

THE WEEKLY WRAP-UP

01st December 2017

DOMESTIC:

- Indian Hume Pipe bags order worth Rs119.73cr
- Jindal Steel could win a slice of Indian Railways' global tender for steel rails: report
- L&T gets Rs3,572cr worth of orders from BIAL, JSW Steel, Saudi Electricity
- Cupid wins order from UNFPA of Rs1.36cr
- Telcos wrote off up to USD50bn due to Reliance Jio: Sunil Mittal
- PNB to offload 6% in PNB Housing Fin for Rs1,324cr
- China Development Bank files insolvency suit against RCom
- Sun Pharma recalls Riomet due to contamination
- Zydus gets USFDA nod for seizure, migraine drug
- Glenmark Pharma gets 7 observations from USFDA for Baddi unit
- Maggi fails lab test in UP, Nestle India imposed fine of Rs45 lakh
- Technofab Engineering wins order worth Rs281cr
- Franklin Templeton Mutual Fund buys 17.81 lakh shares of Rallis India
- Steel Strips Wheels gets another exports order for European trailer market
- Bhel commissions 3,200 MW hydrounit in Mizoram
- L&T bags EPC order for 400 mw power plant in Bangladesh
- Dr Reddy's served securities class action lawsuit in US
- Piramal acquires Digeplex from Shreya Lifesciences
- Cipla gets WHO nod to sell TB preventing drug in HIV patients
- Shoppers Stop transfers holding in Hypercity to Future Retail
- Airtel, Vodafone keen to buy RCom's airwaves
- Gufic Biosciences receives two patent certificates

ECONOMY:

- FPIs invest USD2.6bn in capital markets in Nov
- GST collections in October decline to Rs83,346cr
- OPEC agrees extended oil supply cut for full 2018
- GDP growth rebounds to 6.3% in September quarter
- Core sector growth drops to 4.7% in October
- April-Oct fiscal deficit at 96% of full year's target

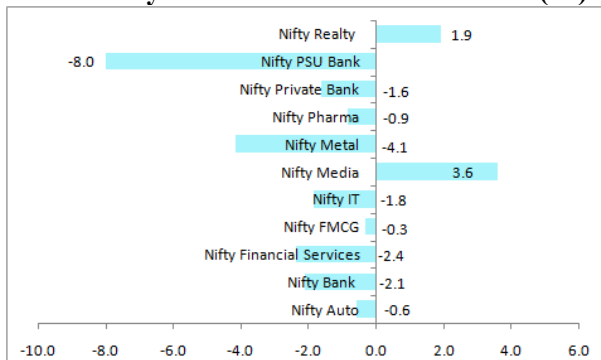
INDUSTRY:

- LIC to invest Rs1.5lakhcrore in Indian Railways over 5 years
- Railways to raise Rs35,000cr more in FY18
- India's chemical industry to hit USD300bn by 2025: Govt

Price Performance (%)

Company	1M	3M	12M
Supreme Petrochem Ltd	0.0%	5.4%	80.6%
Shanthi Gears Ltd	-3.2%	0.2%	21.6%
Hind Rectifiers Ltd	8.2%	31.5%	34.3%
KCP Ltd	-0.3%	3.6%	40.3%
Harita Seating System Ltd	9.4%	18.1%	33.0%
Hester Biosciences Ltd	8.4%	37.0%	64.9%
Rallis India Ltd	-1.2%	5.8%	18.6%
The Hi-Tech Gears Ltd	-4.3%	10.7%	36.0%
Bharat Bijlee Ltd	10.6%	2.5%	44.2%
Castrol India Ltd	-1.0%	2.8%	0.9%
TNPL	1.7%	6.1%	5.9%
Triveni Turbines Ltd	2.9%	1.1%	15.2%
Siemens Ltd	-7.6%	-10.3%	4.8%
Hikal Ltd	-5.9%	14.0%	4.1%
Aksh Optifibre Ltd	13.5%	20.5%	34.7%
GMM Pfaunder Ltd	8.9%	1.1%	34.1%
Alicon Castalloy Ltd	-5.3%	7.8%	46.0%
Premier Explosives Ltd	-12.4%	-13.6%	16.2%
Gufic Biosciences Ltd	5.0%	37.8%	103.1%
Excel Industries Ltd	20.5%	49.3%	70.3%
Vesuvius India Ltd	-11.4%	-0.7%	7.0%
Munjal Showa Ltd	-4.9%	11.6%	37.3%
Bharat Rasayan Ltd	34.9%	31.2%	105.1%
Alkyl Amines Chemicals Ltd	-6.6%	37.2%	83.2%
Grauer and Weil (India) Ltd	9.0%	45.9%	102.0%
Texmaco Rails & Engineering Ltd	4.3%	32.3%	15.5%
Nagarjuna Agrichem Ltd	-6.4%	13.3%	123.8%
Simplex Infrastructures Ltd	8.5%	19.8%	91.1%
Sadhana Nitrochem Ltd	5.4%	1.8%	203.8%
ITD Cementation India Ltd	13.8%	28.9%	38.9%
Westlife Development Ltd	41.4%	40.7%	99.0%
Federal Mogul Goetze (India) Ltd	2.6%	6.1%	3.1%
Cupid Limited	0.4%	-4.9%	-13.8%
Dynamatic Technologies Ltd	-9.2%	-21.3%	-30.4%
Hitech Corporation Ltd	-2.8%	-11.4%	1.7%
NRB Bearings Ltd	3.1%	22.7%	30.8%
Indian Hume Pipe Co. Ltd	-2.2%	-13.1%	15.4%
Engineers India Ltd	-1.3%	15.9%	21.1%
TRIL	8.4%	1.0%	-7.7%
Gulshan Polyols Ltd	0.6%	-5.3%	1.9%
Nesco	1.1%	6.9%	31.2%

Weekly Sectoral Gainers & Losers in (%)



The week that went by:

The markets opened on a weak note for the week, weighed by banks after the S&P retained its India's rating at BBB- and outlook stable. The weak Asian cues also weighed onto the negative sentiment. Backed by profit booking, the markets opened slightly lower on Day2 of trade. The markets opened slightly higher in-spite of North Korea missile attack, tracking the positive global cues. After the expiry of November derivatives contract, the markets opened on a negative note. Post the beating taken, the markets opened positive on the last day of trade post the GDP numbers.

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
Supreme Petrochem Ltd	BUY	77	367	500	36.2	35.4	18.6	19.9	19.7	18.5	11.6	11.0
Shanthi Gears Ltd	BUY	107	139	200	43.5	11.4	2.8	3.1	50.6	45.2	31.9	28.1
Hind Rectifiers Ltd	BUY	69	122	175	43.1	1.8	-4.5	0.5	-115.3	240.7	46.1	31.1
KCP Limited	BUY	71	122	150	23.1	15.7	3.6	4.6	53.8	33.4	13.0	11.3
Harita Seating System Ltd	BUY	266	919	1150	25.1	7.1	32.4	34.5	28.3	26.6	25.9	21.7
Hester Biosciences Ltd	BUY	565	1176	1500	27.6	10.0	29.2	34.2	40.2	39.7	25.0	21.3
Rallis India Ltd	BUY	181	240	300	25.0	46.7	15.3	11.2	27.0	21.4	17.8	15.0
The Hitech Gears Ltd	BUY	298	414	450	8.8	7.8	10.9	11.1	38.1	37.9	16.5	14.6
Bharat Bijlee Ltd	BUY	787	1128	2000	77.3	6.4	34.7	39.3	32.5	28.7	43.9	26.5
Castrol India Ltd	BUY	447	401	600	49.7	198.3	14.4	14.9	27.9	27.2	17.4	17.1
Tamil Nadu Newsprint & Papers Ltd	BUY	224	364	450	23.5	25.3	38.2	36.6	9.5	10.0	20.6	19.6
Triveni Turbines Ltd	BUY	92	134	175	31.1	0.4	3.5	3.6	37.9	36.8	26.9	25.3
Siemens Ltd	BUY	1128	1171	1500	28.1	416.9	9.1	10.0	128.8	117.3	39.2	87.9
Hikal Ltd	BUY	143	236	325	37.8	19.4	8.1	8.7	29.0	27.2	12.0	11.0
Aksh Optifibre Ltd	BUY	15	32	45	40.6	5.2	3.4	5.5	9.4	5.9	6.2	4.4
GMM Pfäudler Ltd	BUY	332	660	800	21.2	9.6	19.3	21.1	34.2	31.3	23.4	21.5
Alicon Castalloy Ltd	BUY	288	578	750	29.8	7.1	21.4	24.1	27.1	24.0	10.6	9.4
Premier Explosives Ltd	BUY	350	394	600	52.3	3.5	16.6	15.3	23.7	25.8	13.5	10.9
Gufic Biosciences Ltd	BUY	50	95	100	5.2	7.3	1.5	2.0	64.5	47.6	29.0	22.1
Excel Industries Ltd	BUY	380	642	800	24.6	8.3	35.8	25.1	18.0	25.6	20.7	13.4
Vesuvius India Ltd	BUY	1165	1189	1500	26.2	23.8	49.0	65.0	24.3	18.3	13.1	10.6
Munjal Showa Ltd	BUY	191	266	300	12.7	10.7	14.1	15.1	18.8	17.6	11.2	10.8
Bharat Rasayan Ltd	BUY	2747	3856	4250	10.2	16.2	128.1	141.2	30.1	27.3	15.9	14.3
Alkyl Amines Chemicals Ltd	BUY	391	579	700	20.9	11.8	24.3	29.2	23.8	19.8	14.0	13.3
Grauer and Weil (India) Ltd	BUY	45	70	80	13.8	15.9	2.3	2.3	31.1	30.0	17.7	17.2
Texmaco Rails & Engineering Ltd	BUY	91	121	170	40.3	20.2	1.5	2.7	79.2	45.0	50.8	31.3
Nagarjuna Agrichem Ltd	BUY	29	46	60	30.4	7.2	2.3	0.9	19.8	52.5	14.9	13.8
Simplex Infrastructures Ltd	BUY	540	575	700	21.7	20.2	24.3	30.5	23.7	18.9	5.6	4.8
Sadhana Nitrochem Ltd	BUY	67	71	100	40.4	0.7	2.5	5.5	28.9	12.9	10.9	8.8
ITD Cementation India Ltd	BUY	158	206	225	9.0	32.0	4.8	2.9	43.0	70.6	15.4	21.6
Westlife Development Ltd	BUY	266	348	350	0.6	54.1	-0.8	0.3	-445.8	1018.6	119.0	71.8
Federal Mogul Goetze (India) Ltd	BUY	540	520	750	44.2	28.9	12.9	15.7	40.2	33.0	16.6	15.0
Cupid Limited	BUY	286	270	340	25.8	3.0	18.5	23.4	14.6	11.6	8.7	7.3
Dynamatic Technologies Ltd	BUY	2160	2030	3000	47.8	12.9	23.0	30.4	52.7	67.7	11.2	11.1
Hitech Corporation Ltd	BUY	175	171	230	34.5	2.9	6.9	7.2	25.4	24.2	9.7	8.5
NRB Bearings Ltd	BUY	138	147	200	35.8	14.3	5.3	5.5	26.4	25.0	15.0	14.4

*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	190%
Engineers India Ltd	211	200	Bonus 1 : 1.	106	200	72%
Transformers and Rectifiers (India) Ltd	300	450	Stock Split from Rs.FV 10 to Rs.FV 1.	30	45	9%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1.	78	140	3%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2.	479	640	8%

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
IHP Ltd	BUY	171	494	600	30.0	22.4	18.4	25.5	25.1	18.1	40.7	44.1
Engineers India Ltd	BUY	106	181	200	8.1	62.3	4.8	4.7	38.3	39.4	9.4	16.3
Transformers and Rectifiers (India) Ltd	BUY	30	33	450	41.3	0.4	4.7	4.7	3.2	2.1	4.7	4.7
Gulshan Polyols Ltd	BUY	78	80	140	74.6	3.7	5.9	6.4	13.5	12.5	8.2	7.1
Nesco Ltd	BUY	479	517	3200	19.1	7.6	120.2	137.5	4.5	3.9	17.7	14.7

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	367	120	150	200	275	350	500	-	377%
Shanthi Gears Ltd	107	139	150	200	-	-	-	-	-	30%
Hind Rectifiers Ltd	69	122	110	140	175	-	-	-	-	77%
KCP Limited	71	122	105	150	-	-	-	-	-	72%
Harita Seating System Ltd	266	919	400	600	750	900	1150	-	-	245%
Hester Biosciences Ltd	565	1176	750	875	1150	1500	-	-	-	108%
Rallis India Ltd	181	240	260	300	-	-	-	-	-	33%
The Hitech Gears Ltd	298	414	450	-	-	-	-	-	-	39%
Bharat Bijlee Ltd	787	1128	1100	1500	2000	-	-	-	-	43%
Castrol India Ltd	447	401	600	-	-	-	-	-	-	-10%
Tamil Nadu Newsprint & Papers Ltd	224	364	350	450	-	-	-	-	-	63%
Triveni Turbines Ltd	92	134	135	175	-	-	-	-	-	45%
Siemens Ltd	1128	1171	1500	-	-	-	-	-	-	4%
Hikal Ltd	143	236	200	250	325	-	-	-	-	65%
Aksh Optifibre Ltd	15	32	24	35	45	-	-	-	-	113%
GMM Pfaudler Ltd	332	660	500	700	800	-	-	-	-	99%
Alicon Castalloy Ltd	288	578	450	600	750	-	-	-	-	101%
Premier Explosives Ltd	350	394	450	525	600	-	-	-	-	13%
Gufic Biosciences Ltd	50	95	75	100	-	-	-	-	-	90%
Excel Industries Ltd	380	642	550	650	800	-	-	-	-	69%
Vesuvius India Ltd	1165	1189	1500	-	-	-	-	-	-	2%
Munjaj Showa Ltd	191	266.3	250	300	-	-	-	-	-	39%
Bharat Rasayan Ltd	2747	3856	3500	4250	-	-	-	-	-	40%
Alkyl Amines Chemicals Ltd	391	579	550	700	-	-	-	-	-	48%
Grauer and Weil (India) Ltd	45	70	65	80	-	-	-	-	-	56%
Texmaco Rails & Engineering Ltd	91	121	125	170	-	-	-	-	-	33%
Nagarjuna Agrichem Ltd	29	46	45	60	-	-	-	-	-	59%
Simplex Infrastructures Ltd	540	575	700	-	-	-	-	-	-	7%
Sadhana Nitrochem Ltd	67	71	100	-	-	-	-	-	-	6%
ITD Cementation India Ltd	158	206	225	-	-	-	-	-	-	31%
Westlife Development Ltd	266	348	350	-	-	-	-	-	-	31%
Federal Mogul Goetze (India) Ltd	540	520	750	-	-	-	-	-	-	-4%
Cupid Limited	286	270.3	340	-	-	-	-	-	-	-5%
Dynamatic Technologies Ltd	2160	2030	3000	-	-	-	-	-	-	-6%
Hitech Corporation Ltd	175	171	230	-	-	-	-	-	-	-2%
NRB Bearings Ltd	138	147.3	200	-	-	-	-	-	-	7%

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Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2.	479	640	8%

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				

*Omkar: Spin off

Order for IHP

Coverage News:

Indian Hume Pipe bags order worth Rs119.73cr

Indian Hume Pipe Company has secured a work order worth Rs119.73cr from Public Health & Municipal Engineering Department, Govt. of Andhra Pradesh, under the Water Supply Improvements Scheme under AMRUT project. The project is to be completed within 15 months.

Our comments:

This is an addition to the robust orderbook of the company.

Cupid bags order

Cupid wins order from UNFPA of Rs1.36cr

The company has received a new order from United National Population Fund (UNFPA) to supply female condoms for the first time to Malawi, Africa worth Rs1.36cr. Cupid has a diverse product basket available in over 25 countries worldwide. Recently, the company had received a supply contract worth Rs24.13cr from CMSS (Central Medical Services Society), procurement arm for Ministry of Health, Government of India to supply Male Condoms.

Our comments:

These orders indicate the visibility of growth in sales for the company going forward.

MF interest in Rallis

Franklin Templeton Mutual Fund buys 17.81 lakh shares of Rallis India

On November 27, 2017 Franklin Templeton Mutual Fund bought 17,81,405 shares of Rallis India at Rs230 on the BSE. The company's trailing 12-month (TTM) EPS was at Rs7.68 per share. (Sep, 2017). The stock's price-to-earnings (P/E) ratio was 29.99. The latest book value of the company is Rs57.87 per share.

Our comments:

The move has increased the conviction in the working as well as future prospects of the company.

Grant of patent for Gufic

Gufic Biosciences Limited: Grant of patent

The company has reported for grant of patents for two of its formulations, namely for the Freeze dried pharmaceutical formulation of Rifabutin and process for preparation thereof and the process for preparation of parental formulation of Micafungin Sodium.

Our comments:

This is a positive for the company and boost to the overall business.

Texmaco target revised

Target Price Revision:

We had initiated Buy on Texmaco Rails & Engineering Limited at the price of Rs91 for a target of Rs125 which has been breached. We further revise the target to Rs170 from a 12 months horizon.

Result Update:

Strong set of numbers

Excel Industries Limited:

Net sales for the quarter stood at Rs1,300mn as against Rs1,193mn in the same quarter last year, growth of 9%. The Ebidta margins for the quarter came in 8.87% as compared to 5.29% in the comparative quarter last year. The burden of interest cost has been reducing over the quarters. The same was Rs25.4mn in the corresponding quarter last year as compared to Rs16.1mn this year. The net profit for the quarter under review stood at Rs111mn as compared to Rs67mn in the corresponding quarter last year. The EPS for the quarter stands at Rs8.87 as compared to Rs5.29 in the corresponding period last year.

Outlook and Recommendations:

The concerns in the Chinese market seem to be benefitting Excel Industries. The company has been slowly reducing its interest/debt burden. The company has shown strong numbers in this quarter and should maintain the momentum in the second half as well. We have upgraded and revised the target price twice since our initiation coverage and also re-initiated coverage on 20th July 2017 (Rs426); we further revise our target price to Rs800 with a horizon of 12 months.

Rightly on the growth path

*Strong operational
performance*

*Muted quarter for the
company*

Siemens Limited:

Net sales for the quarter stood at Rs31,418mn as against Rs30,906mn in the same quarter last year, growth of 1.7%. The revenues were down in the quarter which was impacted by transitional effects of GST and excise duty. For the full year ending September 2017, Net sales stood at Rs1,10,148mn as against Rs95,386mn last year, growth of 15%. The Ebitda margins for the quarter ending September 2017 came in 10.10% as against 8.93% in the comparative quarter last year. For the full year ending September 2017, Ebitda margins stood at 9.5% as compared to 9.7% last year. The net profit before exceptional for the quarter ending September 2017 stood at Rs3,278mn as compared to Rs2,965mn in the corresponding quarter last year. The net profit before exceptional for the year ending September 2017 stood at Rs11,016mn as compared to Rs9,026mn in 2016. The profit before exceptional items and tax from continuing operations increased by 22%. EPS before exceptional items from continuing operations stood at Rs19.80 in the year ending September 2017 as compared to Rs16.61 for year ending September 2016. The Board of Directors of the company have recommended a dividend of Rs7 per equity share of face value of Rs2 (350%). As per management, the growth in new orders is up by 10.4% i.e. at Rs27,040mn in Q42017 as compared to Rs24,500mn in the corresponding period last year. The company has a robust order backlog near of Rs122.63bn. For financial year 2017, the company has reported 26.4% increase in new orders from continuing operations at Rs1,35,010mn as compared to Rs1,06,770mn in FY2016.

Outlook and Recommendations:

Siemens continues to focus on the areas of electrification, automation and digitalization. The company has delivered a strong performance. The growth path continues which is via all the divisions of the company. As per the management, the company continues to focus on winning projects from the GOI where the push on spending is high. The stock remains as a candidate to SIP into on a monthly basis. We had initiated a BUY on the stock with a target price of Rs1500 and we maintain the same.

Bharat Bijlee Limited:

The net sales for the quarter under reference grew by 19.7% at Rs1,751mn as compared to Rs1,463mn on comparative basis. The Ebitda margins came in at 6% compared to 1% in the same quarter last year. The company reported net profit of Rs63mn as compared to loss of Rs66mn in the same quarter last year. The EPS stood at Rs11.22. On the segmental front, the power systems grew by 21% while the industrial systems reported a drop of 3%.

Outlook and Recommendations:

There has been improvement in the operating margins for the quarter under reference. Overall the company has shown improvement in the performance at the top line as well operational efficiency. We maintain a BUY on the stock with the revised target of Rs2000 over a 12 months horizon.

Transformers and Rectifiers (India) Limited:

Net sales for the quarter stood at Rs1,658mn as against Rs2,632mn in the same quarter last year, de-growth of 37%; this was mainly due to lower dispatches in the current year. The Ebitda margins for the quarter came in 8.69% as against 10.45% in the comparative quarter; this was mainly lowered due to overhead absorption on lower volumes. The net profit stood at Rs28mn as compared to Rs100mn in the corresponding quarter last year. The EPS for the quarter stands at Rs0.21 as compared to Rs0.75 in the corresponding period last year.

Outlook and Recommendations:

One will have to wait for the next quarters performance to take a call on the investment. Considering the current cut in the revenue guidance, we down size our target price to Rs40 for a horizon of 12 months.

Flat results for the quarter

Flat quarter for the company

KCP Limited:

The net sales during the quarter clocked a growth of 22.5% at Rs2503mn as compared to Rs2043mn in the same quarter last year. The Ebitda margins came in at 14%. The drop is attributed to the increase in the employee expenses which includes Rs44mn onwards Leave Encashment Benefit arising out of change in Salary meaning for the purpose of calculating leave benefits liability. The net profit grew to Rs370mn from Rs95mn in the comparative quarter. This was mainly due to the other income of Rs386.9mn as the dividend amount received from overseas subsidiary. The EPS for the quarter is Rs2.87. On the segmental front, the engineering segment of the company clocked a growth of 8% at Rs253.9mn compared to Rs235.5mn in the comparative quarter. While the cement sector grew by 6% the power segment clocked growth of 27%. The hotels segment clocked revenues of Rs34.4mn during the quarter as compared to Rs24.2mn, growth of 42%.

Outlook and Recommendations:

The company has reported flat results for the quarter when considering the increase in the employee expenses as well adjusting for the other income. We had initiated a BUY on the stock with a target price of Rs150 and maintain the same.

Premier Explosives Limited:

There is a slight reduction in the sales of explosives for the quarter ending September 2017 which stood at Rs341.1mn as compared to Rs358.4mn in Q2FY17. The sales for the defence related products have increased from Rs141.5mn in Q2FY17 to Rs189.5mn in Q2FY18; which is an increase of 33.9%. Net sales for the quarter stood at Rs582mn as against Rs547mn in the same quarter last year, growth of 6.4%. The component of revenue generated from the service segment is more or less flat at Rs47.7mn in Q2FY18 as compared to Rs45.1mn in the corresponding period last year. The Ebitda margins for the quarter came in 8.76% as against 9.51% in the comparative quarter last year. The net profit stood at Rs24mn as compared to Rs23mn in the corresponding quarter last year.

Outlook and Recommendations:

The contribution to the total revenues from the defence segment is gradually increasing thus indicating that the dependence on the business of commercial explosives is reducing; the business segment under focus will change with times to come. We had initiated a BUY on the stock and after achieving the first two targets as the stock price has come back to recommended levels; we revise our target afresh to Rs525.

ECONOMY:

OPEC and Russia agree to extend oil production cut to end of 2018

OPEC and non-OPEC producers led by Russia agreed to extend oil output cuts until the end of 2018 as they try to finish clearing a global glut of crude while signalling a possible early exit from the deal if the market overheats. Russia, which this year reduced production significantly with OPEC for the first time, has been pushing for a clear message on how to exit the cuts so the market doesn't flip into a deficit too soon, prices don't rally too fast and rival U.S. shale firms don't boost output further.

Our comments:

As per the Saudi Energy minister, Falih it is premature to talk about exiting the cuts at least for a couple of quarters as the world was entering a season of low winter demand. He added that OPEC would examine progress at its next regular meeting in June.

GST collection on the decline

GDP on the recovery

Investments into the Railways

Fund Raising mode for Railways

ECONOMY:

GST collections in October decline to Rs83,346cr

India's goods and services tax collections fell to Rs83,346cr in October, from more than Rs90,000cr in each of the first three months after the new tax regime was rolled out on July 1. A finance ministry statement attributed the lower collections to the release of state and central GST out of integrated GST (IGST) paid in the first three months, reduction in taxes and payment of GST based on self-declared tax return. While the overall collection for the October month is lower, this may not be a cause of immediate concern as it might be due to refunds given to exporters and opening credit claimed by businesses, along with some reduction in the rate in October. The collection for November may also be on the lower side due to substantial rate cuts from mid of the month.

Our comments:

While to a large extent the shortfall is likely to be offset by increase in demand, the results may take another 2-3 months to become visible.

GDP growth rebounds to 6.3% in September quarter

India's economy regained momentum in the September quarter as the manufacturing sector shrugged off any teething impact from the July 1 implementation of the GST to propel gross domestic product (GDP) growth to 6.3%. GDP growth recovered in the second fiscal quarter from a three-year low of 5.7% in the preceding three-month period, while Gross Value Added (GVA) growth accelerated to 6.1% from 5.6% in the first quarter, according to official data released by the government. GDP growth for the first half of the financial year (April-September) was 6% compared with 7.7% in the year-earlier period. GVA growth was at 5.8% compared with 7.2% over the same period.

Our comments:

This indicates that perhaps the impact of demonetisation and GST is now behind us and hopefully in the coming quarters we can look for an upward trajectory as indicated by the government.

INDUSTRY:

LIC to invest Rs1.5lakhcrore in Indian Railways over 5 years

Indian Railways signed a memorandum of understanding (MoU) with state-run Life Insurance Corporation (LIC) to raise Rs1.5lakhcrore over the next five years beginning this April. The investment by LIC, to be made through Rs30,000cr of bonds issued annually by rail entities such as Indian Railway Finance Corporation would be channelised by the railways in capacity augmentation projects. The bonds will come with a five-year moratorium on interest and loan repayment.

Our comments:

As indicated by the Rail Minister, increased resources would lead to speedier execution of projects, enhanced traffic output and the ability to meet transport demand and ultimately a robust economy. It is a significant step.

Railways to raise Rs35,000cr more in FY18

Indian Railways is looking to raise more than Rs35,000cr in addition to its budgetary resources in this financial year, primarily to procure safer passenger coaches and electric railway locomotives, and pushing the network electrification and signalling modernisation programme. All the borrowing will be done through the financial arm of the railways, Indian Railway Finance Corporation (IRFC), according to a senior official, who said the plan includes raising Rs18,000cr through the state-run Life Insurance Corporation of India (LIC).

Our comments:

The funds the IRFC raises other than institutional borrowing are spent mostly on rolling stock that includes procuring coaches and locomotives.

Orders for L&T

COMPANY:

L&T's construction arm wins orders worth Rs3,572cr

Larsen & Toubro (L&T) said its construction arm has won orders worth Rs3,572cr across business segments. L&T said transportation and infrastructure business has bagged order worth Rs1,358cr from Bangalore International Airport Ltd. Its metallurgical and material handling business received orders worth Rs1,264cr in the domestic market. While the company's power transmission and distribution business and building and factories business won orders worth Rs595cr and Rs355cr respectively.

Our comments:

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

Recall by Sun Pharma

Sun Pharma recalls Riomet due to contamination

Sun Pharma has voluntarily recalled two lots of its diabetes drug 'Riomet' due to microbial contamination. According to reports by the USFDA, this is one of the several voluntary recalls that the firm has carried out this year for different products. The company decided to recall the lots of Riomet to the retail level as part of a 'Class II' recall after it was found they were contaminated with *Scopulariopsis brevicaulis*, a microfungus. Riomet is indicated to treat type-2 diabetes mellitus in adults and children over 10 years old. The company has stated that the use of Riomet potentially could result in a risk of infection, especially in immuno-compromised patients.

Our comments:

According to USFDA, a Class II recall occurs in a situation where use of or exposure to the product may lead to temporary or medically reversible adverse health consequences.

*USFDA observations for
Glenmark*

Glenmark Pharma gets 7 observations from USFDA for Baddi unit

The Baddi unit of Glenmark Pharmaceuticals underwent an USFDA audit from November 6 -11, 2017. The USFDA issued seven observations through the form 483. The Baddi unit contributes approximately 10% of the revenue of the US sales. The company indicated that it is in the midst of providing a comprehensive response to the observations and would be replying to the FDA shortly on the observations.

Our comments:

The company did not elaborate on the nature of observations.

Technofab wins order

Technofab Engineering wins order worth Rs281cr

Technofab Engineering won an order worth Rs281cr for a domestic water project. The project is to be funded by Asian Development Bank. The company's order backlog currently stands at approxRs2,000cr. The contribution of the water segment to the order book stands close to 45%. The company also stated that it expects more growth from the water segment going forward.

Our comments:

This is a positive for the company in its domain of offerings.

*BHEL commissions hydro
unit*

Bhel commissions 3,200 MW hydrounit in Mizoram

Bhel said that it has commissioned the second unit of the Tuirial Hydro Electric Project (HEP) in Mizoram. The unit has been commissioned by Bhel in less than 100 days of the commissioning of the first one. Located in Kolasib district of Mizoram, the greenfield project of North Eastern Electric Power Corporation Ltd (NEEPCO) has been set up on the river Tuirial.

Our comments:

Power generation from Tuirial HEP will contribute significantly to the reduction of greenhouse gas emissions and contribute towards achieving a low carbon development path for the nation.

Order for SSWL

Steel Strips Wheels gets another exports order for European trailer market

Steel Strips Wheels bagged another exports order for European Trailer market. It has bagged fresh exports order for its truck wheels plant in Chennai. Total order size is close to 6,000 truck wheels. The order will be supplied over period of 12 months and supplies will begin from December 2017.

Our comments:

SSWL is in advanced stage of discussions to finalise long term contracts with multiple European customers and expects to close them by early next year.

EPC order for L&T in power

L&T bags EPC order for 400 mw power plant in Bangladesh

Larsen and Toubro (L&T) said it has bagged engineering, procurement, construction (EPC) order for a 400 megawatt (MW) gas-based power plant in Bangladesh. Bangladesh Power Development Board (BPDB) has awarded the contract for setting up Bibiyana South 400 mw combined cycle power plant project to a consortium of L&T and Samsung C&T Corp of South Korea. L&T shall be executing the EPC contract valued at approximately USD250mn. L&T's scope includes design, detail engineering, supply, installation and commissioning of the complete power plant on a turnkey basis.

Our comments:

According to the company, the plant will incorporate state-of-the-art single shaft advanced class gas turbine, steam turbine and generator from Siemens AG of Germany, which will be procured by L&T.

DRL served securities class action

Dr Reddy's served securities class action lawsuit in US

Dr Reddy's Laboratories Ltd said it had been served a securities class action lawsuit in the US for alleged violations of federal securities laws. The lawsuit, filed in the US district court of New Jersey, seeks damages to compensate investors for a purported decline in Dr Reddy's share price caused by alleged misstatements or omissions by the company. The company is listed on the New York Stock Exchange (NYSE) besides Indian exchanges.

Our comments:

The company said it believes the asserted claims are without merit and (the company) intends to vigorously defend itself against the allegation.

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