

DOMESTIC:

- Aurobindo recalls nearly 5lakh bottles of blood pressure lowering drug in US
- Reliance Industrial Investments Holdings Ltd to raise Rs4,000cr
- Natco Pharma Ltd announced the launch of Valsartan-Sacubitril tablet under its brand name VALSAC
- GSKCH India gets CCI approval for merger deal with HUL
- Tata Steel arm sells 70% in SE Asia biz to China's HBIS
- Vodafone Idea partners with Sun TV Network
- Moody's downgrades Lodha Developer's rating on weak sales
- Oaktree buys DHFL loans for Rs1,375cr
- Cipla gets USFDA nod for contraceptive injection
- Investcorp acquires IDFC's private equity, realty investment management business
- Toyota to focus on making its cars cheaper in India
- Natco dares Novartis with new heart drug
- NCLAT declines plea of Essar Steel operational creditor
- Strides to exit investment in Arrow for AUD394mn
- RPP Infra bagged orders worth Rs252cr
- Coal India to raise about Rs1,065cr by selling shares to arms
- L&T Hydrocarbon Engineering won two orders from IOC
- Ajanta Pharma's board approved a buyback of up to Rs7.69lakh shares at a price of Rs1300 per share
- M&M plans over 35 new offerings in commercial vehicles this year
- Jet Airways seeks investor approval to swap debt for shares
- OIL raises USD550mn through overseas bonds issue
- Essel Group to sell solar business to Actis
- Zydus Wellness completes acquisition of Heinz India
- BHEL bags two orders worth Rs97cr from NPCIL
- SBI to acquire 15% stake in Jet Airways by converting loan into equity
- Hero MotoCorp sets up first overseas R&D centre in Germany
- IRDAI asks insurers to make provisions for IL&FS exposure

ECONOMY:

- FDI grew 18% in FY18 to Rs28.25lakhcr: RBI data
- Govt. approves 4lakh houses under PMAY(U)
- US Fed keeps interest rate unchanged
- India Inc. foreign borrowing trebles to USD3.81bn in December

INDUSTRY:

- Govt. plans to make manufacturers pay for entire batch if single drug found substandard
- India replaces Japan as second top steel producer: World steel
- DoT likely to host next round of spectrum auction post August

Price Performance (%)

Company	1M	3M	12M
Supreme Petrochem Ltd	-4.3%	-11.1%	-46.2%
Shanthi Gears Ltd	-9.1%	3.1%	-15.8%
Hind Rectifiers Ltd	-4.8%	-10.4%	-8.4%
KCP Ltd	-7.3%	-13.7%	-39.0%
Harita Seating System Ltd	-8.6%	-18.6%	-49.9%
Hester Biosciences Ltd	7.8%	8.7%	-20.6%
The Hi-Tech Gears Ltd	-7.0%	-19.4%	-36.9%
Bharat Bijlee Ltd	-4.2%	-7.0%	-19.6%
Triveni Turbines Ltd	-4.4%	2.1%	-18.5%
Siemens Ltd	-3.4%	8.3%	-21.9%
Aksh Optifibre Ltd	-10.8%	-24.1%	-45.0%
GMM Pfaudler Ltd	-7.9%	2.6%	51.2%
Alicon Castalloy Ltd	-8.6%	-11.7%	-20.6%
Gufic Biosciences Ltd	-12.8%	-12.6%	-34.8%
Excel Industries Ltd	-25.0%	-31.5%	56.6%
Vesuvius India Ltd	-4.5%	3.7%	-16.8%
Munjal Showa Ltd	-7.8%	-7.1%	-33.7%
Bharat Rasayan Ltd	-17.7%	-23.4%	5.1%
Alkyl Amines Chemicals Ltd	-1.0%	16.3%	9.5%
Grauer and Weil (India) Ltd	-7.5%	-11.9%	-30.5%
Texmaco Rails & Engineering Ltd	-6.8%	-14.1%	-45.2%
Nagarjuna Agrichem Ltd	-0.9%	2.4%	-52.2%
Simplex Infrastructures Ltd	-22.0%	-33.7%	-73.9%
ITD Cementation India Ltd	0.2%	-0.3%	-44.4%
Westlife Development Ltd	-1.2%	18.7%	8.5%
Federal Mogul Goetze (India) Ltd	1.6%	23.0%	-6.4%
Dynamic Technologies Ltd	-9.7%	-7.0%	-26.4%
Hitech Corporation Ltd	-30.6%	26.8%	-35.3%
NRB Bearings Ltd	-7.0%	15.1%	17.8%
Kokuyo Camlin Ltd	-14.6%	-10.7%	-26.3%
Timken India Ltd	-6.7%	9.3%	-36.5%
Morganite Crucible (India) Ltd	0.1%	-16.2%	46.0%
Vardhman Special Steels Ltd	-14.0%	-23.7%	-43.8%
Zen Technologies Ltd	-2.8%	4.3%	-37.3%
KSB Ltd	-12.2%	-12.4%	-21.5%
Thermax Ltd	-2.3%	8.2%	-14.0%
Transpek Industry Ltd	-1.1%	-4.0%	10.3%
BASF India Ltd	-11.5%	-17.4%	-34.1%
Artson Engineering Ltd	-13.6%	-21.2%	-53.4%
Remsons Industries Ltd	16.3%	18.8%	45.3%
Snowman Logistics Ltd	-11.9%	-16.5%	-44.6%
Alembic Pharmaceuticals Ltd	0.9%	-2.3%	7.3%
SKF India Ltd	-0.2%	6.1%	6.9%
Indian Hume Pipe Co. Ltd	-4.3%	15.9%	56.1%
Engineers India Ltd	-8.8%	-1.8%	32.1%
Gulshan Polyols Ltd	-8.5%	7.0%	-27.3%
Nesco Ltd	-0.6%	1.6%	-26.1%
Castrol India Ltd	6.1%	11.0%	74.9%
Hikal Ltd	-3.8%	-1.6%	4.1%

The week that went by:

The Indian bourses commenced the week on a lower note. On Day 2 of trade as well, the markets opened lower. Amidst the slow movement across the other markets, the Indian bourses commenced the day on a strong note in the midweek session. Following the strong global cues, markets commenced the day in the positive. Ahead of the Union Budget, the markets opened on a strong note on the last day of trade.

Coverage Universe Valuations												
Company	Reco	Reco at	CMP	Tgt price	Upside	Mcap	EPS(x)		PE(x)		EV/EBITDA (x)	
		(Rs)	(Rs)	(Rs)	(%)	(Rs bn)	FY18	FY19E	FY18	FY19E	FY18	FY19E
Supreme Petrochem Ltd	BUY	77	200	500	150.0	19.3	6.6	6.4	30.2	31.3	9.2	11.3
Shanthi Gears Ltd	BUY	107	124	200	61.7	10.1	3.5	3.9	35.3	31.7	27.4	23.2
Hind Rectifiers Ltd	BUY	69	108	175	62.0	1.6	0.8	5.3	137.0	20.4	23.2	11.6
KCP Limited	BUY	71	86	200	133.5	11.0	7.0	7.0	12.3	12.3	9.4	8.3
Harita Seating System Ltd	BUY	266	480	1150	139.6	3.7	39.7	40.8	12.1	11.8	9.6	8.8
Hester Biosciences Ltd	BUY	565	1242	1750	40.9	10.6	35.9	39.8	34.6	31.2	10.3	9.3
The Hitech Gears Ltd	BUY	298	306	600	96.0	5.7	17.0	21.2	18.0	14.4	10.6	9.2
Bharat Bijlee Ltd	BUY	787	1110	2000	80.2	6.3	25.1	37.4	44.2	29.7	25.1	20.8
Triveni Turbines Ltd	BUY	92	105	150	42.7	0.3	3.0	3.1	35.3	33.8	22.1	21.1
Siemens Ltd	BUY	1128	1029	1350	31.2	366.3	53.0	53.6	19.4	19.2	25.9	25.5
Aksh Optifibre Ltd	BUY	15	22	45	105.5	3.6	1.4	2.7	15.3	8.0	8.0	5.0
GMM Pfaudler Ltd	BUY	332	1096	1300	18.6	16.0	19.4	26.7	56.5	41.1	34.4	25.2
Alicon Castalloy Ltd	BUY	288	540	1000	85.2	6.6	29.0	46.6	18.7	11.6	8.8	6.5
Gufic Biosciences Ltd	BUY	50	82	175	113.5	6.3	1.9	3.1	43.9	26.3	18.5	14.4
Excel Industries Ltd	BUY	380	1102	2200	99.7	14.2	58.1	112.2	19.0	9.8	11.3	6.0
Vesuvius India Ltd	BUY	1165	1140	1500	31.6	22.8	52.3	56.3	21.8	20.2	11.0	10.6
Munjali Showa Ltd	BUY	191	171	300	75.4	6.8	19.4	21.5	8.8	8.0	5.9	5.2
Bharat Rasayan Ltd	BUY	2747	4308	9000	108.9	18.1	227.3	257.5	19.0	16.7	12.4	10.8
Alkyl Amines Chemicals Ltd	BUY	391	764	850	11.3	15.6	31.5	38.9	24.2	19.6	14.7	11.2
Grauer and Weil (India) Ltd	BUY	45	47	100	114.4	10.6	2.7	3.0	17.5	15.8	11.0	10.3
Texmaco Rails & Engineering Ltd	BUY	91	56	150	169.8	20.2	0.5	1.8	121.3	30.7	55.2	16.2
Nagarjuna Agrichem Ltd	BUY	29	27	60	120.2	4.2	0.7	0.8	39.7	34.5	13.1	12.4
Simplex Infrastructures Ltd	BUY	540	157	700	346.3	20.2	30.5	31.8	5.1	4.9	6.2	5.8
ITD Cementation India Ltd	BUY	158	115	225	95.1	17.9	8.3	9.8	13.9	11.7	7.6	6.7
Westlife Development Ltd	BUY	266	380	425	11.9	59.1	0.8	1.6	457.9	239.4	78.6	55.2
Federal Mogul Goetze (India) Ltd	BUY	540	507	750	48.0	28.2	14.9	18.0	34.0	28.1	15.1	13.8
Dynatomic Technologies Ltd	BUY	2160	1340	3000	123.9	8.5	1.1	51.1	1180.3	26.2	11.0	8.4
Hitech Corporation Ltd	BUY	175	109	230	111.0	1.9	4.5	6.4	24.1	17.1	9.1	6.8
NRB Bearings Ltd	BUY	138	190	240	26.1	18.4	8.5	10.4	22.5	18.3	13.2	11.1
Kokuyo Camlin Ltd	BUY	132	97	175	81.3	9.7	1.0	1.5	98.6	65.6	28.8	22.9
Timken India Ltd	BUY	883	569	1200	111.1	38.7	13.5	19.0	42.0	30.0	23.6	15.1
Morganite Crucible (India) Ltd	BUY	1047	1467	2300	56.8	4.1	49.6	63.9	29.6	23.0	3.0	2.7
Vardhman Special Steels Ltd	BUY	151	85	225	164.7	3.0	7.0	8.7	12.1	9.8	8.3	7.0
Zen Technologies Ltd	BUY	115	75	170	126.4	5.8	-0.1	0.8	-1489.6	93.3	-307.4	55.6
KSB Ltd	BUY	820	685	1100	60.6	23.8	18.8	21.2	37.0	32.8	15.5	13.8
Thermax Ltd	BUY	1019	1104	1230	11	131.5	22.1	26.8	50.0	41.2	35.4	30.3
Transpek Industry Ltd	BUY	1547	1406	2000	42.2	7.9	47.3	76.0	29.7	18.5	18.3	13.8
BASF India Ltd	BUY	1954	1358	2500	84.1	58.8	20.3	43.5	66.9	31.2	19.9	15.7
Artson Engineering Ltd	BUY	64	43	95	119.1	1.6	0.4	2.3	115.7	18.9	68.6	20.9
Remsons Industries Ltd	BUY	104	128	155	21.2	0.7	6.0	7.9	21.2	16.1	12.5	9.7
Snowman Logistics Ltd	BUY	33	31	55	77.7	5.2	-0.2	0.1	-145.3	215.1	14.5	11.9
Alembic Pharmaceuticals Ltd	BUY	605	588	751	27.7	110.8	22.3	26.7	26.3	22.0	18.2	15.4
SKF India Ltd	BUY	1942	1897	2620	38.1	97.4	57.6	60.7	32.9	31.3	22.3	20.8

*Castrol, Vesuvius, ITD Cementation- Dec Ending | Siemens-Sept ending |

Recommendations adjusted as per Corporate Actions							
Company	Reco	Target	Corp Action		Adj Price	Adj Tgt Price	Appreciation
IHP Ltd	341	600	Bonus 1 : 1.		171	500	88%
Engineers India Ltd	211	200	Bonus 1 : 1.		105	250	10%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1.		78	110	-24%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2.		479	640	-7%
Castrol India Ltd	447	550	Bonus 1 : 1		223	200	-28%
Hikal Ltd	143	325	Bonus 1 : 2		95	216	59%

Coverage Universe Valuations												
Company	Reco	Adj Reco	CMP	Tgt price	Upside	Mcap	EPS(x)		PE(x)		EV/EBITDA (x)	
		(Rs)	(Rs)	(Rs)	(%)	(Rs bn)	FY18	FY19E	FY18	FY19E	FY18	FY19E
IHP Ltd	341	171	321	500	55.7	15.6	13.6	20.1	23.5	15.9	12.4	9.6
Engineers India Ltd	211	105	115	250	116.6	38.9	6.0	7.0	19.3	16.5	17.6	14.0
Gulshan Polyols Ltd	390	78	60	110	84.9	2.8	3.9	5.1	15.3	11.7	6.1	4.9
Nesco Ltd	2397	479	443	640	44.4	6.2	25.1	23.7	17.7	18.7	14.5	15.0
Castrol India Ltd	447	223	161	200	24.4	79.5	7.1	15.6	22.7	10.3	15.0	13.5
Hikal Ltd	143	95	151	216	42.8	12.4	9.4	10.1	16.1	15.0	10.0	9.0

Please Turn Over

Coverage Performance Sheet										
Company	Reco at	CLS	Target Price (Rs)							Appreciation
	(Rs)	(Rs)	Target 1	Target 2	Target 3	Target 4	Target 5	Target 6	Target 7	(%)
Supreme Petrochem Ltd	77	200	120	150	200	275	350	500	275	160%
Shanthi Gears Ltd	107	124	150	200	-	-	-	-	-	16%
Hind Rectifiers Ltd	69	108	110	140	175	-	-	-	-	57%
KCP Limited	71	86	105	150	200	-	-	-	-	21%
Harita Seating System Ltd	266	480	400	600	750	900	1150	-	-	80%
Hester Biosciences Ltd	565	1242	750	875	1150	1500	2200	1750	-	120%
The Hitech Gears Ltd	298	306	450	600	-	-	-	-	-	3%
Bharat Bijlee Ltd	787	1110	1100	1500	2000	-	-	-	-	41%
Triveni Turbines Ltd	92	105	135	150	-	-	-	-	-	14%
Siemens Ltd	1128	1029	1350	-	-	-	-	-	-	-9%
Aksh Optifibre Ltd	15	22	24	35	45	-	-	-	-	46%
GMM Pfaudler Ltd	332	1096	500	700	800	1000	1300	-	-	230%
Alicon Castalloy Ltd	288	540	450	600	750	1000	-	-	-	88%
Gufic Biosciences Ltd	50	82	75	100	140	175	-	-	-	64%
Excel Industries Ltd	380	1102	550	650	800	1100	1400	1800	2200	190%
Vesuvius India Ltd	1165	1140	1500	-	-	-	-	-	-	-2%
Munjal Showa Ltd	191	171	250	300	350	300	-	-	-	-10%
Bharat Rasayan Ltd	2747	4308	3500	4250	5000	6500	9000	-	-	57%
Alkyl Amines Chemicals Ltd	391	764	550	700	850	-	-	-	-	95%
Grauer and Weil (India) Ltd	45	47	65	80	100	-	-	-	-	4%
Texmaco Rails & Engineering Ltd	91	56	125	150	-	-	-	-	-	-39%
Nagarjuna Agrichem Ltd	29	27	45	60	75	60	-	-	-	-6%
Simplex Infrastructures Ltd	540	157	700	540	-	-	-	-	-	-71%
ITD Cementation India Ltd	158	115	225	-	-	-	-	-	-	-27%
Westlife Development Ltd	266	380	350	425	-	-	-	-	-	43%
Federal Mogul Goetze (India) Ltd	540	507	750	-	-	-	-	-	-	-6%
Dynamatic Technologies Ltd	2160	1340	3000	-	-	-	-	-	-	-38%
Hitech Corporation Ltd	175	109	230	-	-	-	-	-	-	-38%
NRB Bearings Ltd	138	190	200	240	-	-	-	-	-	38%
Kokuyo Camlin Ltd	132	97	175	-	-	-	-	-	-	-27%
Timken India Ltd	883	569	1200	-	-	-	-	-	-	-36%
Morganite Crucible (India) Ltd	1047	1467	1500	1750	2300	-	-	-	-	40%
Vardhman Special Steels Ltd	151	85	225	-	-	-	-	-	-	-44%
Zen Technologies Ltd	115	75	170	-	-	-	-	-	-	-35%
KSB Ltd	820	685	1100	-	-	-	-	-	-	-16%
Thermax Ltd	1019	1104	1230	-	-	-	-	-	-	8%
Transpek Industry Ltd	1547	1406	2000	-	-	-	-	-	-	-9%
BASF India Ltd	1954	1358	2500	-	-	-	-	-	-	-30.5%
Artson Engineering Ltd	64	43	95	-	-	-	-	-	-	-32%
Remsons Industries Ltd	104	128	155	-	-	-	-	-	-	23%
Snowman Logistics Ltd	33	31	55	-	-	-	-	-	-	-6%
Alembic Pharmaceuticals Ltd	605	588	751	-	-	-	-	-	-	-3%
SKF India Ltd	1942	1897	2620	-	-	-	-	-	-	-2%

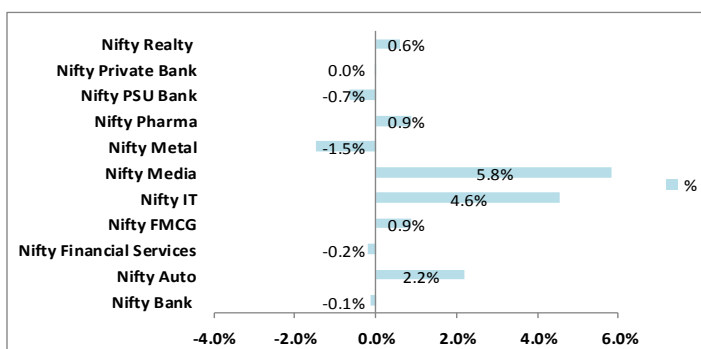
*Castrol, Vesuvius, ITD Cementation- Dec Ending | Siemens-Sept ending|

Recommendations adjusted as per Corporate Actions						
Company	Reco	Target	Corp Action	Adj Price	Adj Tgt Price	Appreciation
IHP Ltd	341	600	Bonus 1 : 1	171	500	88%
Engineers India Ltd	211	325	Bonus 1 : 1	105	250	10%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1	78	110	-24%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2	479	640	-7%
Castrol India Ltd	447	550	Bonus 1 : 1	223	200	-28%
Hikal Ltd	143	325	Bonus 1 : 2	95	216	59%

Coverage Performance Sheet										
Company	Reco at	CLS	Target Price (Rs)							Appreciation
	(Rs)	(Rs)	Target 1	Target 2	Target 3	Target 4	Target 5	Target 6	Target 7	(%)
IHP Ltd	341	321	500	600	500	-	-	-	-	88%
Engineers India Ltd	211	115	200	250	-	-	-	-	-	10%
Gulshan Polyols Ltd	390	60	110	-	-	-	-	-	-	-24%
Nesco Ltd	2397	443	640	-	-	-	-	-	-	-7%
Castrol India Ltd	223	161	275	250	200	-	-	-	-	-28%
Hikal Ltd	143	151	200	250	325	216	-	-	-	59%

Please Turn Over

Weekly Sectoral Gainers & Losers in (%)



TERM OF THE WEEK:

Protective Put: A risk management strategy wherein the investor is long on the stock and simultaneously purchases a put option for the same stock with a strike price that is near the underlying stock's current price. This strategy is mainly used when the investor is bullish on the stock but wants to protect against potential losses and uncertainty. The *maximum profit* is theoretically unlimited (when the stock price keeps rising, the long position would benefit and the put option expires worthless); whereas the *maximum loss* is limited to the purchase price of the underlying stock less the strike price of the put option and the premium paid on the same.

COVERAGE NEWS:

KSB Ltd: Revision of Credit Ratings:

ICRA Limited has upgraded the Long Term rating (Fund based) from [ICRA] AA (stable) to [ICRA] AA+ (stable) for the company. The Short Term rating (Fund based and non-fund based) have been reaffirmed at [ICRA] A1+.

Thermax Ltd: Manufacturing facility Update:

The company has inaugurated its new manufacturing facility at Sri City, Andhra Pradesh. This state-of-the-art production unit would manufacture wide range of vapour absorption machines comprising chillers, heat pumps and heaters in its first phase. The facility is constructed on a 40acre plot in the Domestic Tariff Zone at Sri City with an investment of Rs166cr (USD23mn) in Phase I and has a capacity of producing 400 machines per year.

Castrol India Ltd: Silvassa Plant Update:

The company is planning to invest Rs140cr at its Silvassa plant over the next two years in order to enhance its installed capacity by 50%.

RESULT UPDATE:

Westlife Development Ltd:

The net sales for the quarter came in at Rs3,707mn as against Rs3,052mn, growth of 21.5%. The Ebitda margins stood at 9.2% as compared to 7.9% in the same quarter last year. The net profit stood at Rs137mn as against Rs77mn, growth of 76.3%. The EPS stood at Rs0.9 for the quarter.

Outlook and Recommendations:

The company has reported the 14th quarter of positive same store sales majorly driven by higher footfalls which is pretty encouraging. With the continuous addition done across the product offerings keeping in mind the taste as well being friendly to the pocket, the company is well on track to garner and maintain its market share. We continue with our Buy recommendation on the stock with a target price of Rs425 over a 12 months perspective.

Rating Revision: KSB Ltd

New Manufacturing Facility

Expansion Plan: Castrol

On The Growth Track

RESULT UPDATE:

Hester Biosciences Ltd:

The net sales for the quarter under review came in at Rs416mn as compared to Rs319mn, growth of 30.2%. EBITDA margins improved to 44.2% from 39.5% in the same quarter last year. The net profit grew by 81% to Rs118mn in quarter ending December 2018 as compared to Rs65mn in the same quarter last year. This improvement in profitability is basically seen due to a better product mix, better inventory management and a reduction in the cost of production. EPS for the quarter ending December 2018 stood at Rs13.9 as compared to Rs7.6 in the corresponding quarter last year.

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under review. The company is still struggling at the plant at Nepal as the PPR tenders are not flowing as anticipated; however, the team is absolutely ready to roll out production once the tenders begin to flow. The current period appears to be a phase of consolidation for this plant as far as operations are concerned. This will compel the Management to explore various opportunities to increase the product portfolio and turnover of Hester India operations. The main market for Hester being the African continent, they intend to increase their geographic extent in the same. The management has been consistent in maintaining profitable product mix, managing the inventory quite well and aims to reduce the cost of production which is why we maintain our target price of Rs1750 with a perspective of 12 months.

Good Set Of Numbers

Alkyl Amines Chemicals Ltd:

The net sales for the quarter under review came in at Rs2,127mn as compared to Rs1,531mn in the same quarter last year; clocking a growth of 38.9%. EBITDA margins improved to 18.1% from 17.6% in the same quarter last year. The net profit grew by 45.2% to Rs221mn in quarter ending December 2018 as compared to Rs152mn in the same quarter last year. EPS for the quarter stood at Rs10.8.

Outlook and Recommendations:

The company continues with its trend of good set of numbers over the last few quarters both at the topline and bottomline. We expect this performance to continue for the company in context to the growth prospects of the industry as a whole. The capex should also gradually fructify into better numbers going forward. We continue with our Buy recommendation on the stock with a target price of Rs850 over a 12 months perspective.

Good Set Of Numbers

Castrol India Ltd:

For the quarter ending December 2018, the company has reported net sales of Rs10,334mn as compared to Rs9,703mn; growth of 6.5% as compared to the corresponding quarter last year. The EBITDA margins came in at 30.7% for the quarter under review as compared to 31.6% in the same quarter last year. On a comparative basis, the net profit stood at Rs2,119mn, as compared to Rs1,967mn in the same quarter last year. The EPS for the quarter stands at Rs2.14.

Outlook and Recommendations:

After a long time, Castrol India has entered in to a growth capex mode, to enhance the existing capacities at Silvassa plant. The company intends to take a leap ahead of the other competitors and prepare itself for the industry emission norms for BS-VI. This is the third consecutive year wherein Castrol India continued to stick to its strategy, key partnership, new launches, profitable volumes growth etc.; which has also helped them maintain the margins profile. We continue to maintain our target price of Rs200 over a horizon of 12 months.

On Expansion Mode

On The Growth Track

Better Margins

Increase In Borrowings

RESULT UPDATE:

GMM Pfaudler Ltd:

The net sales for the quarter under review came in at Rs1,056mn as compared to Rs792mn, growth of 33.2%. EBITDA margins for the quarter under review improved to 16.3% from 15.5% in the same quarter last year. The net profit grew by 48% to Rs110mn in quarter ending December 2018 as compared to Rs74mn in the same quarter last year. EPS for the quarter ending December 2018 stood at Rs7.5 as compared to Rs5 in the corresponding quarter last year. The Management has approved payment for third interim dividend at Rs1.00 per share equity shares of face value of Rs.2; the record date for the same is 7th February, 2019 and the date of payment is as on or before 20th February 2019.

Outlook and Recommendations:

The company continues on its path to growth with heavy order back logs, maintaining its market share as well as retaining all its major clients. As per the Management, they have a visibility for the upcoming quarters i.e. Q1FY20 and Q2FY20 via their strong order book. The company has capex (addition of a new gas furnace and adding capacity to produce more equivalent units) planned for the next 2-3 years, which will also help them increase their market share, fetch better operational efficiencies and also cater to the domestic demands. Even though, export is an icing to the cake for GMM Pfaudler, the demand in the domestic market itself is enormous, and this provides opportunity for all including competitors as well. The company has taken baby steps towards increasing the businesses related to Interseal and Normag (Interseal is a supplier of sealing technology and Normag is a supplier of laboratory glassware; which were added by the parent recently last year.) which also appears to be a growth trigger in times to come. Moreover, the Management did mention about ambitious plan for the year 2024 via addition of new technologies and new products. We continue to be bullish on this company with a target price of Rs1300 with a perspective of 12 months.

Zen Technologies Ltd:

The net sales for the quarter under review came in at Rs340mn as compared to Rs89mn in the corresponding quarter last year. EBITDA margins for the quarter under review came in at 46.2% as compared to 9% in the same quarter last year. The net profit grew to Rs121mn in quarter ending December 2018 as compared to Rs3mn in the same quarter last year. EPS for the quarter stood at Rs1.6.

Outlook and Recommendations:

As anticipated in our earlier updates and notes, the erratic behaviour of revenues reported by the company continues, but for a change in the quarter under review, the company has reported substantial net profits. As mentioned earlier, it is a matter of time, and as and when the orders get executed, cash flows will begin to turn positive. For the quarter ending December 2018, (partial) order execution has been a booster to the top-line which has directly flow down to the bottom line. With the addition of international subsidiaries, the company intends to extend its global reach which will be an add-on to help fetch orders from the Middle-East. As on 28 January 2019, the total order book on hand stands at Rs3153.2mn, which provides vision for future revenues and hence we maintain our target price of Rs170 with a horizon of 12 months.

ECONOMY:

India Inc. foreign borrowing trebles to USD3.81bn in December

According to RBI's data, the foreign borrowings of the Indian companies have nearly trebled from the year ago period to USD3.81bn in December, 2018. Of the total fundraising during last month, USD3.77bn was mobilised through external commercial borrowings (ECBs) in the foreign markets, while USD37.04mn was through rupee-denominated bonds (RDBs). The domestic firms had raised USD1.31bn through the ECB route in December, 2017.

Our comments:

Among the major borrowers, Indian Oil Corporation raised USD1.3bn as Working Capital loan; Bharat Oman Refineries Ltd USD125mn for the refinancing of earlier ECB and Power Grid Corporation of India Ltd USD195.83mn for power projects.

*Penalty To The
Manufacturers*

INDUSTRY:

Govt. plans to make manufacturers pay for entire batch if single drug found substandard

Even if a single drug in a batch is found to be substandard, the manufacturer will have to pay a penalty equivalent to the MRP of the entire batch that is shipped, according to a new government proposal. The new provision proposed by the Central Drugs Standard Control Organisation (CDSCO) for addition in the existing Drug and Cosmetics Act, will apply even if the packaging is found to be faulty. The provision will be applicable if the drug is found substandard/broken/bottle containing the drug in liquid form is damaged or leaking.

Our comments:

Even if one tablet in a batch fails in any of the 45 tests under the Drug and Cosmetics Act and is in turn declared substandard, then instead of initiating a legal action and dragging the manufacturer to the court, the new proposal allows to penalise the manufacturer by making a payment of an amount equivalent to the MRP of the particular batch.

COMPANY:

Natco dares Novartis with new heart drug

The company has launched in India, valsartan-sacubitril, a drug that is used for heart ailments under its brand name Valsac. In doing so, the home-grown drug maker has set a stage for patent challenge from Swiss maker Novartis, which is rapidly building on Vymada, its patented brand in India. As per a press release, Natco Pharma would price the tablets in an affordable manner (in 50mg and 100mg strengths) at an MRP of Rs45 and Rs55 per tablet. On the other hand, Novartis sells the same drug with a brand name Entresto in the US and other major markets; the price of a pack size of 14 tablets of Vymada (24/26mg) at Rs977.50. Lupin and Cipla are the other two drug makers selling the same drug at the same price.

Our comments:

Novartis will most likely file a patent challenge case against Natco's launch of a generic version of valsartan-sacubitril and is currently evaluating its options. The earliest patent expiry is expected to be in 2023.

*Patent Challenge For
Natco*

Strides to exit investment in Arrow for AUD394mn

The company has decided to exit its investment in Arrow Pharmaceuticals for AUD394mn (over Rs2,000cr). The company's step-down subsidiary Strides Pharma Global Pte Ltd has approved the sale of its entire Australian business to Arrow-Apotex merged entity. Further as per the company, its step-down subsidiary Strides Pharma Inc. has entered into an arrangement to acquire 100% stake in the US-based generics company Vensun Pharmaceuticals Inc.

Our comments:

Strides Pharma would receive AUD300mn as an upfront payment at the closure of the transaction and the balance would be deferred via a secured instrument.

Strides Investment Exit

L&T Hydrocarbon Engineering won two orders from IOC

L&T Hydrocarbon Engineering, a wholly owned subsidiary of L&T has bagged two significant orders from Indian Oil Corporation (IOC). The engineering, procurement, construction and commissioning (EPCC) contracts are for setting up Mono Ethylene Glycol (MEG) Plant and Ethylene Recovery Unit (ERU) under LSTK-1 Package, associated Offsite and utilities under LSTK-2 Package at IOC Paradip Refinery (Odisha). MEG plant is licensed by Scientific Design with a capacity of 357 KTA while ERU is licensed by Lummus Technology (now McDermott) with a capacity of 180 KTA.

Our comments:

The two projects are awarded through international competitive bidding on LumpSum Turnkey (LSTK) basis and shall be executed concurrently.

Orders For L&T

*Acquisition Of IDFCs
Business*

COMPANY:

Investcorp acquires IDFC's PE, realty investment management business

Investcorp (managing the alternative investment products), has begun its operations in India by acquiring private equity and real estate investment management business of IDFC Alternatives. This transaction would mark the entry of Investcorp in India and it is in line with the firm's long term strategy of expanding the investment footprint and client franchise on a global basis. The PE business currently has two active funds and the team focuses on investing in consumption driven businesses within the healthcare, consumer products, financial services, media and telecom sectors.

Our comments:

The said acquisition has already been approved by SEBI and is expected to close on 31st January, 2019.

OIL's Bond Issue

OIL raises USD550mn through overseas bonds issue

The company has raised USD550mn debt via an overseas bond issue, having a fixed rate of 5.12% with a 10 year tenor. As per the company, the issue was oversubscribed more than 4.5 times and had a response from most of the prime investors in Asia, Europe and the Middle East. These bonds are listed on the Singapore and International Securities Market of London Stock Exchange (ISM) and the company is the first oil and gas company from India to be listed on ISM.

Our comments:

The listing will enable the company to reach out to an altogether new investor base and thereby lead to investor diversification as a part of its on-going efforts on these lines.

WEEKLY REPORT

DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products. PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH000000859. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research Analyst has served as officer, director or employee of the subject company: NO

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution publication, availability or use would be contrary to law or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. PSBPL will not treat recipients as customers by virtue of their receiving this report.

Registered Office Address:
Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Ind Estate,
New Link Rd, Andheri West,
Mumbai-400053;
www.progressiveshares.com
Contact No.:022-40777500.

Compliance Officer:
Mr. Shyam Agrawal,
Email Id: compliance@progressiveshares.com,
Contact No.:022-40777500.