

V. Jethalal Ramji Share Brokers

.... Tracking Market Since 1906



Market Update

Viral Wave Hits Again

There is quite a bit of chatter among market participants regarding the poor performance of India's equity markets vis-à-vis global peers. The benchmark index of the National Stock Exchange Nifty 50 is down around 6.64 per cent since its February 2021 peak but benchmark indices in most of the advanced countries are in a prime condition, with some of them hitting new highs during this period. The US bellwether S&P 500 is up by nearly 6 per cent, whereas European indices like Germany's DAX has rallied around 7.7 per cent and France's CAC 40 index is up about 7.3 per cent since mid-February.

Considering the relative underperformance by Indian benchmark indices and the capital outflow witnessed from the FPIs, this has fanned flames that the Indian markets have decoupled from the global markets. Everything was fine until mid-February as post the Union Budget announcement Indian markets were racing to new highs almost every single day. However, in mid-February a sharp spike in US' bond yields triggered a panic in the global stock markets and along with Indian markets, the momentum of rest of the world markets was also derailed.

But the fears of advanced economies soon calmed down to a large extent aided by the USD 1.9 trillion stimulus announced by the Joe Biden administration in March which was soon followed by a retreat in US' bond yields. These soothing factors provided the much-needed spur to the bulls in the developed countries and within no time their markets were seen trading at elevated levels. And with this the stage was set for the Indian markets to launch, but it was soon hit by the storm of a second wave of the corona virus.

The second wave has gone from bad to worse as the country has recorded more than 3 lakh cases, which is the highest single-day spike ever for any country and furthermore, the cases are rising at a fast clip, which is adding to the woes. The situation on the ground is such that patients are not able to find beds and there is shortage of oxygen as well as Remdesivir, which people call the 'sanjeevani booti' for corona virus infection. These things may not be P&L sensitive, but they are certainly adding to the overall environment of gloom.

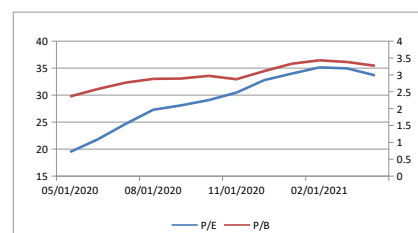
The healthcare infrastructure is gasping to accommodate and cater to the surging load of cases and the states are resorting to lockdown curbs, impairing economic activity in the process. In addition to this, when the country is facing a health crisis, people put their investment on hold, or they will raise their cash to create some liquidity in case of any adverse medical expenses. So perhaps this could be the reason that markets are not able find any sort of momentum on the buying side as they have been hit by a liquidity crunch.

In other important news, we would like you to recall what we had mentioned in our last editorial: Don't be surprised if we see that rating agencies and leading brokerages downgrade India's GDP projections. In line with our anticipation, we have seen some of the rating agencies as well as brokerages starting to lower their projections. Amidst all this, the silver lining from the domestic front is the earnings announcement, which is, so far so good. Also, in favour of the markets are the global cues, which are in the high spirits. Furthermore, international bond yields and the dollar picture are supporting.

Even the crude oil prices have cooled off from recent highs and right now we have to only deal with the domestic woes caused by the second wave of the devastating virus. So, we have everything going for us but the Indian markets have not been able to take advantage clearly because we are an outlier on the downside and market participants are closely tracking the topline number of virus cases. How many cases India adds to the tally every day could be the deciding factor for the Indian markets in the near term. Because as and when the cases start to fall, we could be in for a huge short covering, but let that come is what people are waiting for. Till then the market participants have to deal with some volatility.

April - June, 2021

Valuation Matrix Performance of Sensex



International Markets

Exchange	4/26/2021	1 year change	52-week L/H
Bovespa	120,594.61	60.09%	75,696.95 / 125,323.53
CAC 40	6,275.52	42.84%	4,194.58 / 6,319.08
DAX	15,296.34	47.99%	10,160.89 / 15,501.84
Dow Jones	33,981.57	42.93%	22,789.62 / 34,256.75
FTSE 100	6,963.12	21.05%	5,525.52 / 7,040.26
Hang Seng	28,961.12	21.53%	22,519.73 / 31,183.36
Nasdaq	14,138.78	63.75%	8,537.83 / 14,175.12
Nikkei 225	29,126.23	51.01%	19,448.93 / 30,714.52

Top Gainers

Company	4/26/2021	3/26/2021	% Change
Dr Reddy's Laboratories	5069.00	4405.30	15.07
Sun Pharma Industries	634.55	587.10	8.08
Bajaj Finserv	9998.55	9466.65	5.62
Bajaj Auto	3738.20	3600.75	3.82
ICICI Bank	590.75	578.55	2.11

Top Losers

Company	4/26/2021	3/26/2021	% Change
IndusInd Bank	859.35	952.70	-9.80
Bajaj Finance	4730.60	5183.10	-8.73
UltraTech Cement	6277.20	6735.90	-6.81
HDFC Bank	1404.90	1492.20	-5.85
Tech Mahindra	963.15	991.25	-2.83

Performance Of Other Indices

Index	Price	1 Year change
S&P BSE SMALLCAP	21190.37	99.28%
S&P BSE 500	19447.06	63.48%
S&P BSE Auto	21712.71	77.71%
S&P BSE BANKEX	36732.55	63.48%
S&P BSE CAP GOODS	20100.62	72.82%
S&P BSE FMCG	12567.42	16.67%
S&P BSE HEALTHCARE	23171.95	50.25%
S&P BSE IT	26311.44	103.07%
S&P BSE Metal	16506.63	178.57%
S&P BSE Oil & Gas	14578.55	31.09%
S&P BSE REALTY	2485.68	81.76%
S&P BSE POWER	2456.03	69.33%



SONATA SOFTWARE LIMITED

Sonata Software Limited (SSL) is an information technology (IT) services & solutions company. It enables successful platform-based digital transformation initiatives for enterprises, to create businesses that are connected, open, intelligent, and scalable. It provides solutions for software, retail & distribution, and travel companies with integrated technological solutions like mobility, analytics, cloud & enterprise resource planning. In terms of the geographical mix in FY20, the company's 34 per cent of total consolidated revenue was from international IT services while the rest 66 per cent came from domestic products & services.

Investment Rationale -

Platformation to be a key growth driver : Sonata has developed a proprietary model for the digital transformation of enterprises called Platformation. Through this Platformation, the company is looking to extend its services beyond just IT vendors to use platforms & IP as business transformation drivers and become a long-term partner. In FY20, it acquired Melbourne-based GAPbusters for USD 4.8 million, which has been amongst the pioneers in the customer experience (CX) domain. This acquisition is a reaffirmation of Sonata's Platformation-led approach to digital transformation, adding a major platform-led customer experience offering to current solutions. It also made a strategic investment by acquiring a 17 per cent stake in SemiCab Inc., Atlanta-based start-up that offers technology platforms to logistics providers. It will also invest USD 1.4 million for the stake along with an additional USD 3 lakh for SemiCab's services over the next one year. The deal is in line with Sonata's strategy to invest in companies that are digitally transforming their customers' businesses. Such strategic acquisitions and partnerships have led to improvement & consolidation in its position, leading to becoming the most preferable partners of choice for its customers. With this, the company will go for inorganic growth in the near term.

Microsoft Dynamics - another growth engine : Sonata Software has continued to strengthen its alliance with Microsoft and focussed on delivering high-quality services to its clients, which increased the stickiness of the business. Sonata is positioned as a major player in the IDC MarketScape for 'Microsoft Dynamics 365 implementation services for Asia/Pacific (excluding Japan)'. As per Microsoft, Sonata's platform, Rezopia is among the first 15 transactable applications in Azure Marketplace. Sonata has entered the Agri-commodity business with the acquisition of scalable data systems. Scalable Data Systems designs digital platforms that can scale up or down as business demands, powered by Microsoft Dynamics. The recovery in Microsoft services portfolio is expected from FY22, based on the strong pipeline. Microsoft Dynamics modernisation program is a multi-year opportunity, and the company is looking to invest in R&D and sales capabilities to fuel growth.

Deriving strength from international IT services : The company derives 34 per cent of its revenue from international IT services business. Of that, 54 per cent is derived from the US market and 30 per cent from the European market. During December 2020 quarter, the USA revenue grew by 7.1 per cent QoQ while Europe revenue grew by 4.9 per cent QoQ. In FY20, it had added 29 new logos across verticals, regions in the international services segment. The company's pipeline continues to be healthy and strong through multiple new digital wins from its existing and new customers. It has added 8 new customers in the international IT services segment during the latest December 2020 quarter.



BSE Code	: 532221
CMP	: ₹559.35
Target Price	: ₹790

Company Details

Industry	IT - Software
Chairman	Pradip P Shah
Managing Director	P Srikar Reddy
Company Secretary	Mangal Kulkarni
ISIN Code	INE269A01021
Bloomberg Code	SSOF IN
BSE Code	532221

Key Market Ratio

Latest Date	27-Apr-21
Latest Price (Rs)	559.35
Previous Close (Rs)	577.2
1 Day Price Var %	-0.62
1 Year Price Var %	178.54
52 Week High (Rs)	632.75
52 Week Low (Rs)	184.85
Beta	0.44
Face Value (Rs)	1
Industry PE	28.09
TTM Period	202012
TTM EPS (Rs)	21.18
TTM CEPS(Rs)	24.93
Price/TTM CEPS(x)	23.02
TTM PE (x)	27.09
Price/BV(x)	7.02
EV/TTM EBIDTA(x)	15.05
EV/TTM Sales(x)	1.4
Dividend Yield%	3.53
MCap/TTM Sales(x)	1.48
Latest Book Value (Rs)	81.74
Market Cap (Rs in Crores)	6032
EV (Rs)	5722
Latest no. of sharesCrores	11

Share Holding Pattern as on 202103

Promoter No of shares (Rs in Crores)	23-Apr-21
Promoter %	0.44
FII No of Shares (Rs in Crores)	1
FII %	28.09
Total No of Shares (Rs in Crores)	202012
Free Float %	21.18



Growing domestic industry : In today's world, organisations have increased their focus on providing a better customer experience, which has resulted in higher spending on enterprise application software. India continues to be a preferred destination for IT services, owing to strong digital execution capabilities, cost advantages, favourable talent landscape, and increased government focus on IT infrastructure. India's IT spending is estimated to be a total of USD 94.3 billion in 2020, with a growth of 6.6 per cent over 2019, primarily driven by spending on software. This IT spending continues to be driven by digital business transformation initiatives from both private and public organisations. Such increased focus and adoption-changing business models would pave a path of growth for companies involved in digital space like Sonata Software.

Financial performance

The company has clocked a CAGR of 17 per cent in revenue over the last 5 years. Also, PAT has replicated the revenue growth and recorded a 16 per cent CAGR over the same period. On the revenue front, the company witnessed a growth of 12.88 per cent YoY and 73.7 per cent QoQ to Rs 1,396.16 crore in Q3FY21. In the international IT services segment, revenue in USD was 41 million, with QoQ revenue growth of 5 per cent in USD terms and constant currency growth of 4.5 per cent. In terms of revenue contribution in Indian rupees, international IT services contributed Rs 300.9 crore while domestic products & services contributed Rs 1,099.4 crore. PBIDT (excluding OI) came in at Rs 110.92 crore, higher by 1.14 per cent YoY and 27.09 per cent QoQ. The corresponding margin contracted to 7.94 per cent from 8.87 per cent in the year-ago period. PAT was reported at Rs 53.79 crore, down by 29.09 per cent YoY, led by a 62 per cent decline in other income. PAT margin was reported at 7.12 per cent, expanding by 99 bps during the quarter.

The company has a strong balance sheet and it has been paying a continuous dividend to its shareholders over the last few years and has maintained a dividend payout ratio of around 62 per cent. The company also has strong cash and bank balance of around Rs 642 crore.

Valuation & Outlook

The company is trading at TTM P/E of 22.5x with TTM EPS of Rs 21.18. In terms of return ratios, the company enjoyed strong RoE and RoCE of 46.8 per cent and 61.7 per cent, respectively in FY20. Stability in the top client, upgrades in Microsoft Dynamics & improved traction in the cloud, expansion in new verticals like an agricultural commodity business, and traction in ISV vertical & retail, are expected to drive revenues. The company believes that there is a huge opportunity for upgrades and has numerous clients in the medium to the large category to tap, which can boost long-term revenue growth. Considering all these factors, we give a target price of Rs 790 for a period of two years.

About the company

Sonata Software Ltd (SSL) provides IT consulting, product engineering services, application development, application management, managed testing, business intelligence, infrastructure management, packaged applications, and travel solutions. It also includes the manufacturing, retail, and consumer packaged goods verticals, and offers outsourced research & development services to independent software vendors. It operates a software distribution business for companies such as Microsoft, Oracle, and IBM. The company's business has two broad lines as products & services. Under products, it focusses on multi-cloud, SI business and security business.





RECENT NEWS

Mar 22, 2021 : Sonata Software is planning to tap the Customer Experience (CX) market to fuel growth with the launch of 'Cxe', its unique enhanced integrated CX management solutions developed using the 'Platformation' approach, Sonata's highly acclaimed framework for digital transformation. 'Cxe' is a compelling offering from Sonata designed for clients across the globe looking for holistic end-to-end CX solutions in the post-pandemic new normal.

Feb 15, 2021 : Sonata Software's unique trade-marked 'Platformation™' strategy for digital transformation is seeing substantial upturn globally amongst its customers. March 2021 will mark 4 years since the company announced its proprietary approach to digital transformation & christened it 'Platformation™' and the company is now in celebratory mode as it has become a major success mantra for itself & customers looking to go Digital.

Profit & Loss - Consolidated

(Rs in Crore)

Year End	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16
INCOME					
Operating Income	3743.26	2960.9	2453.94	2370.78	1940.5
EXPENDITURE					
Stock Adjustments	0	0	0	10.01	-2.68
Raw Materials Consumed	2415.79	1780.36	1488.07	1488.33	1162.67
Power & Fuel Cost	6.2	6.24	6.15	6.27	5.81
Employee Cost	660.31	568.86	513.74	455.99	409.78
Cost of Software developments	6.44	6.59	4.64	5.56	3.4
Operating Expenses	44.28	34.33	7.86	7.9	68.29
General and Administration Expenses	170.41	190.08	170.18	168.7	74.89
Selling and Marketing Expenses	7.7	7.28	6.89	0	0
Miscellaneous Expenses	59.32	31.55	25.42	36.47	26.44
Less: Pre-operative Expenses Capitalised	0	0	0	0	0
Total Expenditure	3370.45	2625.29	2222.95	2179.23	1748.61
PBIDT (Excl OI)	372.81	335.61	230.99	191.55	191.9
Other Income	58.4	27.25	45.45	47.11	43.78
Operating Profit	431.21	362.86	276.44	238.66	235.68
Interest	15.18	3.39	4.81	9.28	7.95
Gross Profits	416.03	359.47	271.63	229.38	227.73
Depreciation	36.54	12.74	12.41	10.88	6.16
Profit Before Taxation & Exceptional Items	379.49	346.73	259.22	218.5	221.57
Exceptional Income / Expenses	0	2.76	1.15	7.72	3.68
Profit Before Tax	379.49	349.49	260.37	226.22	225.25
Provision for Tax	102.56	100.61	68.24	69.3	66.66
PAT	276.93	248.88	192.13	156.92	158.59
Minority Interest	0	0.38	0.4	-0.62	0
Consolidated Net Profit	276.93	249.26	192.53	156.3	158.59
Appropriations	867.06	737.46	603.43	454.1	406.19
Dividend(%)	2025	1275	1050	900	900
EPS	26.65	23.99	18.55	15.07	15.08
Book Value	64.18	73.73	62.94	56.93	44.79



Two Buzzing Stocks

Supreme Petrochem

BSE Code : 500405

52 Week High / Low : ₹719.60/₹120.15

Face Value : ₹10

Supreme Petrochem Limited is India's largest producer & exporter of polystyrene polymer and is also, the largest exporter of polystyrene (PS) from India, exporting to over 93 countries around the globe. It continues to hold a leading position in the domestic PS (about 44 per cent share of domestic supply including LG Polymers' capacity) and expandable polystyrene (EPS) markets. It is the only domestic manufacturer of extruded PS foam board and styrene methyl methacrylate.

Due to plant shutdowns across the world leading to supply issues as well as pent-up demand from the end-user industries led to a rise in the global demand for these products. Supreme Petrochem is benefitting in the domestic market from the shutdown of LG Polymers India Ltd's (second largest polystyrene manufacturer in India) facility post a styrene vapour leakage incident at its Vizag plant in May 2020. According to the company's management, in the absence of any planned capacity addition from the competitors, the demand-supply scenario has structurally improved in the domestic PS industry. To meet the supply gap created by LG Polymers' capacity shutdown, it is undertaking brownfield expansion for its PS capacity by 80,000 MT and expandable polystyrene (EPS) capacity by 30,000 MT. This would further strengthen the company's market position.

The contribution of value-added products (VAP) such as EPS, extruded PS, and speciality polymers & compound business remained nearly flat in FY20 on a YoY basis. The company plans to enter the mass acrylonitrile butadiene styrene (ABS) market, with an initial capacity of around 60,000 tpa to 80,000 tpa by setting up a new line at the existing plant over FY22-FY24.

From its 52-week low level of Rs 120.15, the stock of Supreme Petrochem has surged 482 per cent, making a new all-time level record daily. On a YTD basis, it has given a 95 per cent return to the investors.



Sterling & Wilson Solar

BSE Code : 542760

52 Week High / Low : ₹343.50/₹106.50

Face Value : ₹1

Sterling & Wilson Solar Limited is a global pure-play, end-to-end solar engineering, procurement & construction (EPC) solutions provider with an asset-light business model. It provides turnkey EPC services for utility-scale, rooftop, and floating solar power projects. It also provides operation & maintenance (O&M) services, including projects constructed by third parties along with providing solar plus storage solutions to the customers.

It has a global presence across 25 countries including India, Southeast Asia, the Middle East, Africa, Europe, United States, Latin America and Australia. Venturing into newer geographies has also been instrumental in de-risking its portfolio and expanding the customer base at a massive pace. In FY20, it forayed into Australia, which has the biggest uptake of solar power worldwide, with more photovoltaic capacity added annually than other energy sources.

Its FY21 order inflow till February was Rs 7,046 crore (1.7 GW) i.e. 153 per cent of the restated FY20 order book (after exclusion of non-contracted projects). It had 8.1 GW contracted O&M as of February 12, 2021 (9.5 per cent higher as compared to February 12, 2020). Its gross unexecuted order value (UOV) as of February 12, 2021, stood at Rs 9,674 crore. The company expects to expand its global footprint further in Europe and the Americas over the upcoming years, given the potential for renewable power in the region. The opportunity for solar power industry will continue to remain buoyant and grow at a rapid pace over the next 2-3 decades.

The company got listed on the bourses on August 20, 2019. From its 52-week low level of Rs 106.50, the stock of Sterling & Wilson Solar has surged by 223 per cent. On a YTD basis, it has given a 32 per cent return to the investors.





Market Statistics

DIVIDEND BECOME EX-DATED IN FORTHCOMING DAYS

Company Name	Dividend (%)	Ex Div Date	Company Name	Dividend (%)	Ex Div Date
Visaka Industries	100	18-May-2021	Rallis India	300	09-June-2021
AvantelSoft	40	27-May-2021	Bhansali Engineering	100	22-June-2021
Infosys	300	31-May-2021	HDFC Life	20	30-June-2021

NET INVESTMENT IN EQUITY MARKETS (₹/CR)

Days	FII's	DII's
26-Apr-2021	-1175.89	NA
23-Apr-2021	-904.49	NA
22-Apr-2021	-728.17	NA
20-Apr-2021	-1654.14	NA
19-Apr-2021	-744.69	NA
16-Apr-2021	-812.65	657.55
15-Apr-2021	-2481.92	-526.63
13-Apr-2021	NA	243.8
12-Apr-2021	-607.71	232.76
09-Apr-2021	2083.51	-271.26
08-Apr-2021	402.69	552.78
07-Apr-2021	-872.97	381.08
06-Apr-2021	-659.88	416.59
05-Apr-2021	-1693.71	75.48
01-Apr-2021	NA	-296.84

EX-BONUS

Company Name	Ex-Bonus Date	Current Holding	Ratio Offered
--	--	--	--

SPLIT DECLARED IN LAST FEW DAYS

Company Name	Date Of Announcement	Old Face Value	New Face Value
Pritika Auto Industries	09-Apr-2021	10	2
Stylam Industries	12-Apr-2021	10	5
Finolex Industries	16-Apr-2021	10	2
Sharda Motor Industries	16-Apr-2021	10	2

CONTINUOUSLY MOVING UP

Company Name	Apr-26	Apr-23	Apr-22	Apr-20	Apr-19
BAL PHARMA	114.05	103.70	86.45	72.05	60.40
EVEREST KANT	147.25	133.90	121.75	110.70	92.25
GREENLINETEA	37.70	32.55	28.95	26.05	24.20
BPL	31.15	29.70	27.00	24.55	22.40
EKI ENERGY	275.65	250.60	227.85	217.00	206.70

RECENT ANNOUNCEMENTS

Goldiam International : Goldiam has received confirmed additional export orders worth Rs 70 crore from its International clients for manufacturing of diamond studded designed gold jewellery and aforesaid order will be delivered within coming 100 days, with this additional order, company's order book crosses aggregate of Rs 150 crore as on date.

Tech Mahindra : Tech Mahindra through its wholly owned subsidiary - Tech Mahindra (Americas) Inc. has approved the proposal to acquire 100% equity shares in Eventus Solutions Group, LLC.(Eventus). The acquisition will bolster consulting capabilities in Customer experience (CX) and customer management space and will enable Tech Mahindra to build an industry leading consulting practice. The transaction is expected to close by June 15, 2021.

JSPL : Jindal Steel & Power (JSPL) has accepted a binding offer from Worldone Private, to divest its 96.42% stake in Jindal Power (JPL), a material subsidiary of the Company. The divestment is in line with JSPL's strategic objective to continuously reduce its debt, focus on its India Steel business and significantly reduce its carbon footprint by almost half as part of its ESG objectives. The equity value is an all-cash offer of Rs 3,015 crore for 96.42% stake in JPL including 3,400 MW Coal fired power plants in State of Chhattisgarh and other non-core assets owned by JPL.

Swelect Energy Systems : Swelect Energy Systems has received approval from its board for setting up of the Wholly Owned Subsidiary (WOS) in the name and style 'SWELECT HHV Solar Photovoltaics'. The WOS will be engaged in manufacture and maintenance of solar photovoltaic cells and modules suitable for renewable energy power generation using indigenous and imported technology.

Power Mech Projects : Power Mech Projects has received Letter of Intent (LoI) from Singareni Collieries Company for award of contract for Operations and Maintenance of 2x660 MW STPP. The contract value is Rs 343.44 crore.

CONFIDENTIALITY NOTICE : Information contained in this report is intended for the subscribers of this product only. Unauthorized forwarding, printing, copying, distribution, or using the information in a searchable, machine-readable database is strictly prohibited and may be unlawful. **Disclaimer:** The recommendations are purely a view point and there is no guarantee on the returns. Hence all the clients (paid or unpaid) are requested to apply their prudence before acting on any of the recommendations. Neither V. Jethalal Ramji Share Brokers nor any of its promoters, members, or employees shall be held responsible for any losses incurred (if any) by acting on the recommendations.