a leading international OEM for manufacturing state-of-the-art Electric Propulsion Systems for Indian Navy ships, offering improved efficiency and tactical advantages.

BHEL's accomplishments extend to various other areas. The company has developed and supplied the Air to Air Heat Exchanger (AAHE) for Su-30MKI aircraft. Additionally, BHEL has designed and developed a prototype Air Pollution Control Tower (APCT), which has been successfully installed in Noida city on a pilot basis. BHEL's capability to design and manufacture Heat Exchangers for military aircraft is a rarity worldwide, and they are currently supplying Heat Exchangers for 'TEJAS'. Furthermore, BHEL received its first order for the propulsion electrics of the 'Vande Bharat Express' (Train sets), marking the company's entry into the semi-high-speed rail segment. With 480 orders on hand and the potential addition of another 250 local train orders totaling approximately Rs 20,000 crores, BHEL's order book currently stands at Rs 1.02 lakh crores. However, despite its strong performance, the market capitalization of BHEL remains at just Rs 30,000 crores, making it an attractive investment opportunity identified by Indian Warren Buffet.

In recent years, foreign portfolio investment (FPI) holdings in BHEL have increased by 5% and are projected to rise by another 5% in 2023. With a shareholder base of 10 lakh shareholders, even if each shareholder holds 500 shares, the public shareholding should amount to 50 crore shares. However, the free float is currently only 17-18 crore shares, indicating the potential for significant upside once the stock gains momentum.

BHEL possesses numerous triggers that position it as the leading defense player, comparable to HAL and PTC. BHEL's expertise in engineering skills, power generation, nuclear technology, and hydrogen-related solutions sets it apart. The company is a preferred partner of ISRO, benefiting from its close association, as ISRO does not share technology with the private sector. With the Vande Bharat project acting as a gateway to modernize the entire Indian railway system, the current 480 train orders are merely the beginning of the opportunities for BHEL in this sector.

I recall a similar situation with RVNL. Initially, when it was trading at Rs 28, it was not taken seriously, but when it reached Rs 140, everyone began to appreciate its story, resulting in a 5x return. The same could be the case with BHEL, where at Rs 500, the stock is likely to attract attention from analysts and market observers.

Now, let's discuss the most significant trigger for BHEL, which is unchallenged. The downgrade from CLSA and others is viewed positively, as these brokers have a track record of upgrading stocks over time. TATA MOTORS, for example, was downgraded to junk status at Rs 400, but later upgraded to target prices of Rs 620 and Rs 750 when it reached Rs 580. Since my initial buy call at Rs 64, my target for TATA MOTOES has been Rs 4,000, and I expect it to reach Rs 1,470 within the next year. For BHEL the major trigger is land monetization and no dilution.

Let's first discuss dilution. With the government holding a 54% stake, there is no possibility of dilution. The sale of just 3% shares, which amounts to less than 1,200 crores, does not pose a significant risk. Therefore, the options for the government are either to sell the company as a going concern or not sell it at all. Recently, the government announced land monetization, following the BEML model. Therefore, it is worth comparing the valuations of BEML's land assets to those of BHEL.

Currently, BEML's land assets company is valued at 680 crores, despite being listed at 1,300 crores when it was demerged from BEML. BEML shares have reached a new high, surpassing 1,600 crores, and the BEML Land Assets Company is trading at Rs 170. This land parcel spans 550 acres near Bangalore and Mysore. BEML's equity is only 41 crores with a paid-up value of Rs 10 per share. The market capitalization of BEML is Rs 6,500 crores, while the market capitalization of the BEML Land Assets Company is Rs 680 crores. The current price of the stock is Rs 170 with a paid-up value of Rs 10. This undervaluation indicates that the stock is likely to surpass its listing price and reach a new 52-week high soon.

In comparison, BHEL has an equity of Rs 696 crores with a paid-up value of Rs 2 per share, totaling 348 crores shares. BHEL is a much larger company compared to BEML, with a land bank of 16,405 acres and substantial other assets, including non-core assets that are challenging to quantify. For the purpose of valuation, we focus solely on the land bank of 16,405 acres. Using the same valuation methodology as BEML, applying a price of Rs 2 crores per acre, the land value of BHEL amounts to Rs 32,800 crores. This means that BHEL is essentially available at a negative cost, with no dilution risk and a market capitalization of Rs 30,000 crores.

In terms of comparison, BHEL is 100 times bigger and better than Siemens Ltd, which has a revenue of only Rs 4,400 crores and a market capitalization of Rs 1.35 lakh crores due to its MNC status (30x revenues). Meanwhile, BHEL, with a revenue of Rs 25,000 crores, is trading at a market capitalization of Rs 30,000 crores. It is important to note that even if we consider 10 Siemens kind companies, they would not match BHEL's capabilities. Therefore, BHEL is significantly undervalued, especially considering its order book size of over Rs 1.25 lakh crores. I firmly believe that BHEL has the potential to become a 10-bagger investment over time, regardless of whether you agree with me or not

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