

THE WEEKLY WRAP-UP

01st June 2018

DOMESTIC:

- Sun Pharma warns US pricing pressure to hit 2019 profit
- NALCO to invest Rs20,000cr on new projects, expansion
- L&T Construction bags orders worth Rs5,704cr
- Zydus Cadila gets USFDA nod for skin ointment, stomach ailment drug as well as Prostate condition treatment drug
- Bayer wins U.S. approval for Monsanto deal
- McLeod Russel plans share buyback, to hive-off some tea estates
- Manpasand setting up Rs150cr manufacturing plant in Odisha
- Infosys concludes acquisition of US based Wongdoody at USD75mn
- SBI hikes fixed deposits rates by up to 0.25%
- Nestle to cut 500 jobs in biggest Swiss restructuring plan
- New India Ass looks to lower health-loss ratio to 95%
- Lupin launches Solosec 2g oral granules in US
- NMDC, NLC to ink pact with Aussie ECT for USD26mn R&D project
- Jamna Auto signs technology transfer agreement with UK based Tinsley Bridge
- Orient Cement scraps deal to buy two cement assets from Jaypee Group
- PVR mulls over acquisitions; plans to raise funds via NCDs
- Granules India's US arm launches generic Methergine tablets in US market
- Tata Chemicals completes sale of Phosphatic fertilisers' biz
- M&M signs two MoUs with Maharashtra government for 1000 EVs
- Tata Motors signs a MoU with the Government of Maharashtra to promote e-mobility
- Infosys launches new Microsoft Cloud Business Unit
- PNC Infratech emerges as the lowest bidder for Nagpur-Mumbai Expressway project
- Sterling Biotech case: ED attaches Rs4,700cr assets
- Granules receives EIR for Hyderabad unit

ECONOMY:

- CII pegs India's growth between 7.3-7.7% riding on 'structural reforms'
- India's exports may reach USD350bn this fiscal: FIEO
- India clocks world's fastest GDP growth in Q4
- April eight core industries growth at 4.7% vs. 4.4% a year ago

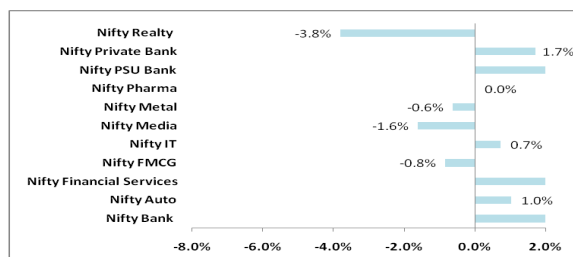
INDUSTRY:

- Rural revival to boost FMCG growth in Q1
- Cement output grows 6.3% to 280 MT in FY18: ICRA
- Telecom players seek roll-out of rules for 'ease of doing business'

Price Performance (%)

Company	1M	3M	12M
Supreme Petrochem Ltd	-3.3%	-17.1%	-26.0%
Shanthi Gears Ltd	-5.4%	-8.3%	2.4%
Hind Rectifiers Ltd	-9.3%	-2.1%	52.5%
KCP Ltd	-14.9%	-9.4%	5.2%
Harita Seating System Ltd	-4.5%	-6.6%	35.8%
Hester Biosciences Ltd	-10.5%	-18.7%	58.3%
The Hi-Tech Gears Ltd	-4.0%	2.2%	41.3%
Bharat Bijlee Ltd	-21.1%	-22.9%	24.3%
Triveni Turbines Ltd	2.4%	-6.8%	-19.0%
Siemens Ltd	-9.5%	-11.0%	-24.3%
Hikal Ltd	-5.4%	-7.2%	12.7%
Aksh Optifibre Ltd	-3.2%	-9.1%	75.9%
GMM Pfaudler Ltd	6.0%	14.2%	45.4%
Alicon Castalloy Ltd	-2.0%	2.2%	29.0%
Gufic Biosciences Ltd	-1.9%	13.5%	101.2%
Excel Industries Ltd	-3.1%	61.8%	271.2%
Vesuvius India Ltd	-4.5%	5.3%	2.1%
Munjial Showa Ltd	2.7%	1.9%	25.2%
Bharat Rasayan Ltd	-18.6%	26.0%	93.0%
Alkyl Amines Chemicals Ltd	-2.1%	5.2%	73.2%
Grauer and Weil (India) Ltd	-10.9%	-11.9%	43.6%
Texmaco Rails & Engineering Ltd	-15.3%	-24.5%	-22.6%
Nagarjuna Agrichem Ltd	-30.0%	-33.1%	0.3%
Simplex Infrastructures Ltd	-18.2%	-14.7%	63.5%
ITD Cementation India Ltd	-4.6%	-13.5%	-10.1%
Westlife Development Ltd	-1.6%	14.2%	82.8%
Federal Mogul Goetze (India) Ltd	-8.5%	-14.4%	-28.2%
Dynamatic Technologies Ltd	-4.5%	-7.5%	-30.5%
Hitech Corporation Ltd	-4.5%	-3.2%	-25.3%
NRB Bearings Ltd	-2.9%	3.1%	41.4%
Kokuyo Camlin Ltd	-15.6%	-17.7%	4.1%
Timken India Ltd	1.9%	-8.8%	4.9%
Bigbloc Construction Ltd	-31.3%	-30.1%	30.4%
Morganite Crucible (India) Ltd	0.1%	43.6%	70.7%
Vardhman Special Steels Ltd	-7.8%	-19.8%	27.5%
Zen Technologies Ltd	-15.6%	-27.8%	75.1%
Indian Hume Pipe Co. Ltd	-17.8%	-30.2%	29.4%
Engineers India Ltd	-13.1%	-21.8%	68.3%
TRIL	-18.8%	-22.5%	-35.4%
Gulshan Polyols Ltd	-11.8%	-20.4%	-27.7%
Nesco Limited	-5.0%	-7.3%	8.7%
Castrol India Ltd	-15.0%	69.2%	-19.4%

Weekly Sectoral Gainers & Losers in (%)



The week that went by:

With the correction in the oil prices and recovery in rupee, the markets opened the week on a positive note. After the recent run up, the markets opened lower due to profit booking. The indices opened negative, tracking the weakness in global stocks on political turmoil in Italy. The expiry day was started on a positive note tracking the global peers. The markets opened on a flat note in spite of the better than expected Q4 GDP data.

Coverage Universe Valuations												
Company	Reco	Reco at	CMP	Tgt price	Upside	Mcap	EPS		PE(x)		EV/EBITDA (x)	
		(Rs)	(Rs)	(Rs)	(%)	(Rs bn)	FY17	FY18E	FY17	FY18E	FY17	FY18E
Supreme Petrochem Ltd	BUY	77	300	500	66.4	29.0	18.6	14.9	16.2	20.1	9.4	11.8
Shanthi Gears Ltd	BUY	107	132	200	51.4	10.8	2.8	3.1	48.0	42.8	30.3	26.6
Hind Rectifiers Ltd	BUY	69	132	175	32.6	2.0	-1.1	0.3	-124.5	385.2	49.2	34.7
KCP Limited	BUY	71	115	200	73.8	14.8	2.8	6.3	41.5	18.3	12.4	10.6
Harita Seating System Ltd	BUY	266	945	1150	21.7	7.3	32.4	34.5	29.1	27.4	26.6	22.3
Hester Biosciences Ltd	BUY	565	1382	2200	59.2	11.8	29.2	34.2	47.3	46.6	29.3	24.9
The Hitech Gears Ltd	BUY	298	455	600	31.9	8.5	10.9	16.5	41.9	28.1	17.9	14.8
Bharat Bijlee Ltd	BUY	787	1333	2000	50.0	7.5	34.7	41.4	38.4	32.2	50.3	25.5
Triveni Turbines Ltd	BUY	92	110	150	36.4	0.4	3.5	2.4	31.2	45.1	22.2	27.2
Siemens Ltd	BUY	1128	1027	1350	31.5	365.5	9.1	10.0	113.0	102.9	77.1	68.2
Hikal Ltd	BUY	143	234	325	38.7	19.3	8.1	8.7	28.8	27.0	11.9	10.9
Aksh Optifibre Ltd	BUY	15	34	45	34.3	5.5	13.9	1.5	1.7	15.5	6.1	9.2
GMM Pfaunder Ltd	BUY	332	821	1000	21.8	12.0	19.3	20.8	42.5	39.5	29.2	26.7
Alicon Castalloy Ltd	BUY	288	639	750	17.4	7.9	21.4	24.1	29.9	26.5	11.4	9.1
Gufic Biosciences Ltd	BUY	50	134	140	4.8	10.3	1.6	2.1	85.7	64.2	40.1	29.8
Excel Industries Ltd	BUY	380	1375	1800	30.9	17.8	9.8	39.7	140.9	34.7	42.8	20.2
Vesuvius India Ltd	BUY	1165	1261	1500	19.0	25.2	49.0	62.7	25.7	20.1	14.0	11.3
Munjal Showa Ltd	BUY	191	233	350	50.3	9.3	14.2	14.6	16.4	16.0	9.8	9.4
Bharat Rasayan Ltd	BUY	2747	5715	6500	13.7	24.0	128.9	189.3	44.3	30.2	23.0	16.7
Alkyl Amines Chemicals Ltd	BUY	391	666	850	27.6	13.6	24.3	27.0	27.4	24.7	15.9	16.0
Grauer and Weil (India) Ltd	BUY	45	57	100	75.6	12.9	2.3	2.3	25.2	24.3	14.2	13.8
Texmaco Rails & Engineering Ltd	BUY	91	71	150	111.6	20.2	1.5	2.7	46.3	26.4	31.9	19.8
Nagarjuna Agrichem Ltd	BUY	29	29	75	157.7	4.5	1.6	0.9	18.0	33.6	10.6	9.8
Simplex Infrastructures Ltd	BUY	540	484	700	44.6	20.2	24.3	29.6	19.9	16.4	8.2	7.5
ITD Cementation India Ltd	BUY	158	155	225	44.8	24.1	3.1	4.8	50.1	32.4	13.2	11.9
Westlife Development Ltd	BUY	266	384	425	10.7	59.7	-0.8	0.3	-491.9	1124.1	130.9	79.0
Federal Mogul Goetze (India) Ltd	BUY	540	425	750	76.6	23.6	12.9	15.7	32.8	27.0	13.6	12.4
Dynamatic Technologies Ltd	BUY	2160	1800	3000	66.7	11.4	23.0	-9.3	46.2	-514.2	10.2	13.0
Hitech Corporation Ltd	BUY	175	149	230	54.4	2.6	6.9	3.5	21.6	42.6	8.4	9.3
NRB Bearings Ltd	BUY	138	168	200	19.4	16.2	5.2	5.5	32.1	30.4	17.7	17.0
Kokuyo Camlin Ltd	BUY	132	100	175	75.9	10.0	0.1	0.5	1051.4	190.2	49.7	36.5
Timken India Ltd	BUY	883	709	1200	69.3	48.2	14.3	15.1	49.6	46.8	30.4	26.5
Bigbloc Construction Ltd	BUY	120	117	200	70.4	1.7	2.2	2.7	54.3	42.8	18.3	15.9
Morganite Crucible (India) Ltd	BUY	1047	1451	1500	3.4	4.1	47.2	38.2	30.7	37.9	16.5	21.8
Vardhman Special Steels Ltd	BUY	151	130	225	73.1	4.6	10.3	6.4	12.6	20.2	11.9	11.4
Zen Technologies Ltd	BUY	115	100	170	70.0	7.7	0.9	0.2	107.7	469.4	65.7	178.9

*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	600	62%
Engineers India Ltd	211	200	Bonus 1 : 1.	106	250	28%
Transformers and Rectifiers (India) Ltd	300	450	Stock Split from Rs.FV 10 to Rs.FV 1.	30	40	-20%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1.	78	110	-19%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2.	479	640	14%
Castrol India Ltd	447	550	Bonus 1 : 1	223	275	-24%

Coverage Universe Valuations												
Company	Reco	Adj Reco	CMP	Tgt price	Upside	Mcap	EPS		PE(x)		EV/EBITDA (x)	
		(Rs)	(Rs)	(Rs)	(%)	(Rs bn)	FY17	FY18E	FY17	FY18E	FY17	FY18E
IHP Ltd	BUY	341	278	600	116.1	13.5	20.4	14.3	13.6	19.4	7.5	10.1
Engineers India Ltd	BUY	211	134	250	86.1	45.3	4.8	5.0	27.9	26.8	27.6	29.8
Transformers and Rectifiers (India) Ltd	BUY	300	24	40	67.4	0.3	13.9	1.5	1.7	15.5	6.1	9.2
Gulshan Polyols Ltd	BUY	390	63	110	74.9	2.9	4.6	6.4	13.7	9.8	17.5	15.5
Nesco Ltd	BUY	2397	548	640	16.8	7.7	120.2	137.5	4.6	4.0	18.0	15.0
Castrol India Ltd	BUY	223	171	275	61.2	84.4	13.6	14.1	12.5	12.1	7.5	7.1

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	300	120	150	200	275	350	500	-	290%
Shanthi Gears Ltd	107	132	150	200	-	-	-	-	-	23%
Hind Rectifiers Ltd	69	132	110	140	175	-	-	-	-	91%
KCP Limited	71	115	105	150	200	-	-	-	-	62%
Harita Seating System Ltd	266	945	400	600	750	900	1150	-	-	255%
Hester Biosciences Ltd	565	1382	750	875	1150	1500	1750	2200	-	145%
The Hitech Gears Ltd	298	455	450	600	-	-	-	-	-	53%
Bharat Bijlee Ltd	787	1333	1100	1500	2000	-	-	-	-	69%
Triveni Turbines Ltd	92	110	135	150	-	-	-	-	-	20%
Siemens Ltd	1128	1027	1350	-	-	-	-	-	-	-9%
Hikal Ltd	143	234	200	250	325	-	-	-	-	64%
Aksh Optifibre Ltd	15	34	24	35	45	-	-	-	-	123%
GMM Pfäudler Ltd	332	821	500	700	800	1000	-	-	-	147%
Alicon Castalloy Ltd	288	639	450	600	750	-	-	-	-	122%
Gufic Biosciences Ltd	50	133.6	75	100	140	-	-	-	-	167%
Excel Industries Ltd	380	1375	550	650	800	1100	1400	1800	-	262%
Vesuvius India Ltd	1165	1261	1500	-	-	-	-	-	-	8%
Munjal Showa Ltd	191	232.8	250	300	350	-	-	-	-	22%
Bharat Rasayan Ltd	2747	5715	3500	4250	5000	6500	-	-	-	108%
Alkyl Amines Chemicals Ltd	391	666	550	700	850	-	-	-	-	70%
Grauer and Weil (India) Ltd	45	56.95	65	80	100	-	-	-	-	27%
Texmaco Rails & Engineering Ltd	91	70.9	125	150	-	-	-	-	-	-22%
Nagarjuna Agrichem Ltd	29	29.1	45	60	75	-	-	-	-	0%
Simplex Infrastructures Ltd	540	484	700	-	-	-	-	-	-	-10%
ITD Cementation India Ltd	158	155.4	225	-	-	-	-	-	-	-2%
Westlife Development Ltd	266	383.8	350	425	-	-	-	-	-	44%
Federal Mogul Goetze (India) Ltd	540	424.8	750	-	-	-	-	-	-	-21%
Dynamatic Technologies Ltd	2160	1800	3000	-	-	-	-	-	-	-17%
Hitech Corporation Ltd	175	149	230	-	-	-	-	-	-	-15%
NRB Bearings Ltd	138	167.5	200	-	-	-	-	-	-	21%
Kokuyo Camlin Ltd	132	99.5	175	-	-	-	-	-	-	-25%
Timken India Ltd	883	708.9	1200	-	-	-	-	-	-	-20%
Bigbloc Construction Ltd	120	117.4	160	200	-	-	-	-	-	-2%
Morganite Crucible (India) Ltd	1047	1451	1500	1750	-	-	-	-	-	39%
Vardhman Special Steels Ltd	151	130	225	-	-	-	-	-	-	-14%
Zen Technologies Ltd	115	100	170	-	-	-	-	-	-	-13%

*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	600	62%
Engineers India Ltd	211	200	Bonus 1 : 1	106	250	28%
Transformers and Rectifiers (India) Ltd	300	450	Stock Split from Rs.FV 10 to Rs.FV 1	30	55	-20%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1	78	110	-19%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2	479	640	14%
Castrol India Ltd	447	550	Bonus 1 : 1	223	275	-24%

Calls Closed							
Company	Reco	Reco at	Closed price	Company	Reco	Reco at	Closed price
		(Rs)	(Rs)			(Rs)	(Rs)
KEC International Ltd	BUY	140	240	Mukand Engineers Ltd	BUY	33	56
Rajoo Engineers Ltd	BUY	15	30	Camlin Fine Chemicals Ltd	BUY	111	87
Omkar Speciality Chemicals Ltd	BUY	162	90	West Coast Paper Mills Ltd	BUY	67	187
Navneet Education Ltd	BUY	96	159	GEE Limited	BUY	33	44.5
MM Forgings Limited	BUY	607	856	Sadhana Nitrochem Limited	BUY	67	128
Cupid Limited	BUY	286	351	Tamil Nadu Newsprint & Papers Ltd	BUY	224	421
Rallis India Limited	BUY	181	224	Premier Explosives	BUY	350	322

*Omkar: Spin off

Target Revision

Coverage News:

Target revision: Excel Industries Limited:

After reviewing the Q4 and FY18 results, we continue to be optimistic on the performance of the company. The target has also been breached (Rs1400) and we further revise it to Rs1800 over a 12 months horizon.

Result Update:

Zen Technologies Limited:

The net sales for the quarter under review came in at Rs134mn as compared to Rs179mn in the same period last year, de-growth of 25%. The Ebitda margins for the quarter came in at 3% as compared to 10.6% in the same quarter last year. The net profit for the quarter ending March 2018 came in at Rs35mn as compared to Rs11mn. For the full year, the net sales clocked de-grew by 37% at Rs390mn as compared to Rs620mn while total net loss came in at Rs4mn as compared to a profit of Rs74. This is basically due to inconsistency in the flow of orders. The EPS for the quarter is Rs0.5.

Outlook and Recommendations:

As on 26th May, 2018, the company has a very strong order book, which is in the tune of about Rs3499.7mn which includes AMCs worth Rs1243.3mn. Moreover; AMCs act as a cushion to provide consistent cash flows. The strong order book provides visibility for growth for the next 6-8 quarters. One thing to bear in mind is, post the initial expenses on a new project/order or any repeat orders; anything earned beyond the breakeven point flows directly to the bottom-line. Considering the robust order book, we maintain our target of Rs170 over a horizon of 12 months.

Excel Industries Limited:

The net sales for the quarter under review came in at Rs1,830mn as compared to Rs1,261mn in the same period last year, growth of 45%. The Ebitda margins for the quarter under review came in at 30% as compared to 13.7% in the same quarter last year. The net profit for the quarter ending March 2018 came in at Rs354mn as compared to Rs114mn. For the full year, the net sales clocked a growth 21.9% where the net profits earned stood at Rs731mn as compared to Rs211mn. The Board of Directors of the company has recommended a dividend of 250% i.e. Rs12.5 per equity share of face value of Rs5 each for the financial year ended 31 March 2018, which is subject to the approval by the shareholders.

Outlook and Recommendations:

Excel Industries has reported good set of numbers. The company is clearly benefited due to the environmental concerns in China. With the interest burden which is gradually reducing for the company, the company has increased the dividend pay-out for the shareholders which indicate good and rewarding operational efficiencies. We have already revised the target price 5 times since our initiation on the stock at price of Rs380 on 16th January 2017; we further revise the target price to Rs1800 over a horizon of 12 months.

Federal Mogul Goetze (India) Limited:

The net sales for the quarter under reference were flat at Rs3,278mn as against Rs3,267mn. There was a slight improvement seen in the Ebitda margins at 16.3% from the 16.1% reported in the same quarter last year. The net profit reported a drop of 6.9% during the quarter at Rs222m as compared to Rs238mn in the comparative quarter. This was majorly due to the increase in the taxes for the quarter. For the full year, the net sales reported a 3.8% increase to Rs13,039mn. The year closed with margins at 14.7%. The net profits reported an increase of 11.9% to Rs829mn. The EPS for the quarter stands at Rs3.99

Outlook and Recommendations:

The company has reported a flat quarter, but ended the year on a decent note, although slightly missed out on our estimates. We still feel that the company is an apt candidate for the opportunity ahead from the growth of the auto component space. We had initiated a BUY on the stock with a target price of Rs750 over a 12 months horizon and maintain the same.

Not a great quarter

Good set of numbers reported

Flat quarter for the company

Flat quarter to end the year

Result Update:

KCP Limited:

The net sales during the quarter clocked a growth of 19.7% at Rs2,740mn as compared to Rs2,290mn in the same quarter last year. The Ebidta margins came in at 14% for the quarter. The net profit dropped by 25.6% to Rs67mn as against Rs90mn in the comparative quarter. This was mainly due to the extra ordinary items reported during the quarter. Electricity Duty on captive power generation levied by the State amounting to Rs87mn was contested by the Company in Hon'ble Supreme Court. Hon'ble Supreme Court through interim order directed the Company to pay part amount of Rs52.3mn. Pursuant to this; the Company has provided Rs87mn and reported the same as an Exceptional Item, pending the final decision of the Hon'ble Supreme Court. The EPS for the quarter is Rs0.52. For the full year, the company reported sales growth of 11.7% with 15% Ebidta margins. The profits came in at Rs813mn as against Rs341mn in spite of the provisioning in the extra ordinary items but inflated due to increase in other income for the year. On the segmental front, the engineering segment of the company clocked de-growth of 35%, while the cement sector grew by 8% the power segment clocked growth of 4%. The hotels segment clocked revenues of Rs43mn during the quarter as compared to Rs38mn, growth of 12%.

Outlook and Recommendations:

The company has reported flat results for the quarter when considering the extra ordinary items which led to drop in the PAT levels. We had initiated a BUY on the stock with a target price of Rs200 and maintain the same.

Good set of numbers

Engineers India Limited:

The net sales for the quarter under reference is Rs5,097mn as against Rs4,429mn in the same quarter last year, growth of 15.1%. The Ebidta margins stood at 11.3%. The net profit clocked growth of 4.4% to Rs689mn as against Rs660mn in the comparative quarter. For the full year, the net sales grew by 23.4% to Rs17,876mn as against Rs14,486mn. The net profits grew by 16.3% for the year. On the segmental front for Q4FY18, the consultancy segment de-grew by 4% while the turnkey projects grew by 87%. During the year, pursuant to Public Announcement published on June 17, 2017 and letter of offer dated July 17, 2017, the company has bought back its 4,19,61,780 number of Equity shares of Face value of Rs5 each fully paid up, at a buyback price of Rs157 per share through tender offer route under Stock Exchange Mechanism and extinguished these shares on August 16, 2017. Post buyback the company's equity share capital as on 31 March 2018 is Rs31,595.58lakhs comprising of fully paid up 63,19,11,420 equity share having face value of Rs5/- each.

Outlook and Recommendations:

The company has reported good set of numbers on expected lines for the quarter as well as closed the year with good set of numbers. We maintain our stance on the company with a target price of Rs250 (post the bonus) and maintain the same.

Well on track for growth

Gufic Biosciences Limited:

The net sales for the quarter stand at Rs774mn as against Rs669mn in the same quarter last year. The Ebidta margins improved to 11.7% as against 5% in the same quarter last year. The net profits clocked growth of 275% to Rs30mn as against Rs8mn in the comparative quarter. The EPS for the quarter stands at Rs0.39. For the full year, the net sales clocked growth of 16.8%. The Ebidta margins stood at 13%. The net profits clocked a growth of 77.6%. On the segmental front for the quarter, the Pharma segment clocked 8% growth while the consumer segment clocked sales of Rs57mn.

Outlook and Recommendations:

The company has reported good set of numbers when compared on y-o-y. The full year numbers have also been decent, however slightly lower than our estimates though. The company however, is on track with its growth plans. We maintain our positive outlook on the company with the target price of Rs175 over a 12 months horizon.

The right SIP candidate

Dynamic Technologies Limited:

For the quarter ending March 2018, the company has reported net sales of Rs3,911mn as compared to Rs3,783mn, growth of 3.4% as compared to the corresponding quarter last year. The Ebitda margins came in at 11.5% for the quarter under review as compared to 10.3% in the same quarter last year. On a comparative basis, the net profit stood at Rs89mn, as compared to a loss of Rs75mn in the same quarter last year. (Q4FY17 also included an exceptional item of Rs101mn). The EPS for the quarter stands at Rs14. For the full year, the net sales were recorded at Rs14,084mn as compared to Rs15,392mn.

Outlook and Recommendations:

Dynamic is one of the world leaders in producing hydraulic gear pumps. The company is also known for its world class manufacturing in the domain of aerospace. The company has recently signed a Memorandum of Understanding with Daher Aerospace, (world renowned aerospace company from France) which will help explore possibilities to add potential value through collaborated efforts. The segment for automotive and aluminium castings has remained more or less flat for the entire year when compared to the previous year. The company had faced two very lean quarters for the full year; however, they have been maintaining the Ebitda margins. Debt (both long term and short term) is a major issue for the company. This issue to an extent can be resolved once the demerger of auto division of the company from the other segments sails through. We continue to be bullish on this segment as well. This stock is a pure long term futuristic pick and will not please short term traders. We continue to advocate SIP in this stock for a target price of Rs3,000 for a horizon of 12 months.

Transformers and Rectifiers (India) Ltd:

The net sales for the quarter under review came in at Rs2,445mn as compared to Rs1,882mn in the same period last year, growth of 29%. The Ebitda margins for the quarter ending March 2018 came in at 8.6% as compared to 10.1% in the same quarter last year. The net profit for the quarter ending March 2018 came in at Rs76mn as compared to Rs83mn. The EPS for the quarter is Rs0.6. The company had faced two lean quarters during the year under review i.e. Q1FY18 and Q3FY18. For the full year, the net sales clocked degrew by 20% at Rs6,932mn as compared to Rs8,699mn. Net profit came in at Rs44mn as compared to Rs219mn in the previous year.

Outlook and Recommendations:

For the full year, the company has posted slightly disappointing numbers, which have not lived up to our expectations. However, with more or less similar kind of order book in the range of Rs8,940mn, management has ambitious hopes on exports business as well as in the segment for renewables. The segment of electric arc furnace transformers has a good scope for growth. The company has been successfully executing orders for transformers of higher order (MVA). Management believes the current year was a learning curve and faced a lot of challenges. Inorder to take a call on the investment, one will have to wait for the next quarter's performance. We had recommended partial profit booking at Rs45; however, we currently maintain our target price to Rs40 for a horizon of 12 months.

Munjal Showa Limited:

The net sales for the quarter under review came in at Rs4,192mn as compared to Rs3,572mn, growth of 17.4%. The Ebitda margins came in at 8.8% as compared to 6.4% in the same quarter last year. The net profit for the quarter under review grew to Rs287mn from Rs124mn. For the full year, the net sales clocked a growth of 1.6% while the net profit grew by 27% at Rs775mn as compared to Rs607mn in FY17. The EPS for the quarter is Rs7.2 as compared to Rs3.1 while for the full year EPS stands at Rs19.4 as compared to Rs15.2 in FY17.

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under review. Also with respect to the full year numbers, the results are much better than our expectations. GST which is supposed to be a game changer has started playing its spell on the company. The company has reported better than expected operational efficiencies. With the long term conviction in the stock, we maintain our target price of Rs300 over a 12 months horizon.

Disappointing numbers

Better than expected results

*Operational efficiency
improvement continues*

Hind Rectifiers limited:

The net sales for the quarter reported a growth of 69.5% to Rs544mn as against Rs321mn in the same quarter last year. The Ebitda margins have improved to 11.6% for the quarter under reference as against 9.5% in same quarter last year. There is profit of Rs31.9mn as compared to loss of Rs9.8mn in the comparative quarter. The EPS for the quarter is Rs2.15. For the full year the net sales clocked growth of 12.7% while the Ebitda margins stood at 7.8%. It reported net profit of Rs13mn against a loss of Rs71mn. On the segmental front, for the quarter, the electronic component segment de-grew by 342% in the quarter under review while the equipment's segment grew by 41% during the quarter under review.

Outlook and Recommendations:

The improvement at the operational levels continues in the quarter under reference as well. For the full year, the company has beaten our estimates across all parameters. Our positivity for the growth ahead remains strong. We had recommended BUY on the stock with a revised target of Rs175 and maintain the same.

Below expectation results

Simplex Infrastructure Limited:

The net sales grew by 6.3% for the quarter at Rs16,482mn as compared to Rs15,501mn in the same quarter last year. The Ebitda margins dropped to 9.6% from 13.2% in the comparative quarter. The net profit dropped by 56.1% to Rs294mn from Rs668mn. For the full year, the net sales grew by 2.8% with 12% Ebitda margins. The net profits stood at Rs1170mn, drop of 2.8%. On the segmental front for the quarter, the construction segment grew by 6% while the Others segment grew by 7%. The EPS for the quarter stood at Rs5.93 while for the year is Rs23.6. In order to meet its growth requirements, the company has raised Rs4bn by way of QIP and Rs500mn by way of allotment of share warrants to promoters. FY18 saw a cumulative order inflow of Rs7,666cr and ended with the order book backlog of Rs18,622cr.

Outlook and Recommendations:

The company has reported numbers below expectations for the quarter as well as the year ended March 2018. However, we believe that the company is a strong contender in its business domain. We maintain a BUY on the stock with a target price of Rs700 over a 12 months horizon.

Investments bearing fruits

Aksh Optifiber Limited:

The net sales for the quarter under review (standalone) came in at Rs1,693mn as compared to Rs1,346mn, growth of 25.8%. Ebitda margins for the quarter ending March 2018 came in at 14% as compared to 4.1% in the same quarter last year. The net profit recorded for the quarter came in at Rs90mn as compared to a loss of Rs6mn. Exceptional items include the forex gains and losses for the year. For the full year, the net sales (standalone) clocked a growth of 23.3% with revenues at Rs5,894mn as compared to Rs4,780mn in FY17. For the full year ending FY18, Net Profit came in at Rs228mn as compared to Rs137mn. Moreover, on a consolidated level, net sales came in at Rs6,248mn as compared to Rs5,098mn registering a growth of 22.6% and net profits at Rs208mn as compared to Rs97mn in FY17. The Board of Directors of the company at its meeting held on May 30, 2018 has recommended final dividend of 30 paisa per equity share of face value of Rs5 each for the FY2017-18 which is subject to approval of the shareholders. This dividend is declared after a lapse of nearly 4 years.

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under review. The investment made by the company in the recent past has started bearing fruits which is evident from the growth numbers shown in the recent quarterly results. The recent capacity expansion provides a vision for incremental benefits and further growth with times to come. We maintain our revised target price of Rs45 over a horizon of 12 months.

Robust set of numbers

Bharat Rasayan Limited:

The net sales for the quarter came in at Rs1934mn as against Rs1325mn in the same quarter last year, growth of 46%. The Ebitda margins stood at 19.8% lower in the quarter under reference when compared to 23.8% in the same quarter last year. The net profit came in at Rs355mn compared to Rs121mn in the comparative quarter. The exceptional items of Rs59mn include the amount of contribution, donation made to political parties and profit on sale of factory, land & building located at Hyderabad. For the full year, the net sales clocked growth of 28.1% while the profits grew by 80.4%. The EPS for the quarter is Rs83.6 and full year is Rs231.4.

Outlook and Recommendations:

The company has reported robust numbers for the quarter under reference. For the full year as well the company has beaten our estimates. The company continues to be on the growth trajectory. We maintain our BUY call on the stock with a target of Rs6500 over a 12 months horizon.

Grauer & Weil (India) Limited:

The net sales for the quarter under review (standalone) came in at Rs1,483mn as compared to Rs1,247mn, growth of 18.9%. The company seems to have been hit by RM cost (basically chemicals which have soared high during the quarter under review). Thus, the Ebitda margins for the quarter were slashed down to 9.9% as compared to 17.1% in the same quarter last year. The net profit came in at Rs58mn as compared to Rs117mn. For the full year, the net sales (standalone) clocked a growth of 6.2% with revenues at Rs5,039mn as compared to Rs4,747mn in FY17. For FY18, net profit came in at Rs606mn as compared to Rs552mn. Moreover, on a consolidated level, the company has performed even better; with net sales at Rs5,093mn as compared to Rs4,755mn registering a growth of 7.1% and net profits at Rs637mn as compared to Rs542mn in FY17 registering a growth of 17.6%.

Outlook and Recommendations:

GWIL is consistently maintaining its leadership position in the market they serve i.e. in the entire value chain of surface finishing goods. On standalone basis, the company was hit due to increasing RM prices; however they seem to be operating well on the international front. For FY2018, the company has performed well on the standalone as well as the consolidated levels. The company is growing slowly, but consistently. We maintain our revised target price of Rs80 from a 12 months perspective.

Result Snapshot: Q4&FY18:

The results for Q4&FY18 for our coverage were a mixed bag. There are companies that showed consistency while some that had hiccups. Margins were under pressure for Hester Bio but it stands strong to benefit from uptick in tenders. Muted numbers were reported by Shanthi gears and Supreme Petro; below our expectations. Texmaco had a decent quarter, lower though due to poor wagon orders. On the other hand, good set of numbers were reported by Harita, Engineers India, Gufic, Bharat Rasayan, Munjal Showa, GMM Pfadler, Alicon Castalloy and NRB Bearings. Lower than expected numbers were reported by Bharat Bijlee, TRIL and Hitech Corp. Companies like Kokoyu, Federal Mogul, Nesco, Vesuvius, reported flat numbers. Strong numbers came in for Alkyl Amines, Hitech Gears and Westlife Development. NACL has seen a turnaround from losses. Decent reporting came in from Siemens (watch on the business), Gulshan Polyols and Dynamatic. Hind Rectifiers reported improvement on the operational front. Excel had a great quarter with the benefits coming from China. Hikal also had flat quarter led by higher tax provisioning. Decent numbers came in from BigBloc and ITD cementation as well. On the other hand, it was not a great quarter for Zen Tech and Castrol but have their growth triggers intact. Triveni indicated limited scope currently while VSSL was on expected lines. KCP and Timken reported flat results, while Indian Hume pipes had subdued numbers due to the cyclical nature of business. Morganite was also impacted by the increase in RM. Grauer and Weil when seen on standalone basis look lower but overall the consolidated figures are good for the full year. Simplex Infra didn't have a quarter while Aksh wrapped up the year with good set of numbers.

Overall, our coverage has been performing on expected lines and we maintain our conviction on the same.

Slow & gradual growth

Result Snapshot

Good growth going ahead

ECONOMY:

CII pegs India's growth between 7.3-7.7% riding on 'structural reforms'

Industry Chambers Confederation of Indian Industry (CII) said that it expects India's economy to grow at 7.3-7.7% in 2018-19 on the back of sustained structural reforms, recovery in global markets and a normal monsoon. As per the president CII, the impact of sustained structural reforms is now being felt on the ground as a mammoth economy is turning around. Businesses across several key sectors are experiencing firm growth in sales and orders, indicating better capacity utilisation and higher investment expectations. According to CII, strong rural consumption is reflected in sectors such as consumer non-durables, two-wheelers and tractors.

Our Comments:

The government has avoided slippage in the fiscal deficit despite the rise in oil prices. Inflation too, has remained under control to the extent possible even as cost of oil is going up.

Exports on the uptrend

India's exports may reach USD350bn this fiscal: FIEO

India's exports are expected to record a growth of about 15-20% and touch USD350bn in the current fiscal on account of a host of factors including rise in commodity prices, as per exporters body FIEO. Despite increasing global protectionism, the country's exports would continue to register healthy growth rates. Indian exports, which are hovering at around USD300bn, should show 15-20% growth so as to reach USD350bn in this fiscal.

Our Comments:

Northward movement in petroleum and commodity prices and the recent depreciation of Indian rupee are supporting exports.

Fastest GDP growth reported

India clocks world's fastest GDP growth in Q4

The Indian economy posted a growth rate of 7.7% during the January to March quarter, enabling the country to retain its position as the fastest growing major economy, as per the data released by the Central Statistics Office. However, for the fiscal year that ended March 31, India's growth rate works out to 6.7%, down from 7.1% in 2016-17. A faster pace of growth in manufacturing at 9.1%, compared with 6.1% a year ago, helped lift overall economic growth in the Jan-March quarter.

Our Comments:

As per the CII director, the significant expansion in GDP print has been powered by a broad-based upturn in farm output, improved manufacturing performance and a vibrant services sector.

Boosts to FMCG

INDUSTRY:

Rural revival to boost FMCG growth in Q1

After demonetisation and GST-led tax structure changes, FMCG industry shipments are clocking a high-growth trajectory in the first half of 2018. Nielsen has forecast a high single-digit growth rate for the sector in the April-June 2018 quarter versus the same period of 2017. It has said in a report that food categories will continue to grow significantly faster than personal care and home care categories.

Our Comments:

Nielsen said the industry will grow this year on account of a good monsoon forecast and with manufacturers passing on savings from GST rate cuts to consumers. A higher minimum support price announced by the government for the kharif crop is expected to give a fillip to rural disposable incomes and would boost consumption in the countryside.

*Orders for L&T
Construction*

COMPANY:

L&T Construction bags orders worth Rs5,704cr

L&T's construction arm has won orders worth Rs5,704cr in domestic market. It has won two major orders from the Narmada Valley Development Authority (NVDA), government of Madhya Pradesh, for execution of Indira Sagar Project- Parwati phases I and II and Kalisindh phase I Micro Lift Irrigation Schemes. The company has also received an EPC order from the Madhya Pradesh Jal Nigam Maryadit for execution of Buxwaha Multi Village Rural Water Supply Scheme.

Our Comments:

This is an addition to the order book of the company.

*Patent infringement filed
by DRL*

Dr Reddy's files patent infringement case against Perrigo UK & others

Dr Reddy's laboratories Limited said subsidiary Promius Pharma LLC, has filed a patent infringement lawsuit in a US court against Perrigo UK Finco Limited Partnership, Perrigo Israel Pharmaceuticals Ltd. and Taro Pharmaceuticals, Inc over its topical spray Sernivo. The case was filed in the United States District Court for Eastern District of Texas against the three companies in response to two paragraph-IV notice letters received for its twice daily topical spray Sernivo (betamethasone dipropionate, 0.05%) product. A notice under Para IV will be issued to a patent holder when a generic company wants to make a similar drug.

Our Comments:

Promius said it anticipates this lawsuit will trigger a 30 month stay of Food and Drug Administration approval of Perrigo's and Taro's ANDA.

*Share buyback for Mcleod
Russel*

McLeod Russel plans share buyback, to hive-off some tea estates

McLeod Russel (India) Ltd has decided to hive off some of its tea estates and decided to buyback shares at a price not exceeding Rs210 per share upto an aggregate outgo of Rs100cr. The company said that indicative maximum number of shares that would be bought back is 47,61,904 shares or 4.35% of the equity shares of the company.

Our Comments:

The company claimed that there was need to rationalise its own tea production as it is disproportionate compared to the share of leaves bought from small gardens and production by step-down overseas subsidiaries.

*Launch of Solosec by
Lupin*

Lupin launches Solosec 2g oral granules in US

Lupin announced the launch of Solosec (secnidazole) 2g oral granules in the US market, having received an approval from the USFDA earlier. Lupin's Solosec (secnidazole) 2g oral granule is a 5-nitroimidazole antimicrobial agent indicated for the treatment of bacterial vaginosis (BV) in adult women. Solosec, the first new oral antibiotic to treat BV in more than a decade, is designed to deliver a full course of therapy in a single 2g oral dose and is the first and only single-dose oral therapy for BV, the most common vaginal infection in the U.S. among women of childbearing age.

Our Comments:

With more than four million women treated for BV in the U.S. annually, and only 50% completing 5 to 7 day treatments, there is a clear need for an effective, single-dose oral treatment.

*Sale of Phosphatic
fertilizers biz by Tata
Chem*

Tata Chemicals completes sale of Phosphatic fertilisers' biz

The company has completed the sale and disposal of its Phosphatic Fertilisers business and the Trading business comprising bulk and non-bulk fertilisers, by way of a slump sale on a going concern basis, to IRC Agrochemicals after the receipt of requisite regulatory approvals and fulfilment of Conditions Precedent as contemplated in the Business Transfer Agreement dated November 6, 2017. The company has received a consideration of Rs872.84cr from IRC. The consideration includes Rs572.76cr in cash and the balance by way of letters of credit / bank guarantees. Subsidy receivables were not included in the transaction.

Our Comments:

This is a part of the business strategy of the company.

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