

**THE WEEKLY WRAP-UP**

11th May 2018

**DOMESTIC:**

- Aurobindo launches USD1.6bn bid to buy Novartis generics unit
- Manipal-TPG revises offer for Fortis Healthcare, values group at Rs8,358cr
- Big wilful defaulters owe PNB Rs15,172cr
- GMR signs pact with investor group to sell off hydel project
- ONGC clocks 6.3% rise in gas production
- R Infra-Astaldi JV bags Rs 7k cr Versova-Bandra sea link project in Mumbai
- Suven Life Sciences' Pashamylaram facility successfully completes USFDA inspection
- Reliance to invest Rs600bn in Jio this year, may borrow Rs1trn more
- Infibeam to buy Snapdeal's Uni commerce in Rs120cr deal
- Nestle to pay Starbucks USD7.15bn for rights to sell its products worldwide
- Maruti announces service campaign to inspect 52,686 Swift & Baleno cars for possible fault
- Tata Steel facing trouble in Bhushan Steel takeover
- Patanjali top bidder for acquiring debt-laden Ruchi Soya
- Reliance Infra bags EPC for Rs6993.99cr Versova-Bandra Sea Link Project in Mumbai
- Lupin submits new drug application to sell biosimilar Etanercept in Japan
- Cipla enters into exclusive pact with US-based MannKind to sell inhaled insulin in India
- Wabag secures repeat order worth Rs296cr from Delhi Jal Board
- Welspun Enterprises emerges as lowest bidder at bid price for NHAI project
- Avanti Feeds approves stock split in the ratio of 1:2 and issue of bonus shares in 1:2 ratio
- PC Jeweller's board approved buy back of 3.07% shares at Rs350 per share

**ECONOMY:**

- GST, bank balance sheet problems pushed India's economic growth downward but recovery expected: UN

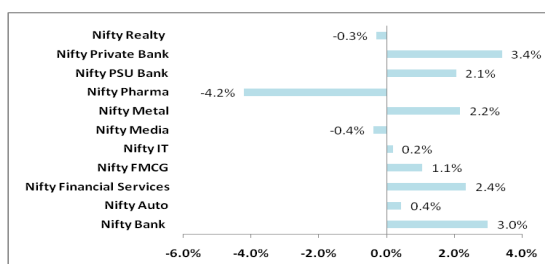
**INDUSTRY:**

- Pharma exports can cross USD20bn by 2020: Chief of Pharmexcil
- Cargo traffic at major ports rise 1.7% in April
- Finished steel exports surge 17% in FY18

**Price Performance (%)**

Company	1M	3M	12M
Supreme Petrochem Ltd	-8.7%	-14.5%	-21.6%
Shanthi Gears Ltd	0.1%	-16.5%	2.4%
Hind Rectifiers Ltd	0.7%	-10.0%	50.3%
KCP Ltd	-9.2%	-9.3%	0.2%
Harita Seating System Ltd	-1.1%	4.5%	35.9%
Hester Biosciences Ltd	-5.3%	3.0%	87.0%
The Hi-Tech Gears Ltd	8.1%	4.5%	44.6%
Bharat Bijlee Ltd	-0.2%	6.4%	51.0%
Triveni Turbines Ltd	-1.5%	-20.5%	-28.8%
Siemens Ltd	-6.4%	-17.4%	-26.3%
Hikal Ltd	2.6%	5.2%	11.0%
Aksh Optifibre Ltd	-10.7%	-19.6%	47.9%
GMM Pfaudler Ltd	11.3%	8.6%	50.4%
Alicon Castalloy Ltd	3.6%	-4.0%	27.6%
Premier Explosives Ltd	-5.0%	-17.1%	-21.4%
Gufic Biosciences Ltd	24.8%	18.4%	132.9%
Excel Industries Ltd	12.7%	40.1%	231.2%
Vesuvius India Ltd	1.9%	9.0%	2.1%
Munjal Showa Ltd	-1.8%	-6.4%	7.1%
Bharat Rasayan Ltd	28.8%	36.7%	115.9%
Alkyl Amines Chemicals Ltd	-3.3%	-1.9%	32.9%
Grauer and Weil (India) Ltd	-4.7%	-16.1%	42.5%
Texmaco Rails & Engineering Ltd	-7.7%	-15.9%	-17.1%
Nagarjuna Agrichem Ltd	-6.6%	-18.8%	37.3%
Simplex Infrastructures Ltd	9.1%	4.5%	102.7%
ITD Cementation India Ltd	-3.7%	-13.1%	-9.4%
Westlife Development Ltd	4.0%	12.9%	72.4%
Federal Mogul Goetze (India) Ltd	-5.1%	-16.4%	-23.7%
Dynamatic Technologies Ltd	4.0%	6.7%	-31.9%
Hitech Corporation Ltd	-7.4%	-12.8%	-30.7%
NRB Bearings Ltd	-5.6%	-8.8%	23.0%
Kokuyo Camlin Ltd	-4.3%	-15.4%	14.0%
Timken India Ltd	-3.3%	-16.3%	-4.2%
Bigbloc Construction Ltd	-6.4%	19.0%	81.7%
Morganite Crucible (India) Ltd	0.9%	44.4%	78.1%
Vardhman Special Steels Ltd	-13.2%	-12.8%	13.4%
Zen Technologies Ltd	-0.3%	-2.5%	87.5%
Indian Hume Pipe Co. Ltd	-6.4%	-18.7%	53.8%
Engineers India Ltd	-3.6%	-11.0%	85.3%
TRIL	-6.3%	-20.8%	-30.2%
Gulshan Polyols Ltd	-4.4%	-17.9%	-22.2%
Nesco Limited	-0.2%	-6.3%	9.4%
Castrol India Ltd	-13.7%	80.2%	-18.7%

**Weekly Sectoral Gainers & Losers in (%)**



**The week that went by:**

The week started on a positive note. The markets opened in the green with the breadth being positive. The markets opened on lower note mid-week. Selling was seen across the different sectors. The markets saw an uptrend trading positive with sector specific approach. Last day of trade for the week opened right with the market breadth being positive majorly led by the midcaps.

Coverage Universe Valuations												
Company	Reco	Reco at	CMP	Tgt price	Upside	Mcap	EPS		PE(x)		EV/EBITDA (x)	
		(Rs)	(Rs)	(Rs)	(%)	(Rs bn)	FY17	FY18E	FY17	FY18E	FY17	FY18E
Supreme Petrochem Ltd	BUY	77	316	500	58.2	30.5	18.6	14.9	17.0	21.1	9.9	12.4
Shanthi Gears Ltd	BUY	107	132	200	51.6	10.8	2.8	3.1	47.9	42.8	30.2	26.6
Hind Rectifiers Ltd	BUY	69	139	175	25.9	2.1	-1.1	0.3	-131.1	405.6	51.4	36.3
KCP Limited	BUY	71	126	200	59.1	16.2	2.8	6.3	45.4	20.0	13.3	11.5
Harita Seating System Ltd	BUY	266	1000	1150	15.0	7.8	32.4	34.5	30.8	29.0	28.2	23.6
Hester Biosciences Ltd	BUY	565	1639	2200	34.2	13.9	29.2	34.2	56.0	55.3	34.7	29.5
The Hitech Gears Ltd	BUY	298	483	600	24.2	9.1	10.9	16.5	44.5	29.8	18.9	15.6
Bharat Bijlee Ltd	BUY	787	1561	2000	28.2	8.8	34.7	41.4	45.0	37.7	57.4	29.1
Triveni Turbines Ltd	BUY	92	98	175	77.9	0.3	3.5	2.4	27.9	40.4	19.8	24.3
Siemens Ltd	BUY	1128	1036	1350	30.3	368.8	9.1	10.0	114.0	103.8	77.8	68.8
Hikal Ltd	BUY	143	245	325	32.6	20.2	8.1	8.7	30.2	28.2	12.4	11.4
Aksh Optifibre Ltd	BUY	15	34	45	32.0	5.6	13.9	1.5	1.9	17.4	6.6	10.0
GMM Pfaudler Ltd	BUY	332	820	1000	22.0	12.0	19.3	20.8	42.5	39.5	29.1	26.7
Alicon Castalloy Ltd	BUY	288	628	750	19.4	7.7	21.4	24.1	29.4	26.0	11.3	8.9
Premier Explosives Ltd	BUY	350	340	600	76.5	3.0	15.9	11.4	21.3	29.8	11.8	11.6
Gufic Biosciences Ltd	BUY	50	152	140	-7.7	11.7	1.6	2.1	97.2	72.9	45.2	33.6
Excel Industries Ltd	BUY	380	1295	800	-38.2	16.7	9.8	39.7	132.7	32.6	40.4	19.1
Vesuvius India Ltd	BUY	1165	1305	1500	14.9	26.1	49.0	62.7	26.6	20.8	14.5	11.7
Munjal Showa Ltd	BUY	191	219	350	59.5	8.8	14.2	14.6	15.4	15.1	9.2	8.9
Bharat Rasayan Ltd	BUY	2747	6150	6500	5.7	25.8	128.9	189.3	47.7	32.5	24.7	17.9
Alkyl Amines Chemicals Ltd	BUY	391	618	700	13.3	12.6	24.3	27.0	25.4	22.9	14.8	15.0
Grauer and Weil (India) Ltd	BUY	45	60	100	67.9	13.5	2.3	2.3	26.3	25.4	14.9	14.5
Texmaco Rails & Engineering Ltd	BUY	91	80	170	111.4	20.2	1.5	2.7	52.5	29.9	35.5	22.0
Nagarjuna Agrichem Ltd	BUY	29	39	75	91.3	6.1	1.6	0.9	24.2	45.2	13.2	12.2
Simplex Infrastructures Ltd	BUY	540	600	700	16.7	20.2	24.3	29.6	24.7	20.3	9.0	8.2
ITD Cementation India Ltd	BUY	158	165	225	36.3	25.6	3.1	4.8	53.3	34.4	13.9	12.5
Westlife Development Ltd	BUY	266	389	425	9.1	60.6	-0.8	0.3	-499.1	1140.5	132.8	80.1
Federal Mogul Goetze (India) Ltd	BUY	540	450	750	66.5	25.1	12.9	15.7	34.8	28.6	14.4	13.1
Dynamatic Technologies Ltd	BUY	2160	1914	3000	56.7	12.1	23.0	-9.3	49.1	-546.8	10.6	13.5
Hitech Corporation Ltd	BUY	175	148	230	55.2	2.5	6.9	3.5	21.5	42.4	8.4	9.2
NRB Bearings Ltd	BUY	138	151	200	32.9	14.6	5.2	5.5	28.8	27.3	16.2	15.5
Kokuyo Camlin Ltd	BUY	132	112	175	56.2	11.2	0.1	0.5	1184.1	214.2	55.5	40.8
Timken India Ltd	BUY	883	682	1200	76.0	46.4	14.3	15.1	47.7	45.0	29.3	25.5
Bigbloc Construction Ltd	BUY	120	169	200	18.4	2.4	2.2	2.7	78.1	61.7	25.3	22.0
Morganite Crucible (India) Ltd	BUY	1047	1473	1500	1.8	4.1	47.2	38.2	31.2	38.5	16.8	22.2
Vardhman Special Steels Ltd	BUY	151	134	225	67.7	4.8	10.3	6.4	14.6	23.4	13.2	12.6
Zen Technologies Ltd	BUY	115	119	170	42.9	9.2	0.9	0.2	128.1	558.6	78.6	213.7

\*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	95%
Engineers India Ltd	211	200	Bonus 1 : 1.	106	250	47%
Transformers and Rectifiers (India) Ltd	300	450	Stock Split from Rs.FV 10 to Rs.FV 1.	30	40	-4%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1.	78	110	-12%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2.	479	640	18%
Castrol India Ltd	447	550	Bonus 1 : 1	223	275	-17%

Coverage Universe Valuations												
Company	Reco	Adj Reco	CMP	Tgt price	Upside	Mcap	EPS		PE(x)		EV/EBITDA (x)	
		(Rs)	(Rs)	(Rs)	(%)	(Rs bn)	FY17	FY18E	FY17	FY18E	FY17	FY18E
IHP Ltd	BUY	171	322	600	86.3	15.6	20.4	14.3	15.8	22.4	8.6	11.5
Engineers India Ltd	BUY	106	154	250	62.2	51.9	4.8	5.0	32.0	30.8	31.7	34.3
Transformers and Rectifiers (India) Ltd	BUY	30	27	40	49.3	0.4	13.9	1.5	1.9	17.4	6.6	10.0
Gulshan Polyols Ltd	BUY	78	70	110	57.0	3.3	4.6	6.4	15.2	10.9	19.3	17.0
Nesco Ltd	BUY	479	562	640	13.9	7.9	120.2	137.5	4.7	4.1	18.5	15.4
Castrol India Ltd	BUY	223	178	275	54.3	88.1	13.6	14.1	13.1	12.6	7.8	7.4

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	316	120	150	200	275	350	500	-	310%
Shanthi Gears Ltd	107	132	150	200	-	-	-	-	-	23%
Hind Rectifiers Ltd	69	139	110	140	175	-	-	-	-	101%
KCP Limited	71	126	105	150	200	-	-	-	-	77%
Harita Seating System Ltd	266	1000	400	600	750	900	1150	-	-	276%
Hester Biosciences Ltd	565	1639	750	875	1150	1500	1750	2200	-	190%
The Hitech Gears Ltd	298	483	450	600	-	-	-	-	-	62%
Bharat Bijlee Ltd	787	1561	1100	1500	2000	-	-	-	-	98%
Triveni Turbines Ltd	92	98	135	175	-	-	-	-	-	7%
Siemens Ltd	1128	1036	1350	-	-	-	-	-	-	-8%
Hikal Ltd	143	245	200	250	325	-	-	-	-	71%
Aksh Optifibre Ltd	15	34	24	35	45	-	-	-	-	127%
GMM Pfaudler Ltd	332	820	500	700	800	1000	-	-	-	147%
Alicon Castalloy Ltd	288	628	450	600	750	-	-	-	-	118%
Premier Explosives Ltd	350	340	450	525	-	-	-	-	-	-3%
Gufic Biosciences Ltd	50	152	75	100	140	-	-	-	-	203%
Excel Industries Ltd	380	1111	550	650	800	1100	1400	-	-	192%
Vesuvius India Ltd	1165	1305	1500	-	-	-	-	-	-	12%
Munjali Showa Ltd	191	219	250	300	350	-	-	-	-	15%
Bharat Rasayan Ltd	2747	6150	3500	4250	5000	6500	-	-	-	124%
Alkyl Amines Chemicals Ltd	391	618	550	700	-	-	-	-	-	58%
Grauer and Weil (India) Ltd	45	60	65	80	100	-	-	-	-	32%
Texmaco Rails & Engineering Ltd	91	80	125	170	-	-	-	-	-	-12%
Nagarjuna Agrichem Ltd	29	39	45	60	75	-	-	-	-	35%
Simplex Infrastructures Ltd	540	600	700	-	-	-	-	-	-	11%
ITD Cementation India Ltd	158	165	225	-	-	-	-	-	-	4%
Westlife Development Ltd	266	389	350	425	-	-	-	-	-	46%
Federal Mogul Goetze (India) Ltd	540	450	750	-	-	-	-	-	-	-17%
Dynamatic Technologies Ltd	2160	1914	3000	-	-	-	-	-	-	-11%
Hitech Corporation Ltd	175	148	230	-	-	-	-	-	-	-15%
NRB Bearings Ltd	138	151	200	-	-	-	-	-	-	9%
Kokuyo Camlin Ltd	132	112	175	-	-	-	-	-	-	-15%
Timken India Ltd	883	682	1200	-	-	-	-	-	-	-23%
Bigbloc Construction Ltd	120	169	160	200	-	-	-	-	-	41%
Morganite Crucible (India) Ltd	1047	1540	1500	1750	-	-	-	-	-	47%
Vardhman Special Steels Ltd	151	134	225	-	-	-	-	-	-	-11%
Zen Technologies Ltd	115	120	170	-	-	-	-	-	-	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	88%
Engineers India Ltd	211	200	Bonus 1 : 1	106	250	47%
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Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1	78	110	-10%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2	479	640	17%
Castrol India Ltd	447	550	Bonus 1 : 1	223	275	-20%

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

\*Omkar: Spin off

**FUNDAMENTAL PICK OF THE MONTH:**

**ZEN Technologies Limited:**

Incorporated in 1993, Zen Technologies Limited (Zentec) is involved in designing, developing and manufacturing world-class, state-of-the-art training simulators. These training equipments and simulators are basically used for defense and military applications. The company is chaired by Mr. Ashok Atluri who is a post-graduate diploma holder in Applied Computer Science from CMC. He is also the co-chairman of Defence Innovators and Industry Association. The company has AS9100C from DQS Inc., ISO 9001:2008 (QMS), ISO 14001:2015 (EMS), ISO/IEC 27001:2013 (ISMS) certifications. As of April 2018, the company has 8 copyrights, 29 trademarks, 33 designs and has also filed for 92 domestic and global patents out of which 23 are granted. Zentec thrives by applying new technologies and developing new products. The company is dependent on constant R&D and has been pooling skills on creating IPR which is a niche business. They have been in the same business since last 25 years. All the products designed by the company are indigenously made. The main customers for the company are from the Defence domain including the Indian Armed Forces, State Police Forces & Para Military Forces. The company can provide tailor made solutions for its client as per their requirement.

**Outlook and recommendations:**

Zen has been focusing on IPR development and intends to continue. The beauty of the business is there is minimum capex involved and the entire operation works on an asset light model. Once, the cost of a new innovation is incurred, with the inflow of orders- the revenues earned directly collect at the bottom-line. None the less, the company is heavily dependent on orders and many a times when the orders do not flow, the quarterly results can be really sluggish; however, the company intends to mitigate the issues via exports and adding new customers in new geographies with times to come. It appears that the company in future could overcome the pattern i.e. good performance in a year followed by a lean couple of years as one can expect decent flow of orders in immediate and distant future. The current order book for the company looks really very strong which gives a visibility of nearly 2 years to come and thus we initiate a Buy on the stock with a target price of Rs170 for a horizon of 12 months.

**Coverage News:**

**Zen Technologies forms wholly owned subsidiary:**

The Company has successfully formed a Wholly Owned Subsidiary company namely “Zen Technologies USA, Inc”, a Delaware Registered Company, on 9th May 2018.

**Our comments:**

This would be a positive for the company in terms of its business presence.

*Pick of the month*

*Corporate announcement*

*Flat Set of Numbers*

*Better operational  
efficiencies*

*Flat quarter reported*

**Result Update:**

**Vesuvius India Limited**

The net sales for the quarter came in at Rs2,270mn as against Rs2,280mn in the same quarter last year, a negligible de-growth of 0.4%. The Ebitda margins for the quarter under review came in at 17.2%. The net profit stood at Rs242mn as compared to Rs235mn, growth of 3.2% y-o-y. The EPS for the quarter stood at Rs11.91 as compared to Rs11.54. As on March 31, 2018, the company has receivables of Rs94.1mn from certain customers against whom the insolvency proceedings have been initiated under the Insolvency and Bankruptcy Code, 2016. Considering the relationship with the said customers, management believes that the said receivables are good and carrying amount of the same is appropriate.

**Outlook and Recommendations:**

The company reported flat set of numbers for the quarter under reference. We maintain our stance with the target of Rs1500 over a 12 months' horizon.

**Kokuyo Camlin Limited:**

The net sales for the quarter under review came in at Rs1,902mn as compared to Rs1,930mn, de-growth of 1.5%. For the full year, the net sales stood at Rs6,385 as compared to Rs6,632mn in FY17. The Ebitda margins for the quarter ending March 2018 improved to 8.8% from 4.7% in the same quarter last year. As a result of the same, the Ebitda margins for the full year stood at 6% as compared 3% for the full year in FY17. The net profit for the quarter under review grew by 105% to Rs58mn from Rs28mn in the same quarter last year. For the full year FY18, the net profit stood at Rs98mn as compared to Rs16mn in FY17. The EPS for the quarter under review stood at Rs0.6 as compared to Rs0.3 in the same quarter last year; while for the full year EPS it stood at Rs0.98 as compared to Rs0.15

**Outlook and Recommendations:**

At the top line, the company has reported more or less flat numbers; however, the company started showing better operational efficiencies. The effects of the new plant have started flowing down to the bottom line. We continue to remain bullish on the stock with a Buy recommendation and a target price of Rs175 over a 12 months perspective.

**Hikal Limited:**

The net sales for the quarter under reference grew by 26.1% to Rs3,905mn as compared to Rs3,096mn in the same quarter last year. The Ebitda margins came in at 18.3%. The net profit dropped by 12.4% to Rs253mn as against Rs289mn in the comparative quarter. The tax impact for the quarter has been Rs139mn as compared to Rs32mn in the comparative quarter. This has pulled the quarter profits lower. For the full year, the net sales grew by 27.8% to Rs12,961mn as compared to Rs10,139mn. The Ebitda for the full year is 18.6%. The net profits grew by 15.5% to Rs772mn as against Rs668mn. On the segmental front, for the quarter there was a growth of 21% in the Pharma segment while the crop protection segment reported growth of 28%. The Board of Directors recommended issue of Bonus Shares to the members of the Company by capitalisation of its reserves in the ratio of 1:2 i.e. one bonus equity share of Rs2/- each fully paid-up for every two existing equity share of Rs2/- each fully paid-up held by the members as on a 'record date' to be fixed hereafter for the purpose.

**Outlook and Recommendations:**

The company reported flat results for the quarter mainly due to higher tax provisioning. Keeping our conviction in the existing products as well as the new additions it stands to benefit going forward. We maintain our stance with the target of Rs325 over a 12 months' horizon.

*Below expectations  
numbers*

**Bharat Bijlee Limited:**

The net sales for the quarter under reference came in at Rs2,228mn as compared to Rs2,281mn, drop of 2.3%. The Ebidta margins improved to 5.6% from 4.4% in the comparative quarter. The net profit came in at Rs489mn which includes the exceptional item of Rs468mn representing the surplus on surrender of a part of the Company's factory lease hold land at Airoli, Navi Mumbai to MI DC, the lesser, for proposed public road project. This has led to inflated profits reported for the quarter. On the segmental front, the Power system de-grew by 19.4% while the Industrial System on the other hand clocked growth of 3.2%. For the full year, the net sales grew by 14.2% to Rs7,740mn as against Rs6,775mn in the comparative year. The net profits were inflated with the exceptional item to Rs610mn as against Rs144mn in FY17. The Board of Directors has recommended a dividend of Rs.2.50 (25%) per equity share of Rs10 each subject to the approval at the ensuing Annual General Meeting.

**Outlook and Recommendations:**

The company has reported slightly lower numbers compared to the estimates if not for the exceptional items considered in the current quarter under reference. The company has a very strong profile of investments as well as its building up on the order book. Maintaining our stance on the stock as a slow compounder and a SIP candidate, we maintain our target price of Rs2000 over a horizon of 12 months.

**Harita Seating Systems Limited:**

The net sales for the quarter under reference came in at Rs1,018mn as against Rs967mn in the same quarter last year, growth of 5.2%. There was Ebidta margin improvement seen to 12% from 8.9% in the comparative quarter. The net profit grew by 18% to Rs120mn as against Rs102mn in the same quarter last year. For the full year, the net sales clocked growth of 26.1% while the profits grew by 25.7%. The results are better judged on consolidated basis which have also been good for FY18 with ramp up in sales and profits coupled with operational improvements.

**Outlook and Recommendations:**

The company has reported good set of numbers for the quarter under reference. As always mentioned, the performance of the company is better judged on consolidated basis and not standalone numbers. We remain positive on the future operations of the company and maintain our target price of Rs1150 over a 12 months' horizon.

*Good set of numbers*

**ITD Cementation Limited:**

On consolidated basis, the net sales for the quarter under review came in at Rs6,547mn as compared to Rs5,234mn, growth of 25.1%. The Ebidta margins came in at 9.3% as compared to 14.5% in the same quarter last year. The net profit for the quarter under review (including share of profit of joint venture) came in at Rs284mn as compared to Rs153mn in the same quarter last year. The EPS for the quarter is Rs1.6 as compared to Rs1.0 in the corresponding quarter last year.

On standalone basis, the net sales for the quarter under review came in at Rs5,032mn as compared to Rs5,183mn, degrowth of 2.9%. The Ebidta margins came in at 10.5% as compared to 11.4% in the same quarter last year. The interest expenses for the company have been reducing gradually, which is reflected in the net profits. The net profit for the quarter under review came in at Rs268mn as compared to Rs152mn in the same quarter last year.

**Outlook and Recommendations:**

The company continues to have a strong order book pipeline coupled with various opportunities in the infrastructure sector in India. The company has been maintaining the legacy of timely commencement and completion of projects. There is great potential in the Mumbai-Ahmedabad rapid rail network as well as the waste water segment, which the company intends to work for aggressively. The water segment appears to be an opportunity for the company. The top line of the company depends on the completion of the projects as well as the mix of the projects which keeps on fluctuating throughout the quarters; however, they are improving on the margins front. We maintain a BUY on the stock with a target price of Rs225 over a horizon of 12 months.

*Strong Order Book*

*Reasons slowing the economy*

*Finished Steel exports surged*

*Positivity for Pharma exports*

*Positive speciality chemicals*

**ECONOMY:**

**GST, bank balance sheet problems pushed India's economic growth downward but recovery expected: UN**

The Goods and Services Tax (GST) as well as protracted issues of corporate and bank balance sheet problems pushed India's economic growth downward in 2017 but a gradual recovery is expected and the country's economy is forecast to grow at 7.2% in 2018, according to a UN report. In India, the recently introduced GST as well as weak corporate and bank balance sheets resulted in modest economic growth, but signs of recovery emerged in the second half of 2017.

**Our comments:**

The report said that India's GDP is forecast to grow 7.2% in 2018 and 7.4% next year.

**INDUSTRY:**

**Finished steel exports surge 17% in FY18**

India's total export of finished steel increased by 16.7% to 9.621 million tonnes (MT) in 2017-18, according to an official data. The country had exported 8.242 MT finished steel during 2016-17 fiscal, the Joint Plant Committee (JPC) said in a report. The contribution of the non-alloy steel segment stood at 8.727 MT, while the rest was the contribution of the alloy steel segment including stainless steel. In March 2018, the overall export fell sharply by 56.3% to 0.708 MT from 1.621 MT during the same month a year ago. Import of total finished steel was at 7.482 mt in April-March 2017-18, up by 3.5% over same period of last year, in which contribution of the non-alloy steel segment stood at 5.636 MT, while the rest was the contribution of the alloy steel segment, including stainless steel.

**Our comments:**

India's total production of finished steel during the just concluded fiscal grew 3.1% to 104.966 MT.

**Pharma exports can cross USD20bn by 2020: Chief of Pharmexcil**

India's pharmaceutical exports can cross USD20bn by 2020 even though the value of shipments to countries including the US have been hit, an industry body said. This is due to increasing interest from neighbouring countries, including China, on which India has been heavily dependent for crucial ingredients for its formulations. However, the local industry needs to focus on strengthening its active pharmaceutical ingredient (API) business in addition to manufacturing generic formulations to achieve this goal. India's pharma exports grew 2.91% to USD17.27bn in 2017-18, according to the council.

**Our comments:**

Several countries are considering policies to reduce their healthcare spending and pharmaceuticals contribute a "major share" of these expenses. If the governments are moving in that direction they need to purchase generics from India. The entire world is looking for alternative manufacturers of APIs as well as formulations." This would be an opportunity for India to strengthen its API business. If (Indian Pharma companies) focus on that, certainly (exports are) going to be over USD20bn by 2020.

**Specialty chemical sector may double market size by FY25: Report**

The domestic specialty chemical sector is expected to grow by about 10% annually to almost double the market size by FY25, driven by growth in end-user industries as indicated in a market report. The Indian chemicals sector is a market worth about USD160bn, with specialty chemicals representing about 20% of the value. The specialty chemicals sector registered double-digit growth over FY13-FY17, supported by subdued oil prices and strong domestic and export demand.

**Our comments:**

Ind-Ra expects FY19 to be a strong year for the domestic specialty chemicals sector on anticipation of a continued increase in demand from end-user industries and tight global supply due to stringent environmental norms in China.

*Aurobindo bids for  
Novartis unit*

**COMPANY:**

**Aurobindo launches USD1.6bn bid to buy Novartis generics unit**

Aurobindo Pharma Ltd has submitted an initial bid to buy Novartis AG's dermatology generics drug business for about USD1.6bn as per sources. Aurobindo Pharma is the only Indian company that has put in a bid for the assets, which includes an array of dermatology brands, production facilities and associated infrastructure, mostly in the US. Aurobindo has already put in a non-binding bid for the asset which has also drawn interest from other suitors which include private equity funds and other drug companies. The last date for placing binding bids is 15 June. Novartis is considering a sale of its dermatology generics drugs business under the Sandoz brand as it seeks to sell some of its less profitable businesses.

**Our comments:**

If Aurobindo is successful, it will be the biggest outbound transaction by an Indian drug maker, the previous largest being Lupin Ltd.'s acquisition of Gavis Pharmaceuticals Llc. and Novel Laboratories Inc. for USD880mn in 2015.

*Reliance Infra bags project*

**Reliance Infra bags EPC for Rs6993.99cr Versova-Bandra Sea Link Project in Mumbai**

Reliance Infrastructure along with Astaldi S.p.A (Italy) have bagged the engineering, procurement and construction (EPC) contract for the 17.17 kilometres (km) Versova-Bandra Sea Link Project in Mumbai for Rs6993.99cr. The letter of award (LoA) for the project has been issued by Maharashtra State Road Development Corporation (MSRDC). The tender for the construction of second sea link in Mumbai on EPC-basis was floated by MSRDC. With a length of 17.17 km, Versova-Bandra Sea Link is three times the length of the existing Bandra-Worli Sea Link, which is 5.6 km.

**Our comments:**

As per the company the JV with Astaldi S.p.A, the third biggest construction player in the world in bridges with an order backlog of over Rs. two lakh crore, will help it create a truly world class mega infrastructure project for Mumbai.

*NDA submitted by Lupin*

**Lupin submits new drug application to sell biosimilar Etanercept in Japan**

Lupin said YL Biologics (YLB) - its joint venture firm with Japanese drug maker Yoshindo - has submitted a New Drug Application (NDA) before Japan's drug regulator to sell biosimilar of Etanercept for treatment of autoimmune disease Rheumatoid Arthritis. Etanercept - the company's major biosimilar push is being developed targeting highly regulated markets such as US, Europe and Japan, unlike other Indian drug makers who test waters in India and emerging markets before looking at developed markets. Etanercept, the biosimilar version of Pfizer's Enbrel, had global sales of USD11bn in 2017.

**Our comments:**

Lupin, India's second largest drug maker by sales, has been a late entrant to biosimilars and is trying to catch up with its rivals spending millions of dollars on developing biosimilars.

*Inspection campaign by  
Maruti*

**Maruti announces service campaign to inspect 52,686 Swift & Baleno cars for possible fault**

Maruti Suzuki announced a service campaign to inspect 52,686 units of the new Swift and Baleno for a possible fault in the brake vacuum hose. The campaign will affect Swift and Baleno manufactured between December 1, 2017 and March 16, 2018. Owners of the affected vehicles will be contacted by dealers for inspection and replacement of the faulty part, starting May 14, 2018. "Service campaigns are undertaken globally by automobile companies to rectify faults that may potentially cause inconvenience to customers.

**Our comments:**

The inspection and replacement of the faulty part will be done free of cost for the customers.



*Cipla enters into pact with Mannkind*

**COMPANY:**

**Cipla enters into exclusive pact with US-based MannKind to sell inhaled insulin in India**

Cipla has entered into an exclusive pact with US-based MannKind Corporation to market and distribute the latter's inhaled insulin Afrezza in India. Under the agreement, Cipla is responsible for obtaining regulatory approvals to distribute Afrezza in India, including approval from the Drug Controller General of India (DCGI), while MannKind will manufacture and supply the drug. Mannkind will receive USD2.2mn upfront payment from Cipla within 30 days of entering the agreement, with the potential to receive additional regulatory milestone payments, minimum purchase commitment revenue and royalties on Afrezza sales in India.

**Our comments:**

The addition of Afrezza is expected to give some muscle in the ever-growing chronic therapeutic segment like diabetes for Cipla.

*Booster to the stock price*

**PC Jeweller's board approved buy back of 3.07% shares at Rs350 per share**

PC Jeweller's board at its meeting held on May 10, 2018 has approved the buyback of 1,21,14,286 fully paid-up Equity Shares. Board has approved buy back at Rs350 per share amounting to Rs424cr. The above shares comprise of 3.07% of the total paid-up equity capital of the Company. The record date for the buyback will be announced later. The buyback is subject to shareholders' and other regulatory approvals. Currently promoters hold 57.63% of the total shares. The promoter and promoter group will not participate in proposed buy back.

**Our comments:**

This could be a small booster to the downturn in the stock price.

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