

DOMESTIC:

- USFDA issues 14 observations for Cadila Healthcare's Moraiya facility
- Aditya Birla Capital approved raising of funds worth Rs3500cr
- Tata Motors may drop small diesel cars from portfolio
- ONGC gets green nod for Rs240cr project in Assam
- Hughes and Airtel to combine their India VSAT operations
- HDFC Bank to mull 2-for-1 stock split on May 22
- Dhanuka Agritech launches LARGO for cotton and chilli crop protection in India
- Tata Power may cut number of arms for better profitability
- NCLT has sanctioned the scheme of amalgamation of Sundram Precision Components with Sundram Fasteners
- Godrej Agrovet drops plan to merge with Astec Lifesciences
- Capgemini and Majesco, USA become alliance partners
- M&M may phase out small diesel vehicles
- Sterlite Power targets USD10bn assets by 2022 fuelled by KKR funds
- Zee Ent. tanks 12% on rumours; that the company says it is in advanced stage of stake sale
- Yes Bank acquires eight crore pledged shares of CG Power
- Natco Pharma's marketing partner gets USFDA approval for chest pain tablets
- TVS Motor invests USD3.8mn in TagBox
- China's state-run Chery in advanced talks with Tata Motors for India JV
- India Ratings downgrades Yes Bank
- Lupin, Aptissen sign pact to sell Osteoarthritis injection in Canada
- Jindal Steel bags Rs665cr rail order from RVNL
- Reliance Industries buys British toy retailer Hamleys for about Rs620cr
- McDonald's buys Vikram Bakshi's 50% stake in Connaught Plaza Restaurants
- Qness Corp completed the acquisition of 100% equity in Greenpiece landscape
- Tata Steel, Thyssenrup set to abandon JV plans in Europe

ECONOMY:

- Trump steps on his economy wins with renewed China trade threat
- Services activity at 7 month low in April on slow sales
- GDP data storm intensifies, government 'studying' NSSO report

INDUSTRY:

- India's steel production stood at 27mn tonne in Q12019
- Centre to invite bids for 40GW battery plants
- See stability returning to telecom market by Q4 FY20: COAI
- Vehicle dealers see inventory pileup as sales continue to dip

Price Performance

Company	1M	3M	12M
Supreme Petrochem Ltd	-6.3%	0.0%	-33.2%
Shanthi Gears Ltd	-7.4%	8.6%	-3.0%
Hind Rectifiers Ltd	-4.8%	13.3%	-14.9%
KCP Ltd	-2.3%	3.6%	-30.9%
Hester Biosciences Ltd	14.1%	16.7%	1.5%
The Hi-Tech Gears Ltd	-7.9%	-8.8%	-46.0%
Bharat Bijlee Ltd	-8.7%	-4.7%	-39.8%
Triveni Turbines Ltd	-4.4%	3.5%	3.3%
Siemens Ltd	-8.1%	3.7%	2.8%
Aksh Optifibre Ltd	-13.7%	-23.9%	-54.5%
GMM Pfaudler Ltd	-3.8%	8.7%	41.1%
Alicon Castalloy Ltd	-0.3%	9.5%	-5.9%
Gufic Biosciences Ltd	10.9%	10.1%	-45.8%
Excel Industries Ltd	-9.3%	-4.1%	-20.2%
Vesuvius India Ltd	-3.2%	-5.00%	-14.6%
Munjal Showa Ltd	-8.6%	-6.3%	-33.4%
Bharat Rasayan Ltd	-10.1%	6.4%	-33.9%
Alkyl Amines Chemicals Ltd	-2.4%	11.6%	30.2%
Grauer and Weil (India) Ltd	-5.5%	7.1%	-21.8%
Texmaco Rail & Engineering Ltd	-5.8%	14.1%	-20.9%
Nagarjuna Agrichem Ltd	-7.9%	-7.7%	-28.8%
Simplex Infrastructures Ltd	-9.3%	7.2%	-74.8%
ITD Cementation India Ltd	-9.7%	3.1%	-32.9%
Westlife Development Ltd	-8.8%	3.4%	-8.2%
Federal Mogul Goetze (India) Ltd	-5.6%	11.2%	19.6%
Dynamatic Technologies Ltd	-9.3%	3.2%	-26.6%
Hitech Corporation Ltd	-40.8%	-10.3%	-37.4%
NRB Bearings Ltd	-13.4%	-7.0%	5.2%
Kokuyo Camlin Ltd	-11.9%	-5.7%	-25.1%
Timken India Ltd	-7.4%	-3.3%	-18.9%
Morganite Crucible (India) Ltd	-2.0%	4.6%	-1.7%
Vardhman Special Steels Ltd	-4.6%	14.5%	-31.3%
Zen Technologies Ltd	-4.0%	0.0%	-40.2%
KSB Ltd	-5.2%	-1.3%	-21.6%
Thermax Ltd	-3.2%	-10.3%	-15.9%
Transpek Industry Ltd	-9.0%	-2.2%	-8.0%
BASF India Ltd	-10.9%	-3.3%	-37.6%
Artson Engineering Ltd	-2.6%	14.9%	-43.5%
Remsons Industries Ltd	-2.1%	-15.9%	-6.1%
Snowman Logistics Ltd	-5.4%	7.8%	-36.6%
Alembic Pharmaceuticals Ltd	-1.6%	-4.8%	6.9%
SKF India Ltd	-12.5%	-3.5%	3.8%
HFCL Ltd	-3.5%	1.4%	-18.6%
Sudarshan Chemical Industries Ltd	-13.2%	2.3%	-44.6%
Indian Hume Pipe Co. Ltd	-8.6%	-5.6%	64.8%
Engineers India Ltd	-6.1%	0.0%	41.8%
Gulshan Polyols Ltd	-11.4%	-9.3%	-29.4%
Nesco Ltd	3.2%	9.2%	-13.4%
Castrol India Ltd	-11.5%	0.1%	64.9%
Hikal Ltd	1.4%	21.1%	8.8%

The week that went by:

With the threat of raising the tariffs on china by 25% led to the weak opening of the across the Asian markets with the Indian bourses being no exception that opened the week with a gap down opening. After the fall in the previous session there was a reversal in the Asian markets and so did the Indian markets. With the broader markets continuing to outperform; the weak trend continued midweek as well. On the weekly expiry day, the markets continued with the negative trend. After the one sided downward move during the week, the last day of trade saw efforts to stabilize starting on a flat note with a positive bias.

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	FY19	FY18	FY19	FY18	FY19
Supreme Petrochem Ltd	BUY	77	206	275	33.5	19.9	6.6	6.4	31.1	32.2	9.5	11.7
Shanthi Gears Ltd	BUY	107	125	200	60.0	10.2	3.5	3.9	35.7	32.1	27.7	23.5
Hind Rectifiers Ltd	BUY	69	120	175	45.8	1.8	0.8	5.3	152.2	22.7	25.2	12.6
KCP Limited	BUY	71	86	150	74.5	11.1	7.0	7.0	12.3	12.3	9.4	8.3
Hester Biosciences Ltd	BUY	565	1575	1750	11.1	13.4	35.9	39.8	43.8	39.6	13.0	11.6
The Hitech Gears Ltd	BUY	298	269	500	85.9	5.0	17.0	21.2	15.8	12.7	9.6	8.4
Bharat Bijlee Ltd	BUY	787	981	2000	103.8	5.5	25.1	37.4	39.1	26.2	22.9	19.1
Triveni Turbines Ltd	BUY	92	103	150	45.3	0.3	3.0	3.1	34.7	33.1	21.7	20.8
Siemens Ltd	BUY	1128	1072	1350	25.9	381.6	53.0	53.6	20.2	20.0	27.1	26.7
Aksh Optifibre Ltd	BUY	15	16	30	90.5	2.6	1.4	2.7	11.0	5.8	6.6	4.2
GMM Pfaudler Ltd	BUY	332	1145	1300	13.5	16.7	19.4	26.7	59.0	42.9	36.0	26.3
Alicon Castalloy Ltd	BUY	288	588	850	44.6	7.2	29.0	46.6	20.3	12.6	9.4	6.9
Gufic Biosciences Ltd	BUY	50	83	150	81.5	6.4	1.9	3.1	44.3	26.6	18.7	14.5
Excel Industries Ltd	BUY	380	1045	1800	72.2	13.5	58.1	112.2	18.0	9.3	10.7	5.7
Vesuvius India Ltd	BUY	1165	1128	1500	33.0	22.6	52.3	56.3	21.6	20.0	10.8	10.4
Munjal Showa Ltd	BUY	191	148	250	68.9	5.9	19.4	21.5	7.6	6.9	5.1	4.5
Bharat Rasayan Ltd	BUY	2747	4030	5000	24.1	16.9	227.3	257.5	17.7	15.7	11.6	10.2
Alkyl Amines Chemicals Ltd	BUY	391	809	1000	23.6	16.5	31.5	38.9	25.7	20.8	15.5	11.8
Grauer and Weil (India) Ltd	BUY	45	48	65	36.3	10.8	2.7	3.0	17.9	16.1	11.2	10.6
Texmaco Rail & Engineering Ltd	BUY	91	64	150	135.1	20.2	0.5	1.8	139.2	35.2	61.4	17.9
Nagarjuna Agrichem Ltd	BUY	29	27	45	63.9	4.3	0.7	0.8	40.0	34.7	13.1	12.4
Simplex Infrastructures Ltd	BUY	540	151	300	98.7	20.2	30.5	31.8	4.9	4.8	6.2	5.8
ITD Cementation India Ltd	BUY	158	113	180	59.3	17.5	8.3	9.8	13.6	11.5	7.5	6.6
Westlife Development Ltd	BUY	266	376	525	39.6	58.5	0.8	1.6	453.2	236.9	77.8	54.6
Federal Mogul Goetze (India) Ltd	BUY	540	547	750	37.1	30.4	14.9	18.0	36.7	30.3	16.2	14.8
Dynamatic Technologies Ltd	BUY	2160	1395	2750	97.1	8.8	1.1	51.1	1228.6	27.3	11.3	8.6
Hitech Corporation Ltd	BUY	175	93	180	93.5	1.6	4.5	6.4	20.6	14.6	8.4	6.3
NRB Bearings Ltd	BUY	138	170	240	41.0	16.5	8.5	10.4	20.1	16.4	11.9	10.0
Kokuyo Camlin Ltd	BUY	132	86	175	104.6	8.6	1.0	1.5	87.4	58.2	25.9	20.6
Timken India Ltd	BUY	883	542	1000	84.6	36.8	13.5	19.0	40.0	28.5	22.5	14.4
Morganite Crucible (India) Ltd	BUY	1047	1450	2300	58.6	4.1	49.6	63.9	29.2	22.7	2.9	2.6
Vardhman Special Steels Ltd	BUY	151	95	140	47.3	3.4	7.0	8.7	13.5	10.9	8.9	7.4
Zen Technologies Ltd	BUY	115	72	170	137.8	5.5	-0.1	0.8	-1418.2	88.8	-292.5	53.0
KSB Ltd	BUY	820	657	1100	67.4	22.9	18.8	21.2	37.0	32.8	15.5	13.8
Thermax Ltd	BUY	1019	949	1230	30	113.1	22.1	26.8	43.0	35.4	30.4	26.1
Transpek Industry Ltd	BUY	1547	1417	2000	41.1	7.9	47.3	76.0	30.0	18.6	18.5	13.9
BASF India Ltd	BUY	1954	1248	2000	60.3	54.0	20.3	43.5	61.4	28.7	18.5	14.6
Artson Engineering Ltd	BUY	64	39	95	143.6	1.4	0.4	2.3	104.1	17.0	62.6	19.1
Remsons Industries Ltd	BUY	104	85	155	82.0	0.5	6.0	7.9	14.1	10.7	9.4	7.4
Snowman Logistics Ltd	BUY	33	32	55	73.0	5.3	-0.2	0.1	-149.2	221.0	14.8	12.2
Alembic Pharmaceuticals Ltd	BUY	605	530	751	41.7	99.9	22.3	26.7	23.7	19.8	16.5	14.0
SKF India Ltd	BUY	1942	1854	2620	41.3	95.2	57.6	60.7	32.2	30.6	21.8	20.3
HFCL Ltd	BUY	25	22	35	59.8	27.3	1.3	1.7	17.3	13.0	11.3	8.1
Sudarshan Chemical Industries Ltd	BUY	372	310	500	61.3	25.8	12.4	13.8	25.0	22.5	12.4	11.0

*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	BUY	341	600	Bonus 1 : 1.	171	500	57%
Engineers India Ltd	BUY	211	200	Bonus 1 : 1.	105	250	4%
Gulshan Polyols Ltd	BUY	390	500	Stock Split from Rs.FV 5 to Rs.FV 1.	78	110	-37%
Nesco Ltd	BUY	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2.	479	640	1%
Castrol India Ltd	BUY	447	550	Bonus 1 : 1	223	200	-34%
Hikal Ltd	BUY	143	325	Bonus 1 : 2	95	216	83%

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	FY19	FY18	FY19	FY18	FY19
IHP Ltd	BUY	341	268	500	86.6	13.0	13.6	20.1	19.7	13.3	10.7	8.3
Engineers India Ltd	BUY	211	109	200	83.2	36.8	6.0	7.0	18.3	15.6	16.6	13.2
Gulshan Polyols Ltd	BUY	390	49	78	59.0	2.3	3.9	5.1	2.9	2.2	2.8	2.3
Nesco Ltd	BUY	2397	483	640	32.5	6.8	25.1	23.7	19.3	20.4	15.8	16.4
Castrol India Ltd	BUY	223	146	200	36.7	72.4	7.1	15.6	20.7	9.4	13.6	12.3
Hikal Ltd	BUY	143	175	216	23.6	14.4	9.4	10.1	18.6	17.4	11.2	10.1

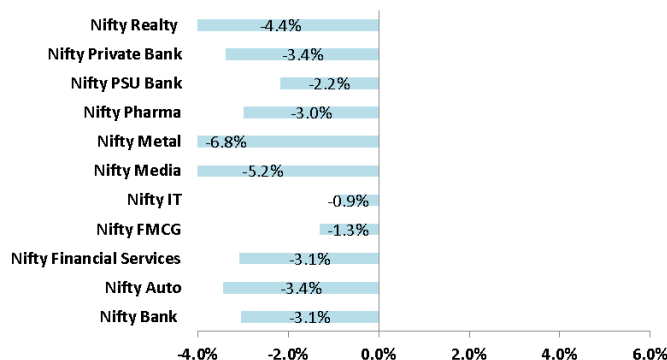
Coverage Performance Sheet												
Company	Reco at	CLS		Target Price (Rs)								Appreciation
	(Rs)	(Rs)	Target 1	Target 2	Target 3	Target 4	Target 5	Target 6	Target 7	Target 8		
Supreme Petrochem Ltd	77	206	120	150	200	275	350	500	275	-	168%	
Shanthi Gears Ltd	107	125	150	200	-	-	-	-	-	-	17%	
Hind Rectifiers Ltd	69	120	110	140	175	-	-	-	-	-	74%	
KCP Limited	71	86	105	150	200	150	-	-	-	-	21%	
Hester Biosciences Ltd	565	1575	750	875	1150	1500	2200	1750	-	-	179%	
The Hitech Gears Ltd	298	269	450	600	500	-	-	-	-	-	-10%	
Bharat Bijlee Ltd	787	981	1100	1500	2000	-	-	-	-	-	25%	
Triveni Turbines Ltd	92	103	135	150	-	-	-	-	-	-	12%	
Siemens Ltd	1128	1072	1350	-	-	-	-	-	-	-	-5%	
Aksh Optifibre Ltd	15	16	24	35	45	30	-	-	-	-	5%	
GMM Pfaudler Ltd	332	1145	500	700	800	1000	1300	-	-	-	245%	
Alicon Castalloy Ltd	288	588	450	600	750	1000	850	-	-	-	104%	
Gulfic Biosciences Ltd	50	83	75	100	140	175	150	-	-	-	65%	
Excel Industries Ltd	380	1045	550	650	800	1100	1400	1800	2200	1800	175%	
Vesuvius India Ltd	1165	1128	1500	-	-	-	-	-	-	-	-3%	
Munjal Showa Ltd	191	148	250	300	350	300	250	-	-	-	-22%	
Bharat Rasayan Ltd	2747	4030	3500	4250	5000	6500	9000	5000	-	-	47%	
Alkyl Amines Chemicals Ltd	391	809	550	700	850	1000	-	-	-	-	107%	
Grauer and Weil (India) Ltd	45	48	65	80	100	65	-	-	-	-	6%	
Texmaco Rail & Engineering Ltd	91	64	125	150	-	-	-	-	-	-	-30%	
Nagarjuna Agrichem Ltd	29	27	45	60	75	60	45	-	-	-	-5%	
Simplex Infrastructures Ltd	540	151	700	540	300	-	-	-	-	-	-72%	
ITD Cementation India Ltd	158	113	225	180	-	-	-	-	-	-	-28%	
Westlife Development Ltd	266	376	350	425	525	-	-	-	-	-	41%	
Federal Mogul Goetze (India) Ltd	540	547	750	-	-	-	-	-	-	-	1%	
Dynamatic Technologies Ltd	2160	1395	3000	2750	-	-	-	-	-	-	-35%	
Hitech Corporation Ltd	175	93	230	180	-	-	-	-	-	-	-47%	
NRB Bearings Ltd	138	170	200	240	-	-	-	-	-	-	23%	
Kokuyo Camlin Ltd	132	86	175	-	-	-	-	-	-	-	-35%	
Timken India Ltd	883	542	1200	1000	-	-	-	-	-	-	-39%	
Morganite Crucible (India) Ltd	1047	1450	1500	1750	2300	-	-	-	-	-	38%	
Vardhman Special Steels Ltd	151	95	225	140	-	-	-	-	-	-	-37%	
Zen Technologies Ltd	115	72	170	-	-	-	-	-	-	-	-38%	
KSB Ltd	820	657	1100	-	-	-	-	-	-	-	-20%	
Thermax Ltd	1019	949	1230	-	-	-	-	-	-	-	-6.9%	
Transpek Industry Ltd	1547	1417	2000	-	-	-	-	-	-	-	-8.4%	
BASF India Ltd	1954	1248	2500	2000	-	-	-	-	-	-	-36.1%	
Artson Engineering Ltd	64	39	95	-	-	-	-	-	-	-	-39%	
Remsons Industries Ltd	104	85	155	-	-	-	-	-	-	-	-18%	
Snowman Logistics Ltd	33	32	55	-	-	-	-	-	-	-	-3.6%	
Alembic Pharmaceuticals Ltd	605	530	751	-	-	-	-	-	-	-	-12%	
SKF India Ltd	1942	1854	2620	-	-	-	-	-	-	-	-4.5%	
HFCL Ltd	25	22	35	-	-	-	-	-	-	-	-12%	
Sudarshan Chemical Industries Ltd	372	310	500	-	-	-	-	-	-	-	-16.7%	

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

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Engineers India Ltd	211	325	Bonus 1 : 1	105	250	4%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1	78	110	-37%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2	479	640	1%
Castrol India Ltd	447	550	Bonus 1 : 1	223	200	-34%
Hikal Ltd	143	325	Bonus 1 : 2	95	216	83%

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	(Rs)	(Rs)	Target 1	Target 2	Target 3	Target 4	Target 5	Target 6	Target 7	Target 8		
IHP Ltd	341	268	500	600	500	-	-	-	-	-	57%	
Engineers India Ltd	211	109	200	250	200	-	-	-	-	-	4%	
Gulshan Polyols Ltd	390	49	110	78	-	-	-	-	-	-	-37%	
Nesco Ltd	2397	483	640	-	-	-	-	-	-	-	1%	
Castrol India Ltd	223	146	275	250	200	-	-	-	-	-	-34%	
Hikal Ltd	143	175	200	250	325	216	-	-	-	-	83%	

Weekly Sectoral Gainers & Losers in (%)



TERM OF THE WEEK:

Pair Trading:

Pairs trading is a market-neutral trading strategy that matches a long position with a short position in a pair of highly correlated instruments such as two stocks, exchange-traded funds (ETFs), currencies, commodities or option. The strategy's profit is derived from the difference in price change between the two instruments.

COVERAGE NEWS:

Alembic Pharmaceuticals Limited:

Aleor Dermaceuticals Ltd. (60:40 JV between Alembic Pharmaceuticals and Orbicular Pharmaceutical Technologies Pvt. Ltd) has received EIR from the USFDA for the inspection carried out by them at Aleor's Formulation Facility at Karakhadi, Gujarat, India during the period from 4th February, 2019 to 8th February, 2019.

Our comments:

This is a positive for the company.

Alembic partners with SPH Group & Adia for the Chinese market

Alembic has entered into a Joint Venture Agreement with SPH SINE Pharmaceutical Laboratories Co Ltd, China & Adia (Shanghai) Pharma Co Ltd, China to promote and sell pharmaceutical products for the Chinese market. SPH Sine, Alembic & Adia shall hold 51%, 44% & 5% equity in the JVA. Initially this JV will commercialize products manufactured by Alembic Pharmaceuticals Limited. Subsequently the JV plans to set up a manufacturing facility in China.

Our comments:

The JV will commercialize products in the Chinese market which has an increasing demand for generic drugs.

Artson Engineering receives order from Tata Projects

The company has received a Letter of Intent of an order of approx. Rs20.32cr from Tata projects Ltd. The order includes Design, Engineering, Fabrication, Supply, Alignment and Assembly at Site, Site Testing including Hydro Testing. Inspection, Painting, NDT and Delivery of 6 Nos. Air Storage Vessels to build a state of art 1.2m x 1.2m blow down type Trisonic Wind Tunnel (IW I) for the generation of Aerodynamic data at Thumba Equatorial Rocket Launching Station (TERLS) Thumba, VSSC Thiruvananthapuram India.

Our comments:

The order will be executed within 11 months of the LOA.

Dynamatic Technologies Limited:

The company has signed a long term contract with Boeing Defense for the building of Aft Pylon and Cargo Ramp for Chinook CH-47. This contract is an extension of the existing program where Dynamatic is supplying to global requirements as single source outside of Boeing. With this, the contract has been extended up to 2023.

*EIR For Aleor
Formulation Plant*

*Alembic JV With SINE
Pharmaceuticals*

*Order For Artson
Engineering*

*Contract Updates Of
Dynamatic*

*Auto Industry Hits
Performance*

RESULT UPDATE:

Vardhman Special Steels Limited:

The net revenues for the quarter clocked single digit growth of 5.1% to Rs2,433mn as compared to Rs2,314mn in the same quarter. The growth was led by better realizations and sale of outsourced goods and raw materials in Q4FY19. The volume for the quarter stood at 34,363 tonnes, y-o-y decline of 10.6%, mainly on account of a significant slowdown in automotive industry last year. The EBITDA margins dropped to 4.4% for the quarter as against 7.4% in March 2018. This was on account of increase in operating costs that were incurred to build inventory for upcoming planned plant shutdown. The loss of Rs1.5mn reported in the quarter of reference as against Rs72mn profit in the comparative quarter last year. This was the impact of drop in EBITDA and increase in the interest costs.

Outlook and Recommendations:

The slowdown in the Auto industry is being felt by most of the players associated with the industry for their revenue flow. VSSL is no exception to the same. It has felt the heat with increase in raw material prices and bleak demand, reflected in the performance. However, as the majority expects H2FY20 to be a turnaround for the Auto sector; we feel that the company should get back on track around the same time. We maintain a cautious outlook on the company with a target price of Rs140 over a 12 months horizon.

Bharat Bijlee Limited:

The net sales for the quarter under review stood at Rs2,731mn as against Rs2,228mn in the corresponding period last year, growth of 22.5%. The company has been hit by cost of raw material which is the scenario across the entire industry. On the operational front, EBITDA margins were seen at 4.62% as compared to 5.58% in the same quarter last year. The net profit without exceptional item stood at Rs96mn for the quarter ending March 2019 as compared to Rs21mn in the same quarter last year (* not adjusted for tax on exceptional items). The net profit with exceptional item stood at Rs96mn for the quarter ending March 2019 as compared to Rs489mn in the same quarter last year. *In March 2018, the company had reported an exceptional item to the tune of Rs467.8mn which represented surplus on surrender of a part of the company's factory lease hold land at Airoli, Navi Mumbai to MIDC, the lessor, for proposed public road project. EPS for the quarter stood at Rs17.05. On the segmental front, both the segments i.e. Power Systems and Industrial System grew by 15.13% and 33.62% respectively. The company has recommended a dividend of Rs12.50 per equity share of FV=10 i.e. 125% for FY19.

Outlook and Recommendations:

Adjusting for the exceptional items in March 2018, the company has reported decent set of numbers for the quarter. The drop in the margins is majorly due to the raw material costs which are common for all the players in the industry. The full year results are almost in line with our expectations but for the slight dip in the Ebitda margins. The company should continue to perform decently going forward as well. We continue with the Buy recommendation for a target of Rs2000 over a 12 months horizon.

Hester Biosciences Limited:

The net sales for the quarter grew by 30.3% to Rs488mn as compared to Rs375mn in the same quarter last year. The EBITDA margins for the quarter under review stood at 38.6%. The net profit grew by 35.5% to Rs124mn as against Rs91mn in the comparative quarter. The EPS for the quarter ending March 2019 stands at Rs14.6. For the full year, the company has clocked revenue growth of 26.6% and ended the year with net profit growth of 43.3%.

Outlook and Recommendations:

The company has reported good set of numbers for the quarter under review and for the full financial year under review as well. The dividend distributed by the company is slowly ticking up with an interim dividend of Rs2 per equity share in Q1FY19 and Rs2 in Q2FY19. Moreover, the board has further recommended a final dividend of Rs7 per equity share for FY19 (subject to the approval of the shareholders) summing to a total of dividend distributed at Rs11 for the financial year as compared to Rs10 in FY18. The company is still struggling as far PPR tenders are concerned. Management is trying to explore and strengthen the distribution network in Nepal and India, as the same has immense opportunities to explore. The company is very much on path to explore and strengthen their operations in African continent and thus increase their geographic extent in the same. Hester has been consistent in managing the inventory quite well while maintaining a profitable product mix with very strong return ratios, which is why we maintain our target price of Rs1,750 with a perspective of 12 months.

*Decent Numbers
Reported*

Good Set Of Numbers

On Track To Growth

*Good Numbers In
Current Pharma
Scenario*

*Extra Ordinarily Strong
Performance*

*Operational Efficiency
Depicted*

RESULT UPDATE:

Kokuyo Camlin Limited:

The net sales for the quarter grew by 2.0% to Rs1,941mn as compared to Rs1,902mn in the same quarter last year. The EBITDA margins for the quarter under review stood at 7.4%. The net profit de-grew by 20.2% to Rs46mn as against Rs58mn when compared to the corresponding quarter last year. The EPS for the quarter ending March 2019 stands at Rs0.45. For the full year, the company has clocked revenue growth of 7.9% with sales at Rs6,888mn as compared to Rs6,384. At the same time, the year ended with a net profit growth of 54.8% with net profit earned at Rs152mn in FY19 as against Rs98mn in FY18.

Outlook and Recommendations:

The results for a company like Kokuyo should not be compared on quarterly basis. Historically first and second quarter are the strongest quarter for the company which is also shown in the inventories been piled up. If one carefully notices the full year numbers, the company has grown slowly but at a steady state. The journey to launch new SKU's continues for Kokuyo and we continue to maintain our target price of Rs175 with a horizon of 12 months.

Alembic Pharmaceuticals Limited:

The net sales for the quarter grew by 8.6% to Rs9,270mn as compared to Rs8,533mn in the same quarter last year. The EBITDA margins for the quarter under review stood at 19.2%. The net profit grew by 32.3% to Rs1240mn as against Rs937mn in the comparative quarter. The EPS stands at Rs6.6. For the full year, the company has clocked revenues of Rs39347mn as against Rs31308mn, growth of 25.7% and ended the year with net profit of Rs5844mn as compared to Rs4126mn, growth of 41.6%. The Board has recommended dividend on equity shares at Rs5.50 per share i.e. 275% for FY19.

Outlook and Recommendations:

The company has reported good set of numbers barring the performance on the domestic front which is more of due to industry driven reasons. It is well on track with regard to capturing its share in the US markets. The other focus markets of Alembic Pharma are also showing decent traction going forward. We feel that the company should continue with its performance and hence we maintain our Buy recommendation on the stock with the target price of Rs751 over a 12 months horizon.

Artson Engineering Limited:

The net sales for the quarter grew by 30.3% to Rs609mn as compared to Rs467mn in the same quarter last year. The EBITDA margins for the quarter under review stood at 9.2%. The other income has dropped from Rs41mn in the same quarter last year to Rs4mn in the current, boosting the improvement and quality in profitability. The net profit grew to Rs18mn as against a loss of Rs1.1mn in the comparative quarter. The EPS stands at Rs0.5 the quarter.

Outlook and Recommendations:

The Q4FY19 results have been extra ordinarily strong post the impact of adoption of Ind AS-115 for revenue recognition. The company has reported operational efficiency which was long awaited. We feel that the worst is behind for the company and we should get better reporting going forward as well. The stock has taken the beating of the market sentiments and is available at lucrative levels. If one has added at higher levels, this would be the right time to add more and reap the benefits chalked forward. We maintain our Buy recommendation with the target price of Rs95 over a 12 months horizon.

KSB Ltd:

The company has reported total revenue of Rs2,893mn in this quarter as compared to Rs2,125mn in the same quarter last year, growth of 36.1%. The EBITDA margins in this quarter increased to 11.0% as compared to 9.3% in the corresponding period of last year. The net profit for the quarter increased by 32.8% at Rs166mn as against Rs125mn in the same quarter last year. The EPS stands at Rs4.8 for the quarter. On the segmental front, the revenue from Pumps segment clocked growth of 41% while Valves grew by 17%.

Outlook and Recommendations:

The company has reported good set of numbers with operational efficiency displayed during the quarter, majorly led by change in product mix. We feel that company will continue this growth momentum in tandem to the demand of its products across the different industries. We maintain our Buy recommendation on the stock with a target price of Rs1,100 over a 12 months perspective.

Good Quarter For The Company

Services Activity On The Downturn

Flattish Q1 Sales For Steel

Lupin Gets Time Extension

Hikal Limited:

The net sales for the quarter grew by 17.2% to Rs4,575mn as compared to Rs3,908mn in the same quarter last year. The EBITDA margins for the quarter under review stood at 18.3%. The net profit grew by 31.6% to Rs334mn as against Rs253mn in the comparative quarter. The EPS stands at Rs2.7. For the full year, the company has clocked revenue growth of 22.3% and ended the year with net profit growth of 33.5%.

Outlook and Recommendations:

Hikal continues to be a slow compounder for long term investors. The company had crossed a major milestone of **Rs10bn** in sales when we had **reinitiated** a buy on the stock in November 2017 and today in May 2019, the company crosses yet another achievement of **Rs1bn** in net profit. Margins earned by the company are more or less flattish and have been consistent since many years. There could be some concerns related to the cost of raw material which has inched up to 58% from earlier 55% (as a percentage to sales). With a further vision to growth, the Management has highlighted the fact of significant capital investment in both the segments for new capacity which is anticipated to be on stream by next financial year. The company intends to explore opportunities in alternative niche chemistries like bio catalysis technologies, flow chemistry, etc. The company is also looking at trying to reduce the dependency on Chinese markets and looking at backward integration. The fruits of the current capex will begin to flow in next 2-3 years. Along with the small developments which the company continues to strive for while maintaining a healthy balance sheet, the future outlook of the company remains positive, and we continue to maintain our target price of Rs216 with a horizon of 12 months.

ECONOMY:

Services activity at 7 month low in April on slow sales

India's service sector activity slipped to a seven month low in April, due to weak rise in sales amid competitive pressures and disruptions arising from elections. Nikkei India Services Purchasing Managers' Index (PMI) dropped to 51 in April from 52 the previous month. The reading came in below the average for 2018, which was 51.6, underscoring a loss of momentum in the sector.

Our comments:

Although the Indian private sector economy looks to be settling into a weaker growth phase, much of the slowdown was linked to disruptions arising from elections. Companies generally foresee improvements once a government is formed.

INDUSTRY:

India's steel production stood at 27mn tonne in 1Q2019

India's steel production fell by about 0.3% to 27.33 million tonne (MT) during Q1CY2019, according to data from the World Steel Association. During the January-March 2018 period, the country had produced 27.40MT of crude steel, the data showed. In January, India had produced 9.18MT steel, down 1.9% as compared with 9.35MT in the corresponding month of 2018. The country in February 2019 reported a rise of 2.3% to 8.74MT as against 8.54MT in the year-ago month. In the subsequent month, the output fell 1% to 9.41MT, from 9.50MT in March 2018. In 2018, India's annual production of crude steel had stood at 106.5MT, up 4.9% from 101.5MT it had produced in 2017. India is the second-largest producer of steel in the world after China, which produced 80.33MT during January-March 2019.

Our comments:

India has set an ambitious target of scaling up its steel production capacity to 300MT.

COMPANY:

Lupin gets more time from govt. to complete project in Indore SEZ

The government has approved a proposal of Lupin to take more time for completion of its project at Indore special economic zone (SEZ) with proposed investment of Rs205.69cr. The decision to give more time was taken by the Board of Approval (BoA) in its meeting on April 22. The board, after deliberations, approved extension of the validity of the LoP (letter of permission) up to April 11, 2020. The company is setting up its pharma unit in Indore SEZ to manufacture pharmaceutical formulations metered dose inhalers and dry powder inhalers.

Our comments:

The unit has expressed its commitment to commence production before March 2020.

*End To The Battle Of
Dispute*

COMPANY:

McDonald's buys out Vikram Bakshi; temporarily shuts over 160 outlets

Ending a six-year-long dispute between McDonald's Corp. and its estranged India partner Vikram Bakshi, the local unit of the US fast-food chain said it has bought out Bakshi's 50% stake in their joint venture Connaught Plaza Restaurants Ltd (CPRL). McDonald's India Pvt. Ltd (MIPL), along with its affiliate McDonald's Global Markets Llc, now wholly owns CPRL, the US fast-food chain. McDonald's India did not disclose the financial details of the transaction. Over the next one-two weeks, McDonald's India will review its over 160 outlets in north and east India. The restaurants would remain shuttered during this period starting 9 May.

Our comments:

The company is still actively looking out for a partner for its north and east India business.

Orders For JSPL

Jindal Steel bags Rs665cr rail order from RVNL

Jindal Steel and Power Ltd bagged Rs665cr order from Rail Vikas Nigam Ltd to supply 89,042 tonnes of rails. This order is indicative of JSPL's strategic commitment to growing its footprint in the domestic Rail segments. This is the second big rail order in less than a year, the first-ever rail order to JSPL for supplying close to one lakh tonnes rails to Indian Railways was completed in April, 2019. RVNL functions as an extended arm of the Ministry of Railways. It is empowered to act as an umbrella special purpose vehicle (SPV) to undertake projects directly or by creating project specific SPVs.

Our comments:

The required rails will be manufactured and supplied from its Raigarh facility.

RIL Acquires Hamleys

Reliance acquires British toy major Hamleys in a cash deal of USD88.6mn

Reliance Industries (RIL) will acquire British toy retailer Hamleys for a cash consideration of £67.96 million (about Rs620cr). At present, RIL has the master franchise in India for Hamleys and operates 88 stores across 29 cities. Hamleys' global business operations have been under pressure and loss-making. Once the deal is complete, RIL will be the fourth owner of the iconic chain in the past 15 years.

Our comments:

The worldwide acquisition of the iconic Hamleys brand places Reliance into the frontline of global retail.

Tata Steel In Limelight

Tata Steel, Thyssenrupp set to abandon JV plans in Europe

Tata Steel and ThyssenKrupp have abandoned plans for a joint venture of their steel businesses in Europe as they expect the deal to be blocked by the European Commission. The latter has raised concerns over high prices for steel used in electrical steel, automotive steel and packaging among others if the JV goes through. The two partners stated that further concessions over EC concerns would adversely affect the intended synergies of the merger.

Our comments:

The development would be a wait and watch for the Steel Industry in terms of pricing and demand.

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