

DOMESTIC:

- Reliance Communications lays out debt resolution plan
- Govt to allocate Rs3,900cr to service Air India debt
- Godrej Properties ties up with Pune-based developer for 6 projects
- IndoStar to buy CV finance business of IIFL Finance
- Water & Effluent Treatment Business of L&T Construction has secured projects from the Rural Water Supply and Sanitation Department, Government of Odisha
- Lupin recalls over 24,000 bottles of skin treatment drug from US
- IL&FS companies to be grouped on payment ability
- JSW Cement looks to raise Salboni unit production
- Vedanta indicated that its smelter was shut for 'political reasons'
- Moody's cuts Airtel's rating to junk grade
- Tribunal exempts RCom from one-time spectrum charge
- Vodafone Idea aim to launch narrowband Internet of Things in a year
- RBI slaps penalties on Axis, UCO and Syndicate Bank
- United Healthcare Services files complaint against Dr Reddy's US arm
- Etihad infuses Rs252cr in Jet Airways
- DLF to launch QIP for raising funds
- Cipla receives final approval for generic version of Adecira
- MG Motor India ties up with 5 private banks for vehicle finance
- Strides Pharma Science gets an EIR for Bangalore facility
- Essar buys stakes from BP in pipeline, terminals for UK refinery
- Aurobindo Pharma to invest in Synergy Remedies
- Nippon Steel joint venture to be equity accounted: Arcelor Mittal
- Vodafone Idea expects capital infusion of Rs25,000cr by April
- Bajaj Allianz ties up with TCS, Infosys
- RIL open offer to acquire Den Networks, GTPL Hathway
- Zydus Cadila gets USFDA nod for Carbamazepine drug to treat seizures
- ITC to invest Rs1,700cr in personal care product plant in West Bengal

ECONOMY:

- India's export growth may slow to 7% in FY19
- Govt. expects Rs69,000cr dividend from RBI in FY20
- Outcome of RBI's sixth bi-monthly Monetary Policy: Rate Cut

INDUSTRY:

- High interest cost continues to dampen automobile sales: Report
- Real estate developers debt burden takes a hit
- Govt. rejects TRAI's proposal of free internet for poor
- As prices of generics slide, Pharma firms shift focus to Specialty drugs

Price Performance (%)

Company	1M	3M	12M
Supreme Petrochem Ltd	-1.1%	-9.9%	-45.4%
Shanthi Gears Ltd	-3.1%	3.4%	-15.3%
Hind Rectifiers Ltd	-4.7%	-14.2%	-18.2%
KCP Ltd	-6.6%	-15.4%	-39.3%
Harita Seating System Ltd	-24.2%	-30.4%	-56.4%
Hester Biosciences Ltd	21.7%	22.4%	-8.0%
The Hi-Tech Gears Ltd	-10.9%	-18.7%	-35.1%
Bharat Bijlee Ltd	-7.1%	-18.8%	-22.1%
Triveni Turbines Ltd	-5.2%	-9.0%	-18.9%
Siemens Ltd	-1.5%	8.6%	-16.2%
Aksh Optifibre Ltd	-17.6%	-26.4%	-47.0%
GMM Pfaunder Ltd	-10.6%	-4.4%	52.1%
Alicon Castalloy Ltd	-7.2%	-15.3%	-16.4%
Gufic Biosciences Ltd	-17.3%	-25.3%	-36.2%
Excel Industries Ltd	-20.6%	-27.6%	26.5%
Vesuvius India Ltd	-4.7%	0.4%	-12.8%
Munjal Showa Ltd	-10.0%	-13.4%	-31.7%
Bharat Rasayan Ltd	-26.6%	-32.8%	-10.0%
Alkyl Amines Chemicals Ltd	-3.7%	-4.1%	19.8%
Grauer and Weil (India) Ltd	-7.8%	-18.8%	-32.4%
Texmaco Rails & Engineering Ltd	2.4%	-11.6%	-37.2%
Nagarjuna Agrichem Ltd	21.6%	20.5%	-29.3%
Simplex Infrastructures Ltd	-24.7%	-38.0%	-75.4%
ITD Cementation India Ltd	-8.7%	-7.9%	-42.7%
Westlife Development Ltd	-6.2%	7.8%	4.6%
Federal Mogul Goetze (India) Ltd	-6.9%	17.8%	-6.2%
Dynamic Technologies Ltd	-4.0%	-9.0%	-20.5%
Hitech Corporation Ltd	-40.4%	5.7%	-42.6%
NRB Bearings Ltd	-6.1%	8.8%	19.1%
Kokuyo Camlin Ltd	-13.2%	-17.8%	-28.0%
Timken India Ltd	-3.4%	10.1%	-30.1%
Morganite Crucible (India) Ltd	-6.7%	-23.0%	29.5%
Vardhman Special Steels Ltd	-13.3%	-18.6%	-42.1%
Zen Technologies Ltd	-1.5%	9.7%	-37.6%
KSB Ltd	-12.7%	-12.6%	-16.0%
Thermax Ltd	-5.8%	2.8%	-9.3%
Transpek Industry Ltd	5.5%	0.5%	19.4%
BASF India Ltd	-11.5%	-16.8%	-34.8%
Artson Engineering Ltd	-28.6%	-34.3%	-63.3%
Remsons Industries Ltd	-6.3%	2.9%	11.5%
Snowman Logistics Ltd	-14.0%	-19.7%	-43.0%
Alembic Pharmaceuticals Ltd	-3.9%	-4.2%	3.3%
SKF India Ltd	0.3%	7.4%	11.1%
Indian Hume Pipe Co. Ltd	-15.0%	2.7%	49.8%
Engineers India Ltd	-11.6%	-9.6%	29.3%
Gulshan Polyols Ltd	-12.8%	-2.6%	-32.9%
Nesco Ltd	-5.3%	-4.5%	-25.8%
Castrol India Ltd	-0.9%	0.3%	53.8%
Hikal Ltd	-4.6%	-4.6%	-4.5%

The week that went by:

The markets opened the week on a negative note. On Day 2, markets opened on a flat note. In the midweek session, the markets opened on a positive note backed by the IT sector which continued its outperformance. Ahead of the monetary policy, the markets commenced on a flat note wherein the metal sector continued with its underperformance. The last day of trade saw the markets open on a negative note wherein all the sectoral indices were trading in the red.

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
Supreme Petrochem Ltd	BUY	77	199	275	38.0	19.2	6.6	6.4	30.1	31.2	9.2	11.3
Shanthi Gears Ltd	BUY	107	122	200	63.8	10.0	3.5	3.9	34.9	31.3	27.1	22.9
Hind Rectifiers Ltd	BUY	69	104	175	67.9	1.6	0.8	5.3	132.2	19.7	22.5	11.3
KCP Limited	BUY	71	84	200	137.2	10.9	7.0	7.0	12.1	12.1	9.3	8.2
Harita Seating System Ltd	BUY	266	406	900	121.9	3.2	39.7	40.8	10.2	9.9	8.2	7.5
Hester Biosciences Ltd	BUY	565	1412	1750	23.9	12.0	35.9	39.8	39.3	35.5	11.7	10.5
The Hitech Gears Ltd	BUY	298	297	500	68.6	5.6	17.0	21.2	17.4	14.0	10.3	9.0
Bharat Bijlee Ltd	BUY	787	1056	2000	89.4	6.0	25.1	37.4	42.1	28.2	24.2	20.1
Triveni Turbines Ltd	BUY	92	103	150	45.8	0.3	3.0	3.1	34.6	33.0	21.6	20.7
Siemens Ltd	BUY	1128	1031	1350	31.0	366.9	53.0	53.6	19.4	19.2	26.0	25.6
Aksh Optifibre Ltd	BUY	15	20	45	120.6	3.3	1.4	2.7	14.2	7.5	7.7	4.8
GMM Pfäudler Ltd	BUY	332	1080	1300	20.4	15.8	19.4	26.7	55.6	40.5	33.9	24.8
Alicon Castalloy Ltd	BUY	288	538	850	58.1	6.6	29.0	46.6	18.6	11.5	8.8	6.4
Gufic Biosciences Ltd	BUY	50	78	175	124.1	6.0	1.9	3.1	41.9	25.1	17.8	13.8
Excel Industries Ltd	BUY	380	1132	1800	59.0	14.6	58.1	112.2	19.5	10.1	11.6	6.2
Vesuvius India Ltd	BUY	1165	1134	1500	32.2	22.7	52.3	56.3	21.7	20.1	10.9	10.5
Munjal Showa Ltd	BUY	191	160	250	56.1	6.4	19.4	21.5	8.3	7.5	5.5	4.9
Bharat Rasayan Ltd	BUY	2747	3765	9000	139.0	15.8	227.3	257.5	16.6	14.6	10.9	9.5
Alkyl Amines Chemicals Ltd	BUY	391	751	850	13.2	15.3	31.5	38.9	23.8	19.3	14.4	11.0
Grauer and Weil (India) Ltd	BUY	45	46	100	116.9	10.5	2.7	3.0	17.3	15.6	10.9	10.2
Texmaco Rails & Engineering Ltd	BUY	91	59	150	154.2	20.2	0.5	1.8	128.7	32.6	57.8	16.9
Nagarjuna Agrichem Ltd	BUY	29	34	60	77.8	5.3	0.7	0.8	49.2	42.7	15.2	14.3
Simplex Infrastructures Ltd	BUY	540	144	540	275.4	20.2	30.5	31.8	4.7	4.5	6.1	5.7
ITD Cementation India Ltd	BUY	158	106	225	112.5	16.4	8.3	9.8	12.7	10.8	7.1	6.2
Westlife Development Ltd	BUY	266	360	425	18.0	56.0	0.8	1.6	434.2	227.0	74.6	52.4
Federal Mogul Goetze (India) Ltd	BUY	540	493	750	52.0	27.4	14.9	18.0	33.1	27.3	14.7	13.4
Dynamatic Technologies Ltd	BUY	2160	1392	3000	115.5	8.8	1.1	51.1	1226.0	27.2	11.3	8.6
Hitech Corporation Ltd	BUY	175	94	180	92.3	1.6	4.5	6.4	20.7	14.7	8.4	6.3
NRB Bearings Ltd	BUY	138	191	240	25.9	18.5	8.5	10.4	22.6	18.3	13.2	11.1
Kokuyo Camlin Ltd	BUY	132	94	175	86.8	9.4	1.0	1.5	95.7	63.7	28.0	22.3
Timken India Ltd	BUY	883	580	1000	72.4	39.4	13.5	19.0	42.9	30.6	24.1	15.4
Morganite Crucible (India) Ltd	BUY	1047	1389	2300	65.6	3.9	49.6	63.9	28.0	21.7	2.7	2.4
Vardhman Special Steels Ltd	BUY	151	86	225	161.6	3.1	7.0	8.7	12.3	9.9	8.4	7.0
Zen Technologies Ltd	BUY	115	73	170	132.2	5.6	-0.1	0.8	-1452.0	90.9	-299.5	54.2
KSB Ltd	BUY	820	668	1100	64.7	23.3	18.8	21.2	37.0	32.8	15.5	13.8
Thermax Ltd	BUY	1019	1088	1230	13	129.6	22.1	26.8	49.2	40.6	34.9	29.9
Transpek Industry Ltd	BUY	1547	1493	2000	34.0	8.3	47.3	76.0	31.6	19.6	19.3	14.5
BASF India Ltd	BUY	1954	1344	2500	86.0	58.2	20.3	43.5	66.2	30.9	19.7	15.6
Artson Engineering Ltd	BUY	64	36	95	167.6	1.3	0.4	2.3	94.8	15.5	57.8	17.6
Remsons Industries Ltd	BUY	104	107	155	44.9	0.6	6.0	7.9	17.7	13.5	11.0	8.6
Snowman Logistics Ltd	BUY	33	30	55	84.3	5.0	-0.2	0.1	-140.1	207.4	14.1	11.5
Alembic Pharmaceuticals Ltd	BUY	605	566	751	32.8	106.6	22.3	26.7	25.3	21.2	17.5	14.9
SKF India Ltd	BUY	1942	1920	2620	36.5	98.6	57.6	60.7	33.3	31.6	22.6	21.0

*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	79%	
Engineers India Ltd	211	200	Bonus 1 : 1.	105	250	5%	
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1.	78	110	-27%	
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2.	479	640	-8%	
Castrol India Ltd	447	550	Bonus 1 : 1	223	200	-33%	
Hikal Ltd	143	325	Bonus 1 : 2	95	216	54%	

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
IHP Ltd	341	171	306	500	63.6	14.8	13.6	20.1	22.4	15.2	12.0	9.2
Engineers India Ltd	211	105	111	250	126.2	37.2	6.0	7.0	18.5	15.8	16.8	13.4
Gulshan Polyols Ltd	390	78	57	110	93.0	2.7	3.9	5.1	14.6	11.2	5.9	4.8
Nesco Ltd	2397	479	441	640	45.0	6.2	25.1	23.7	17.6	18.6	14.4	15.0
Castrol India Ltd	447	223	150	200	33.4	74.1	7.1	15.6	21.2	9.6	13.9	12.6
Hikal Ltd	143	95	147	216	47.4	12.0	9.4	10.1	15.6	14.6	9.7	8.8

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	Target 8	(%)	
Supreme Petrochem Ltd	77	199	120	150	200	275	350	500	275	-	159%	
Shanthi Gears Ltd	107	122	150	200	-	-	-	-	-	-	14%	
Hind Rectifiers Ltd	69	104	110	140	175	-	-	-	-	-	51%	
KCP Limited	71	84	105	150	200	-	-	-	-	-	19%	
Harita Seating System Ltd	266	406	400	600	750	900	1150	900	-	-	52%	
Hester Biosciences Ltd	565	1412	750	875	1150	1500	2200	1750	-	-	150%	
The Hitech Gears Ltd	298	297	450	600	500	-	-	-	-	-	-1%	
Bharat Bijlee Ltd	787	1056	1100	1500	2000	-	-	-	-	-	34%	
Triveni Turbines Ltd	92	103	135	150	-	-	-	-	-	-	12%	
Siemens Ltd	1128	1031	1350	-	-	-	-	-	-	-	-9%	
Aksh Optifibre Ltd	15	20	24	35	45	-	-	-	-	-	36%	
GMM Pfaudler Ltd	332	1080	500	700	800	1000	1300	-	-	-	225%	
Alicon Castalloy Ltd	288	538	450	600	750	1000	850	-	-	-	87%	
Gufic Biosciences Ltd	50	78	75	100	140	175	-	-	-	-	56%	
Excel Industries Ltd	380	1132	550	650	800	1100	1400	1800	2200	1800	198%	
Vesuvius India Ltd	1165	1134	1500	-	-	-	-	-	-	-	-3%	
Munjal Showa Ltd	191	160	250	300	350	300	250	-	-	-	-16%	
Bharat Rasayan Ltd	2747	3765	3500	4250	5000	6500	9000	-	-	-	37%	
Alkyl Amines Chemicals Ltd	391	751	550	700	850	-	-	-	-	-	92%	
Grauer and Weil (India) Ltd	45	46	65	80	100	-	-	-	-	-	2%	
Texmaco Rails & Engineering Ltd	91	59	125	150	-	-	-	-	-	-	-35%	
Nagarjuna Agrichem Ltd	29	34	45	60	75	60	-	-	-	-	16%	
Simplex Infrastructures Ltd	540	144	700	540	-	-	-	-	-	-	-73%	
ITD Cementation India Ltd	158	106	225	-	-	-	-	-	-	-	-33%	
Westlife Development Ltd	266	360	350	425	-	-	-	-	-	-	35%	
Federal Mogul Goetze (India) Ltd	540	493	750	-	-	-	-	-	-	-	-9%	
Dynamatic Technologies Ltd	2160	1392	3000	-	-	-	-	-	-	-	-36%	
Hitech Corporation Ltd	175	94	230	180	-	-	-	-	-	-	-47%	
NRB Bearings Ltd	138	191	200	240	-	-	-	-	-	-	38%	
Kokuyo Camlin Ltd	132	94	175	-	-	-	-	-	-	-	-29%	
Timken India Ltd	883	580	1200	1000	-	-	-	-	-	-	-34%	
Morganite Crucible (India) Ltd	1047	1389	1500	1750	2300	-	-	-	-	-	33%	
Vardhman Special Steels Ltd	151	86	225	-	-	-	-	-	-	-	-43%	
Zen Technologies Ltd	115	73	170	-	-	-	-	-	-	-	-36%	
KSB Ltd	820	668	1100	-	-	-	-	-	-	-	-19%	
Thermax Ltd	1019	1088	1230	-	-	-	-	-	-	-	7%	
Transpek Industry Ltd	1547	1493	2000	-	-	-	-	-	-	-	-3%	
BASF India Ltd	1954	1344	2500	-	-	-	-	-	-	-	-31.2%	
Artson Engineering Ltd	64	36	95	-	-	-	-	-	-	-	-45%	
Remsons Industries Ltd	104	107	155	-	-	-	-	-	-	-	3%	
Snowman Logistics Ltd	33	30	55	-	-	-	-	-	-	-	-10%	
Alembic Pharmaceuticals Ltd	605	566	751	-	-	-	-	-	-	-	-7%	
SKF India Ltd	1942	1920	2620	-	-	-	-	-	-	-	-1%	

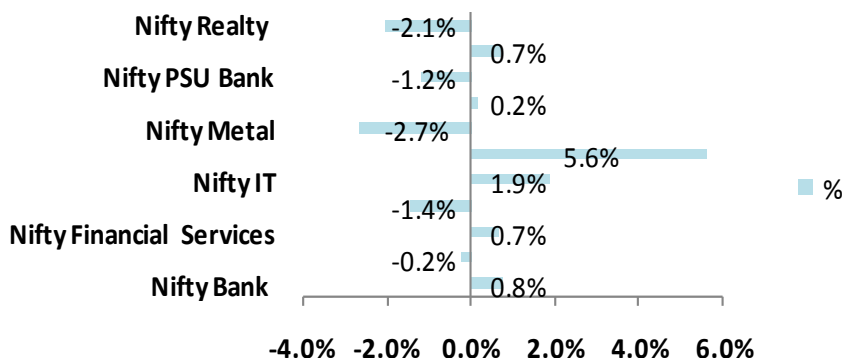
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Company	Reco	Target	Corp Action	Adj Price	Adj Tgt Price	Appreciation
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Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2	479	640	-8%
Castrol India Ltd	447	550	Bonus 1 : 1	223	200	-33%
Hikal Ltd	143	325	Bonus 1 : 2	95	216	54%

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	Target 8	(%)	
IHP Ltd	341	306	500	600	500	-	-	-	-	-	79%	
Engineers India Ltd	211	111	200	250	-	-	-	-	-	-	5%	
Gulshan Polyols Ltd	390	57	110	-	-	-	-	-	-	-	-27%	
Nesco Ltd	2397	441	640	-	-	-	-	-	-	-	-8%	
Castrol India Ltd	223	150	275	250	200	-	-	-	-	-	-33%	
Hikal Ltd	143	147	200	250	325	216	-	-	-	-	54%	

Please Turn Over

Weekly Sectoral Gainers & Losers in (%)



TERM OF THE WEEK:

Swaps: A derivative instrument in which two parties exchange the cash flows. Swaps can be based on interest rates, stock indices, foreign currency exchange rate and even commodities. Each cash flow comprises of one leg of the swaps; *Fixed leg* and the other is *Floating leg*; based on a benchmark interest rate, currency exchange rate or index price. The cash flows are calculated on a notional principal amount and is usually not exchanged between the counterparties.

COVERAGE NEWS:

Target Revision:

The Hi-Tech Gears Ltd:

On account of good set of numbers reported in Q3FY19 and considering the overall industry and market scenario we are going conservative on the target and tweaking the target downwards to Rs500 (from the earlier target price of Rs600) over a 12 months horizon.

Excel Industries Ltd:

On account of a surprise element depicted in Q3FY19 results, backed by immense growth in turnover and profits, that is still attributed due to issues related to the Chinese chemical market. The last two quarters (including the current quarter) have laid a foundation of very strong closing for the full year. Given the correction in the stock price and market conditions we revise our price target to Rs1800 in next 12 months.

Munjal Showa Ltd:

Considering yet another quarter of flat numbers and a bleak growth in the segments of shock absorbers and struts, the current year appears to be a year of consolidation due to the industry dynamics and market scenario, which forces us to down size the target price (previously revised price to Rs300) to Rs250 (for a horizon of 12months) which was also the target price at the time of initiation of the recommendation.

Hitech Corporation Ltd:

Backed by decent set of numbers for Q3FY19 and the commencement of activities for its new plant at Vishakhapatnam, the company would need some more time before it comes back in full swing. With this in mind as well as the market scenario, we tone down our target from Rs230 to Rs180 over a 12months horizon.

Harita Seating Systems Ltd:

The target has been toned down to Rs900 from the earlier Rs1150 keeping in mind the slowdown in the performance and overall market scenario.

Alicon Castalloy Ltd:

The target has been toned down to Rs850 from the earlier Rs1000 with a 12 months perspective, keeping in mind the overall slowdown in the Auto industry.

Target Revision: The Hi-Tech Gears

Target Revision: Excel

Target Revision: Munjal

Target Revision: Hitech Corporation

Target Revision: Harita

Target Revision: Alicon

Target Revision: Timken

New Plant Update

*Immense Growth
Reported*

Good Set Of Numbers

Going Strong

Decent Quarter

COVERAGE NEWS:

Target Revision:

Timken India Ltd:

The target has been toned down to Rs1000 from the earlier Rs1200 with a 12 months perspective.

Hitech Corporation Ltd: New Plant Update:

The company has initiated activities for setting up a new plant at Vishakhapatnam for manufacturing of rigid plastic containers. The construction activity is in progress and the company has spent a sum of Rs22.60cr until 31st December, 2018.

RESULT UPDATE:

Excel Industries Ltd:

The net sales for the quarter under review came in at Rs2,172mn as compared to Rs1,468mn in the corresponding quarter last year, growth of 48%. EBITDA margins improved to 30.4% from 21.6% in Q3FY18. The net profit grew by 31.4% to Rs398mn for the quarter ending December 2018 as compared to Rs188mn in the same quarter last year. EPS for the quarter stood at Rs31.

Outlook and Recommendations:

The company has surprised the analyst community (many were expecting a setback in the quarterly results) once again by showing immense growth in the turnover and profits, which is still attributed due to issues related to the Chinese chemical market. The last two quarters (including the current quarter) have laid a foundation of very strong closing for the full year. Given the correction in the stock price and market conditions we revise our price target to Rs1800 in next 12 months.

Hikal Ltd:

The net sales for the quarter under review came in at Rs4,117mn as compared to Rs3,506mn, growth of 17.4%. The Ebitda margins remained flat at 19% for the quarter. The net profits clocked growth of 26.4% at Rs294mn as compared to Rs232mn in the same quarter last year. The EPS stood at Rs2.4. On the segmental front, the Pharma segment clocked growth of 19% while the crop protection grew by 15%.

Outlook and Recommendations:

The company reported good set of numbers for the quarter under review. The segmental performance has also been in line with expectations. We continue with our Buy recommendation on the stock with a target price of Rs216 over a 12 months perspective.

Timken India Ltd:

The net sales reported a strong growth of 38.1% to Rs3,849mn as compared to Rs2,786mn in the same quarter last year. The Ebitda margins stood at 14.4% for the quarter in comparison to 7.4% in the comparative quarter last year. The net profit grew by a strong 188% to Rs264mn as against Rs92mn in the same quarter last year. The EPS for the quarter stands at Rs3.5.

Outlook and Recommendations:

The company has reported strong set of numbers with decent operating margins for the quarter. It is well on track with the expected numbers for FY19. However, considering the prevailing market scenario, we would like to tone down our target to Rs1000 from the earlier Rs1200 over a 12 months horizon.

NRB Bearings Ltd:

The net sales for the quarter under review came in at Rs2,426mn as compared to Rs2,073mn, growth of 17%. EBITDA margins dropped to 17.3% when compared to 19.3% in the same quarter last year. The net profit grew by 25.7% to Rs268mn from Rs213mn. EPS for the quarter stood at Rs2.8.

Outlook and Recommendations:

The company has reported decent set of numbers in this quarter. Drop in margins is attributed mainly due to increase in inventory levels. Going ahead, we believe that the company will be able to maintain its margins on yearly basis. Also maintaining our conviction in the future workings of the company we continue with our BUY rating for a target of Rs240 over a 12 month horizon.

*Better Operational
Efficiency*

Strong Quarter Reported

More Or Less Flat

Hit On Margins

RESULT UPDATE:

Alicon Castalloy Ltd:

The net sales for the quarter came in at Rs2658mn as compared to Rs2566mn in the same quarter last year, growth of 3.6%. The Ebitda margins stood strong at 12.3% as compared to 10.2% in the comparative quarter. The net profit clocked growth of 7.6% to Rs110mn as against Rs102mn in the same quarter last year. The EPS stands at Rs8.1.

Outlook and Recommendations:

There has been an uptick in the margins of the company for the quarter under review, indicating better operational efficiencies. Some slowdown is seen in the sales in tandem to the overall slowdown in the Auto industry. We thereby tone down our target from the earlier Rs1000 to Rs850 with a 12 month's perspective.

Texmaco Rail & Engineering Ltd:

The net sales for the quarter under review came in at Rs4,091mn as compared to Rs2,269mn, growth of 80.3%. EBITDA margins almost doubled to 8.8% from 4.1% in the same quarter last year. The net profit grew by 362.3% to Rs188mn in quarter ending December 2018 as compared to Rs41mn in the same quarter last year. On the segmental front, each of the business segments has delivered a strong growth with the Heavy engineering division at 210%, Steel foundry at 84% and the Rail EPC at 31%. EPS for the quarter stood at Rs0.9.

Outlook and Recommendations:

The company has reported strong set of numbers for the quarter under review. Further keeping in mind the outcome of the Union Budget where the capital outlay for the Railway sector has been increased, the company is enjoying a sweet spot with regard to future orders. It is well on track with our expectations. We continue with our Buy recommendation on the stock with a target price of Rs150 over a 12 months perspective.

Munjal Showa Ltd:

The net sales for the quarter under review came in at Rs3,840mn as compared to Rs3,519mn, growth of 9.1%. EBITDA margins declined to 4.5 % from 5.3% in the same quarter last year; mainly due to increase in the cost of raw materials and the employee expenses. The net profit grew by 9.4% to Rs122mn in quarter ending December 2018 as compared to Rs112mn in the same quarter last year. EPS for the quarter stood at Rs3.1.

Outlook and Recommendations:

The company has reported yet another quarter of flat numbers. There seems to be bleak growth in the segments for shock absorbers and struts i.e. indirectly the 2W segment. The same is also evident from the poor sales during the festive season this year which has led to pile-up of inventory and cut in sales target for many industry veterans. Moreover, the increased cost of raw materials was a spoiler affecting the operational efficiencies and thus the margins. The current year appears to be a year of consolidation due to industry dynamics and market scenario, which forces us to down size the target price (previously revised price to Rs300) to Rs250 (for a horizon of 12months) which was also the target price at the time of initiation of the recommendation.

Artson Engineering Ltd:

The net sales for the quarter under review came in at Rs298mn as compared to Rs280mn, growth of 6.2%. Ebitda margins came in at (0.6%) mainly due to changes in the revenue recognition method which has impacted the overall sales for the company. The company reported a loss of Rs10.7mn for the quarter under reference. EPS for the quarter stood at (Rs0.3).

Outlook and Recommendations:

The numbers for the quarter under reference have been impacted mainly due to the changes in the accounting methods/revenue recognition adopted by the company, adjusting for which the company is very much on line with our projections. We continue to remain positive on the company and maintain our BUY recommendation with a target price of Rs95 over a 12 months horizon.

Decent Quarter

RESULT UPDATE:

Hitech Corporation Ltd:

The net sales for the quarter under review came in at Rs1,263mn as compared to Rs910mn, growth of 38.9%. EBITDA margins improved to 11.5% from 9.1% in the same quarter last year. The net profit stands at Rs116mn as compared to Rs4mn, which is mainly led by the other income. The other income for the quarter under review came in at Rs148.6mn which was on account of insurance claim that was received after the complete assessment done by the Insurance company in connection to the fire at Rohtak in FY16. EPS for the quarter stood at Rs6.8. The company has initiated activities for setting up of new plant at Vishakhapatnam for manufacturing of rigid plastic containers. The construction activity is in progress and the company has spent a sum of Rs22.6cr until December 31, 2018.

Outlook and Recommendations:

The company has reported decent set of numbers mainly on the back of inflated other income (Insurance claims). The company has been putting efforts to get back to normalcy in operations. It has another plant addition in the pipeline. Overall, we feel that the company needs some more time before it can actually come back in full swing. With this in mind tone down our target from Rs230 to Rs180 over a 12 months horizon.

Harita Seating Systems Ltd:

The net sales for the quarter under review came in at Rs1,367mn as compared to Rs1,331mn, growth of 2.8%. EBITDA margins stand at 5.3% as compared to 7.9%. The net profit reported a drop of 45% to Rs51mn as compared to Rs93mn in the same quarter last year. EPS for the quarter stood at Rs6.6. The company has declared an interim dividend of Rs3 per share (30%) absorbing Rs233.07 lakhs for FY19 with the record date of 14th Feb 2019.

Outlook and Recommendations:

The company has reported tepid results with flat topline and hit on the operating margins. We however feel that the company should be able to meet the expectations for FY19 estimates. We would like to tone down our target to Rs900 from the earlier Rs1150 keeping in mind the slowdown in performance and the overall market scenario.

Snowman Logistics Ltd:

The net sales for the quarter under review came in at Rs593mn as compared to Rs498mn, growth of 19.1%. EBITDA margins for the quarter under review came in at 24.2% as compared to 26.3% in the same quarter last year. This has basically reduced due to higher operating expenses. The net profit for the quarter ending December 2018 came in at Rs24mn as compared to Rs2mn in the same quarter last year. EPS for the quarter stood at Rs0.14.

Outlook and Recommendations:

The Management has devised a plan to bring about a turnaround in the company which is evident from the last 2 quarters or so. This is the fifth straight quarter where constant growth in sales is seen on quarterly basis. The nature of the business is such which requires constant capex, and so will the company keep on expanding its capacities (upcoming in Krishnapatnam, Siliguri and Coimbatore). In the pursuit of the same, the company will prosper via the spoke and hub model in times to come. There are immense opportunities in the cold chain business and the company intends to exploit this growth potential. One must keep in mind, that the following is a strong growth story in an upcoming niche sector. We remain bullish on the growth story and maintain our target price of Rs55 with a horizon of 12 months.

Siemens Ltd:

The net sales for the quarter under review came in at Rs28,071mn as compared to Rs24,295mn, growth of 15.5%. EBITDA margins came in at 10.92% as compared to 11.21% in the same quarter last year. The net profit grew by 19.7% to Rs2,280mn in quarter ending December 2018 as compared to Rs1,905mn in the same quarter last year. EPS for the quarter stood at Rs6.4.

Outlook and Recommendations:

The order book of the company remains robust, wherein the new orders grew by 4.1% to Rs33,910mn as compared to Rs32,570mn in the first quarter of the year. As per the management's commentary, the digital drive / initiative of the company has gained momentum. Moreover, the businesses with industrial & utility customers and that of digitalization solutions have reported to have being growing well. We continue to advocate the strategy to SIP into this stock with a target price of Rs1350.

Tepid Results

*In The Turnaround
Phase*

Focused Approach

Subdued Results

RESULT UPDATE:

Indian Hume Pipe Co. Ltd:

The net sales for the quarter grew by 2% to Rs3625mn as compared to Rs3561mn in the same quarter last year. The Ebitda margins stood at 9% for the quarter. The net profit dropped by 28% for the quarter to Rs106mn as compared to Rs147mn in the same quarter last year. The EPS stands at Rs2.2 for the quarter. As indicated by the company, in the current quarter, execution of projects was slowed down in Madhya Pradesh, Rajasthan and Chattisgarh due to State Elections'. However, project execution has started picking up. The estimated balance value of the work as at 31st January' 2019 is Rs4707.54cr as against Rs3367.05cr as at 31st January' 2018.

Outlook and Recommendations:

The company has reported subdued results for the quarter with the overall slowdown in project executions indicated by the company. We however feel that it should get back on track to achieve the full year targets of FY19. With the growth triggers remaining intact we maintain our Buy recommendation on the stock with a target price of Rs500 over a 12 months perspective.

The Hi-Tech Gears Ltd:

The net sales for the quarter stood at Rs1,516mn as compared to Rs1,246mn in the same quarter last year. The Ebitda margins stood at 14.3% for the quarter as compared to 13.4% in Dec 2017. The net profit clocked growth of 96.5% at Rs146mn as compared to Rs74mn in the same quarter last year. The EPS is Rs7.8 for the quarter. The Board of Directors have approved an interim dividend of Rs1.50/- (Rupees one and fifty paise only) per equity shares of Rs10/- (Rupees Ten only) each on the paid up share capital of the Company. In this regard February 16, 2019 is fixed as record date for the purpose of determination of list of shareholders entitled for such dividend.

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under reference. There has been strong operational efficiency seen through the Ebitda margin improvements in the quarter. We continue to be bullish on the overall performance expected going forward as well. However, considering the overall industry and market scenario we are going conservative on the target and tweaking the target downwards to Rs500 (from the earlier target price of Rs600) over a 12 months horizon.

Shanthi Gears Ltd:

The net sales for the quarter under review came in at Rs615mn as compared to Rs540mn, growth of 14%. EBITDA margins declined to 18.7% from 19.5% in the same quarter last year. The net profit grew by 46% to Rs98mn in quarter ending December 2018 as compared to Rs67mn in the same quarter last year. ROCE for the quarter under review stood at 24.4% as compared to 16.3% in the same quarter last year. EPS for the quarter stood at Rs1.2.

Outlook and Recommendations:

The company continues to grow slowly but consistently while maintaining the operational efficiencies more or less in the same narrow range of 18.2% to 19.5%. There was a small impact on the margins (80bps) which was basically due to the higher raw material cost reported during the quarter (which also appears to a pattern across the industry). The surprise element for the quarter under review also saw a special dividend of Rs5 per equity share of face value of Rs1. The company has also announced a buy back during the quarter under review, the ex-date for the same is 7th February 2019 and the record date is 8th February 2019. The board has already approved buyback of fully paid up equity shares of face value of Rs1 of the company; not exceeding 5mn equity shares (which is also 6.12% of the total paid-up equity capital of the company) at a price of Rs.140 per equity share, for an aggregate amount of up to Rs700mn (excluding transaction costs). The total shareholding of the promoters during the quarter ending December 2018 stood at 70.12%, the company is absolutely cash rich (free cash flow generated was Rs90mn- before disbursing the special dividend) and has a debt free position; the pending order book as on 31st December 2018 was Rs1590mn as compared to Rs1260mn which forces us to sustain a positive outlook on the and maintain our target price of Rs200 with a horizon of 12 months.

Well Placed For Growth

Likely Slowdown In Exports

ECONOMY:

India's export growth may slow to 7% in FY19

The government expects the country's merchandise exports to grow 7.3% to USD325bn in 2018-19 as compared to 9.8% in 2017-18, backed by muted growth of traditional exports such as gems and jewellery, farm and engineering, liquidity crunch and global factors. The engineering exports have also been impacted due to expensive domestic steel and rubber prices. Moreover, declining exports of labour intensive products like leather, gems and jewellery, man-made yarn and pharmaceuticals had pulled down the overall growth of outward shipments being made from the country in December to 0.34% at USD27.9bn

Our comments:

Liquidity is the biggest concern of the exporters along with the money which gets blocked due to GST. Additionally, the target although not easy but is doable enough to achieve .

RBI: The Sixth Bi-Monthly Monetary Policy:

The Highlights :

- Repo Rate: 6.25% (was kept unchanged to 6.5% in December 2018).
- Reverse Repo Rate: 6% (was kept unchanged to 6.25% and the bank rate at 6.75% in December 2018). RBI lowers the inflation projection to 3.2-3.4% in H1FY20 and 3.9% in Q3FY20.
- The RBI has forecasted GDP growth of 7.4% for 2019-20. Further, the GDP growth has been projected at 7.2-7.4% in H1FY20 and 7.5% in Q3FY20.

Our View:

It was a unanimous decision by MPC to change the stance to neutral. Also, RBI has decided to withdraw the rule of FPI exposure to single corporate entity as private investment activity needs to be strengthen and to raise the limit of free farm loan to Rs1.6lakh. The RBI governor stated that the decision was made seeing the short-term outlook for food inflation, which appears particularly benign to them and also due to trade tensions and geo-political uncertainties, oil and commodity prices will further lead to pain. Import growth had also turned slow in last two months. These factors led majority of the members in MPC to go for a rate cut, which will boost demand. Rate cut has given a boost to the market as borrowing rates and liquidity conditions are likely to improve. Our expectation with majority of the market was in the decision of no rate cut in this meeting with change in policy stance, given the Calibrated tightening stance stated in the previous MPC meeting. The overall decision has actually open doors to the possibility of a rate cut in the next meeting as well highlighting inflation as the core reason of action.

Outcome Of Monetary Policy

INDUSTRY:

Govt. rejects TRAI's proposal of free internet for poor

Earlier in 2016, TRAI had made a proposal of providing 100MB data free every month and this was to be funded by the Universal Service Fund (USOF) which was created solely for spreading the telecom services in the remote areas. Recently, the government has rejected the proposal of TRAI, to offer free data to the poor people. Telecom Commission (TC), an inter-ministerial body didn't find it suitable enough to provide free internet in the view of already low mobile tariffs across the country and also because of the strong penetration of internet across the subscribers.

Our comments:

The belief that the further expansion of internet can instead be made via the BharatNet programme, which aims to cover over 1lakh villages with high-speed optic fibre.

Rejection Of TRAI's Proposal

COMPANY:

Aurobindo Pharma to invest in Synergy Remedies

The company has inked a share subscription agreement to invest Rs15cr in Synergy Remedies Private Ltd (Synergy), a Tirupathi based Pharma company. The said investment would be undertaken by subscribing to additional equity shares of the company, post which Aurobindo Pharma would hold 19.9% share capital of Synergy.

Our comments:

This would be a good value addition.

Aurobindo and Synergy

WEEKLY REPORT

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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.