

DOMESTIC:

- L&T Infotech seeks to acquire stake in Mindtree
- Ola seeks to take NBFC route to drive growth
- Wockhardt gets USFDA approval for Leukemia drug
- Torrent group to invest Rs10,000cr in Gujarat
- Lupin, Sun Pharma, Glenmark recall products in US
- Reliance to invest Rs31akhcr in Gujarat in next 10 years
- ITI bagged an order of Rs1,011cr from GFGNL
- Lactalis to buy Prabhat Dairy business for Rs1,700cr
- LIC completes acquisition of 51% stake in IDBI Bank
- Sun Pharma to make unit distributor for local formulations biz
- SREI Infra to list equipment finance arm via demerger scheme
- Etihad proposes to increase its stake to 49% in Jet Airways
- Glenmark Pharmaceuticals receives tentative ANDA approval for Abiraterone Acetate Tablets USP, 250 mg
- CRISIL downgrades two IL&FS SPV bonds
- Maruti Suzuki to shift to rupee royalty pay from yen by 2022
- Lupin gets USFDA nod to market hypothyroidism treatment drug
- IIFL taps Rs2,000cr NCD issue to diversify fund sources
- CCI approves RIL's Hathway Cable and DEN Networks acquisition
- Vodafone Idea to raise Rs25,000cr via rights issue to fight Reliance Jio
- Wipro spins out government business as a separate segment
- Indian Oil to invest Rs16,641cr in Tamil Nadu
- Maruti Suzuki calls for reduction in taxes on automobiles
- IDBI Bank's rating on improved solvency upgraded: Moody
- HG Infra bags Rs99cr road project under Bharatmala programme
- Jindal Stainless plans to consolidate group units
- Bharti Infratel, Indus seek exit charges post Vodafone-Idea merger
- Reliance Jio could emerge as telecom market leader in FY20: India Ratings
- Glenmark gets USFDA nod for generic Derma-Smoother Topical Oil
- Natco Pharma initiates greenfield facilities for niche agrichemical business

ECONOMY:

- Government races to meet rural housing target
- Indian Economy expected to grow at 7.5% in 2019: IMF
- Govt. to form panel on affordable medicines, health products

INDUSTRY:

- New duties on imported electronic components may be postponed
- 50 Cancer, Rare disease drugs to get cheaper
- Strong growth expected in Insurance sector: Moody

Price Performance (%)

Company	1M	3M	12M
Supreme Petrochem Ltd	-7.6%	-22.4%	-52.5%
Shanthi Gears Ltd	-3.2%	12.5%	-20.0%
Hind Rectifiers Ltd	0.8%	-2.5%	-11.1%
KCP Ltd	-5.5%	-11.6%	-41.6%
Harita Seating System Ltd	-4.9%	-14.0%	-50.5%
Hester Biosciences Ltd	-2.8%	-5.1%	-34.3%
The Hi-Tech Gears Ltd	-4.0%	-10.5%	-37.8%
Bharat Bijlee Ltd	-3.7%	-1.6%	-25.3%
Triveni Turbines Ltd	-12.0%	7.6%	-20.4%
Siemens Ltd	-0.4%	16.7%	-20.6%
Aksh Optifibre Ltd	-8.7%	-18.4%	-46.2%
GMM Pfaunder Ltd	-5.0%	16.4%	47.5%
Alicon Castalloy Ltd	-5.6%	-7.6%	-16.7%
Gufic Biosciences Ltd	-6.3%	-5.2%	-31.7%
Excel Industries Ltd	-29.4%	-24.0%	38.0%
Vesuvius India Ltd	-4.3%	10.5%	-18.6%
Munjal Showa Ltd	-4.9%	-2.6%	-38.0%
Bharat Rasayan Ltd	-28.0%	-26.5%	-12.2%
Alkyl Amines Chemicals Ltd	10.1%	39.2%	4.7%
Grauer and Weil (India) Ltd	-5.1%	-8.7%	-33.3%
Texmaco Rails & Engineering Ltd	-4.0%	-1.7%	-48.5%
Nagarjuna Agrichem Ltd	-4.0%	-2.3%	-49.5%
Simplex Infrastructures Ltd	-12.5%	-19.3%	-72.1%
ITD Cementation India Ltd	6.0%	7.4%	-42.2%
Westlife Development Ltd	-1.1%	15.8%	2.7%
Federal Mogul Goetze (India) Ltd	5.9%	22.9%	-11.4%
Dynamic Technologies Ltd	-4.5%	5.1%	-26.4%
Hitech Corporation Ltd	-27.7%	46.6%	-36.8%
NRB Bearings Ltd	-1.7%	20.8%	10.5%
Kokuyo Camlin Ltd	-9.7%	-16.5%	-33.9%
Timken India Ltd	1.4%	4.0%	-39.6%
Morganite Crucible (India) Ltd	-7.8%	-15.8%	41.0%
Vardhman Special Steels Ltd	-9.1%	-14.5%	-39.1%
Zen Technologies Ltd	2.7%	42.6%	-34.1%
KSB Ltd	-10.1%	-11.5%	-20.6%
Thermax Ltd	2.9%	13.5%	-12.9%
Transpek Industry Ltd	1.0%	2.5%	4.5%
BASF India Ltd	-13.5%	-16.8%	-37.4%
Artson Engineering Ltd	-15.0%	-15.7%	-57.8%
Remsons Industries Ltd	-2.6%	5.8%	27.4%
Snowman Logistics Ltd	-5.7%	-5.7%	-42.9%
Alembic Pharmaceuticals Ltd	4.2%	6.6%	6.7%
SKF India Ltd	2.4%	8.3%	6.7%
Indian Hume Pipe Co. Ltd	-5.0%	30.2%	53.8%
Engineers India Ltd	-10.4%	0.7%	29.7%
Gulshan Polyols Ltd	-3.7%	16.5%	-27.9%
Nesco Ltd	1.6%	-0.7%	-26.2%
Castrol India Ltd	7.9%	12.2%	79.5%
Hikal Ltd	-4.0%	1.1%	-1.0%

The week that went by:

The markets started the week on a flat note. Following the weak Asian markets, Indian bourses commenced its day on a negative note on Day 2 of trade. The Indian markets continued the trend and opened on a flat note. In the midweek session, the markets opened on a flat note wherein Metal and Banking stocks continued to trade lower. On the last day of trade, the Indian bourses commenced its day on a strong note backed by the Energy sector.

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	FY19E
Supreme Petrochem Ltd	BUY	77	190	500	163.2	18.3	6.6	6.4	28.7	29.7	8.7	10.7
Shanthi Gears Ltd	BUY	107	127	200	57.5	10.4	3.5	3.9	36.3	32.6	28.2	23.8
Hind Rectifiers Ltd	BUY	69	112	175	56.2	1.7	0.8	5.3	142.1	21.2	23.9	11.9
KCP Limited	BUY	71	86	200	131.7	11.1	7.0	7.0	12.4	12.4	9.4	8.3
Harita Seating System Ltd	BUY	266	500	1150	130.0	3.9	39.7	40.8	12.6	12.3	10.0	9.2
Hester Biosciences Ltd	BUY	565	1091	1750	60.4	9.3	35.9	39.8	30.4	27.4	9.2	8.2
The Hitech Gears Ltd	BUY	298	315	600	90.5	5.9	17.0	21.2	18.5	14.8	10.8	9.4
Bharat Bijlee Ltd	BUY	787	1110	2000	80.1	6.3	25.1	37.4	44.2	29.7	25.1	20.8
Triveni Turbines Ltd	BUY	92	106	150	41.1	0.4	3.0	3.1	35.7	34.1	22.3	21.4
Siemens Ltd	BUY	1128	1033	1350	30.7	367.7	53.0	53.6	19.5	19.3	26.0	25.6
Aksh Optifibre Ltd	BUY	15	22	45	104.5	3.6	1.4	2.7	15.4	8.1	8.0	5.1
GMM Pfaudler Ltd	BUY	332	1105	1300	17.6	16.1	19.4	26.7	56.9	41.4	34.7	25.4
Alicon Castalloy Ltd	BUY	288	559	1000	78.9	6.9	29.0	46.6	19.3	12.0	9.1	6.6
Gufic Biosciences Ltd	BUY	50	86	175	104.0	6.6	1.9	3.1	46.0	27.6	19.3	15.0
Excel Industries Ltd	BUY	380	1001	2200	119.7	12.9	58.1	112.2	17.2	8.9	10.3	5.4
Vesuvius India Ltd	BUY	1165	1152	1500	30.3	23.0	52.3	56.3	22.0	20.5	11.1	10.7
Munjal Showa Ltd	BUY	191	174	300	72.9	6.9	19.4	21.5	9.0	8.1	6.0	5.3
Bharat Rasayan Ltd	BUY	2747	3811	9000	136.1	16.0	227.3	257.5	16.8	14.8	11.0	9.7
Alkyl Amines Chemicals Ltd	BUY	391	801	850	6.2	16.3	31.5	38.9	25.4	20.6	15.3	11.7
Grauer and Weil (India) Ltd	BUY	45	47	100	111.4	10.7	2.7	3.0	17.7	16.0	11.1	10.5
Texmaco Rails & Engineering Ltd	BUY	91	56	150	169.3	20.2	0.5	1.8	121.5	30.7	55.3	16.2
Nagarjuna Agrichem Ltd	BUY	29	27	60	120.2	4.2	0.7	0.8	39.7	34.5	13.1	12.4
Simplex Infrastructures Ltd	BUY	540	167	700	319.2	20.2	30.5	31.8	5.5	5.3	6.3	5.9
ITD Cementation India Ltd	BUY	158	120	225	87.9	18.6	8.3	9.8	14.4	12.2	7.8	6.9
Westlife Development Ltd	BUY	266	371	425	14.6	57.7	0.8	1.6	446.8	233.6	76.7	53.9
Federal Mogul Goetze (India) Ltd	BUY	540	503	750	49.1	28.0	14.9	18.0	33.7	27.9	14.9	13.7
Dynatomic Technologies Ltd	BUY	2160	1409	3000	112.9	8.9	1.1	51.1	1241.0	27.6	11.4	8.7
Hitech Corporation Ltd	BUY	175	114	230	102.6	1.9	4.5	6.4	25.1	17.8	9.3	7.0
NRB Bearings Ltd	BUY	138	189	240	27.0	18.3	8.5	10.4	22.4	18.2	13.1	11.0
Kokuyo Camlin Ltd	BUY	132	97	175	80.3	9.7	1.0	1.5	99.2	66.0	28.9	23.0
Timken India Ltd	BUY	883	550	1200	118.2	37.4	13.5	19.0	40.6	29.0	22.9	14.6
Morganite Crucible (India) Ltd	BUY	1047	1410	2300	63.1	3.9	49.6	63.9	28.4	22.1	2.8	2.5
Vardhman Special Steels Ltd	BUY	151	91	225	146.2	3.3	7.0	8.7	13.0	10.5	8.7	7.3
Zen Technologies Ltd	BUY	115	83	170	105.6	6.4	-0.1	0.8	-1640.4	102.7	-339.0	61.2
KSB Ltd	BUY	820	696	1100	58.1	24.2	18.8	21.2	37.0	32.8	15.5	13.8
Thermax Ltd	BUY	1019	1118	1230	10	133.2	22.1	26.8	50.6	41.7	35.9	30.7
Transpek Industry Ltd	BUY	1547	1399	2000	43.0	7.8	47.3	76.0	29.6	18.4	18.3	13.7
BASF India Ltd	BUY	1954	1363	2500	83.5	59.0	20.3	43.5	67.1	31.3	20.0	15.7
Artson Engineering Ltd	BUY	64	42	95	124.9	1.6	0.4	2.3	112.8	18.4	67.1	20.4
Remsons Industries Ltd	BUY	104	110	155	40.8	0.6	6.0	7.9	18.3	13.9	11.2	8.8
Snowman Logistics Ltd	BUY	33	33	55	67.7	5.5	-0.2	0.1	-153.9	227.9	15.2	12.5
Alembic Pharmaceuticals Ltd	BUY	605	590	751	27.3	111.2	22.3	26.7	26.4	22.1	18.3	15.5
SKF India Ltd	BUY	1942	1932	2620	35.6	99.2	57.6	60.7	33.5	31.8	22.8	21.2

*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	89%
Engineers India Ltd	211	200	Bonus 1 : 1.		105	250	7%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1.		78	110	-19%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2.		479	640	-7%
Castrol India Ltd	447	550	Bonus 1 : 1		223	200	-26%
Hikal Ltd	143	325	Bonus 1 : 2		95	216	57%

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	FY19E
IHP Ltd	341	171	323	500	54.8	15.6	13.6	20.1	23.7	16.0	12.5	9.6
Engineers India Ltd	211	105	113	250	121.5	38.0	6.0	7.0	18.9	16.1	17.2	13.7
Gulshan Polyols Ltd	390	78	63	110	75.2	2.9	3.9	5.1	16.1	12.3	6.3	5.1
Nesco Ltd	2397	479	445	640	43.8	6.3	25.1	23.7	17.7	18.8	14.5	15.1
Castrol India Ltd	447	223	164	200	21.8	81.2	7.1	15.6	23.2	10.6	15.3	13.8
Hikal Ltd	143	95	150	216	44.2	12.3	9.4	10.1	15.9	14.9	9.9	8.9

Please Turn Over

Coverage Performance Sheet										
Company	Reco at (Rs)	CLS (Rs)	Target Price (Rs)							Appreciation (%)
			Target 1	Target 2	Target 3	Target 4	Target 5	Target 6	Target 7	
Supreme Petrochem Ltd	77	190	120	150	200	275	350	500	275	147%
Shanthi Gears Ltd	107	127	150	200	-	-	-	-	-	19%
Hind Rectifiers Ltd	69	112	110	140	175	-	-	-	-	62%
KCP Limited	71	86	105	150	200	-	-	-	-	22%
Harita Seating System Ltd	266	500	400	600	750	900	1150	-	-	88%
Hester Biosciences Ltd	565	1091	750	875	1150	1500	2200	1750	-	93%
The Hitech Gears Ltd	298	315	450	600	-	-	-	-	-	6%
Bharat Bijlee Ltd	787	1110	1100	1500	2000	-	-	-	-	41%
Triveni Turbines Ltd	92	106	135	150	-	-	-	-	-	16%
Siemens Ltd	1128	1033	1350	-	-	-	-	-	-	-8%
Aksh Optifibre Ltd	15	22	24	35	45	-	-	-	-	47%
GMM Pfaudler Ltd	332	1105	500	700	800	1000	1300	-	-	233%
Alicon Castalloy Ltd	288	559	450	600	750	1000	-	-	-	94%
Gufic Biosciences Ltd	50	86	75	100	140	175	-	-	-	72%
Excel Industries Ltd	380	1001	550	650	800	1100	1400	1800	2200	163%
Vesuvius India Ltd	1165	1152	1500	-	-	-	-	-	-	-1%
Munjal Showa Ltd	191	174	250	300	350	300	-	-	-	-9%
Bharat Rasayan Ltd	2747	3811	3500	4250	5000	6500	9000	-	-	39%
Alkyl Amines Chemicals Ltd	391	801	550	700	850	-	-	-	-	105%
Grauer and Weil (India) Ltd	45	47	65	80	100	-	-	-	-	5%
Texmaco Rails & Engineering Ltd	91	56	125	150	-	-	-	-	-	-39%
Nagarjuna Agrichem Ltd	29	27	45	60	75	60	-	-	-	-6%
Simplex Infrastructures Ltd	540	167	700	540	-	-	-	-	-	-69%
ITD Cementation India Ltd	158	120	225	-	-	-	-	-	-	-24%
Westlife Development Ltd	266	371	350	425	-	-	-	-	-	39%
Federal Mogul Goetze (India) Ltd	540	503	750	-	-	-	-	-	-	-7%
Dynamatic Technologies Ltd	2160	1409	3000	-	-	-	-	-	-	-35%
Hitech Corporation Ltd	175	114	230	-	-	-	-	-	-	-35%
NRB Bearings Ltd	138	189	200	240	-	-	-	-	-	37%
Kokuyo Camlin Ltd	132	97	175	-	-	-	-	-	-	-26%
Timken India Ltd	883	550	1200	-	-	-	-	-	-	-38%
Morganite Crucible (India) Ltd	1047	1410	1500	1750	2300	-	-	-	-	35%
Vardhman Special Steels Ltd	151	91	225	-	-	-	-	-	-	-39%
Zen Technologies Ltd	115	83	170	-	-	-	-	-	-	-28%
KSB Ltd	820	696	1100	-	-	-	-	-	-	-15%
Thermax Ltd	1019	1118	1230	-	-	-	-	-	-	10%
Transpek Industry Ltd	1547	1399	2000	-	-	-	-	-	-	-10%
BASF India Ltd	1954	1363	2500	-	-	-	-	-	-	-30.3%
Artson Engineering Ltd	64	42	95	-	-	-	-	-	-	-34%
Remsons Industries Ltd	104	110	155	-	-	-	-	-	-	6%
Snowman Logistics Ltd	33	33	55	-	-	-	-	-	-	-1%
Alembic Pharmaceuticals Ltd	605	590	751	-	-	-	-	-	-	-2%
SKF India Ltd	1942	1932	2620	-	-	-	-	-	-	-1%

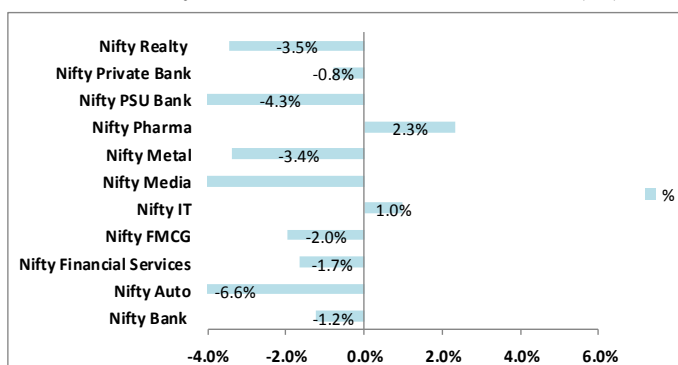
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Company	Reco	Target	Corp Action	Adj Price	Adj Tgt Price	Appreciation
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Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2	479	640	-7%
Castrol India Ltd	447	550	Bonus 1 : 1	223	200	-26%
Hikal Ltd	143	325	Bonus 1 : 2	95	216	57%

Coverage Performance Sheet										
Company	Reco at (Rs)	CLS (Rs)	Target Price (Rs)							Appreciation (%)
			Target 1	Target 2	Target 3	Target 4	Target 5	Target 6	Target 7	
IHP Ltd	341	323	500	600	500	-	-	-	-	89%
Engineers India Ltd	211	113	200	250	-	-	-	-	-	7%
Gulshan Polyols Ltd	390	63	110	-	-	-	-	-	-	-19%
Nesco Ltd	2397	445	640	-	-	-	-	-	-	-7%
Castrol India Ltd	223	164	275	250	200	-	-	-	-	-26%
Hikal Ltd	143	150	200	250	325	216	-	-	-	57%

Please Turn Over

Weekly Sectoral Gainers & Losers in (%)



TERM OF THE WEEK:

Strangle: A Strangle is an investment strategy involving the purchase/sale of both Call and Put options with different strike prices, but having the same expiration date and underlying asset. This option strategy is beneficial only when the investor believes that the underlying asset has a larger price movement in the near future but is unsure of which way that movement would be. Two forms of Strangle: *Long* (Simultaneously buying an out of the money Call and Put options; risk on the trade being limited to the premiums paid on these options). *Short* (Selling an out of the money Call and Put options; maximum profit which is equivalent to the net premiums being received on these options).

COVERAGE NEWS:

Target Price Revision: Supreme Petrochem Ltd:

Considering the Q3FY19 results, the company has accumulated inventories pertaining to Styrene Monomer (SM) which would be at a lower price in the current market scenario which in turn would serve as a cushion for the next quarter in terms of cost of raw materials and thereby lead to better profitability visibility. The current scenarios as well as future projections compel us to tone down our target price to Rs275 (from earlier target i.e. fifth revised target since initiation of Rs500) with a horizon of 12 months.

Westlife Development Ltd: 10 Years Challenge

McDonald's takes the 10 year challenge many notches higher and has slashed its menu prices to what was being offered 10 years back on its new 'McDonald's' app, starting from 23rd January, 2019. The app that was launched earlier this month gives a host of exciting, customized offers every day that can be easily redeemed at any McDonald's restaurant across West and South India.

Result Update:

Alembic Pharmaceuticals Ltd:

The net sales for the quarter under review came in at Rs10,182mn as compared to Rs8,400mn, growth of 21%. International business grew by 44%, while India formulation grew by 4% and API business grew by 14%. EBITDA margins improved to 23.8% from 22.3% in the same quarter last year. The net profit grew by 30% to Rs1,708mn in the quarter under review as compared to Rs1,309mn in the same quarter last year. EPS for the quarter stood at Rs9.

Outlook and Recommendations:

The company has reported decent set of numbers for the quarter under reference backed by the strong performance in the US as well the international business. The one offs during the quarter didn't have much of an impact on the performance. There has been steady growth seen in the operational efficiency. Overall we feel that the company is well on track with our projections and we continue to maintain a buy on the stock with a target price of Rs751 over a 12 months horizon.

*Target Price Revision:
Supreme*

*Westlife's 10 Years
Challenge*

Decent Set Of Numbers

*Impact On Operational
Efficiency*

Result Update:

BASF India Ltd:

The net sales for the quarter under review came in at Rs14,050mn as compared to Rs12,787mn, growth of 9.9 %. EBITDA margins for the quarter under review declined to (-0.8%) from 5.3% as compared to the same quarter last year. The company continues to make losses in the segment of functional materials and solutions (which includes catalysts, coatings, construction chemicals, polyurethanes system, engineering plastics etc). A partial slowdown was seen in the segment of agricultural solutions (which is seasonal in nature) as well as those of the chemicals division (which includes monomers, intermediates and petrochemicals). The net loss for the quarter ending December 2018 came in at Rs384mn as compared to a profit of Rs69mn in the corresponding quarter last year. The company has an exceptional income to the tune of Rs55.7mn on account of profits on transfer of pigments business to BASF Colors & Effects India Private Limited. The company has announced Voluntary Retirement Scheme (VRS) on January 17, 2019 for certain workmen at Thane plant. The scheme is estimated to close on January 31, 2019 and the effect of the same may be seen as an expense in the employees cost for the upcoming quarter ending March 2019.

Outlook and Recommendations:

The company seems to be under the stress of cost of materials which is evident since the last two quarters. The company continues to make losses in the segment of functional materials and solutions and a partial slowdown was seen in the segment of agricultural solutions as well as those of the chemicals division. This has clearly impacted the operational efficiency. BASF India has been taking measures to transfer /sell businesses as per the evaluation of the scope of growth for the company. We continue to maintain our target price of Rs2500 with a horizon of 12 months.

Supreme Petrochem Ltd:

The net sales for the quarter under review came in at Rs7,719mn as compared to Rs7,250mn, growth of 6.5%. The company has taken a hit due to massive fluctuations in the cost of basic raw materials. Thus, the EBITDA margins for the quarter under review came in at -3% when compared to 6.6% in the same quarter last year. The net loss for the quarter ending December 2018 came in at Rs176mn as compared to a profit of Rs279mn in the same quarter last year. In the past, the company had lodged final claims of Rs97.7mn for the damage caused by floods to the EPS plant in Tamil Nadu, of which the company has received in term claim of Rs71.8mn. 9MFY19 consists of excise duty on sales of goods to the tune of Rs775.118mn.

Outlook and Recommendations:

The company operates in a single segment i.e., Styrenics and allied products where Styrene Monomer (SM) is the basic raw material. During the quarter under review, the prices of SM have seen a very steep correction from USD1450PMT to nearly USD950PMT which has contributed to the huge inventory loss made by the company (the same was also indicated in the quarter ending September 2018 as well). This further boils down to the losses made at the net level by the company. It also appears the company has piled up inventory which would be at lower price in the current market scenario. This provides cushion for the next quarter in terms of cost of raw materials and thus better profitability visibility; however, when one will look at the numbers on y-o-y basis, one will optically see a massive drop in the overall net profit reported for the full year. One must also remember the company has capex plans to the tune of Rs500mn sponsored by internal accruals which will bear fruits in the next 6-9 months. The current scenarios as well as the future projections compel us to tone down our target price to Rs275 (from earlier target i.e. fifth revised target since initiation of Rs500) with a horizon of 12 months.

Hit On Margins

On Growth Track

*Improvement In
Operational
Performance*

*Likely Uptick In
Economy*

*Insurance Sector Likely
To Surge*

Result Update:

Kokuyo Camlin Ltd:

The net sales for the quarter under review came in at Rs1,472mn as compared to Rs1,435mn, growth of 2.6%. EBITDA margins for the quarter ending December 2018 came in at 6.29% as compared to 9.0% in the corresponding quarter last year. The net profit came in at Rs11mn in quarter ending December 2018 as compared to Rs50mn in the same quarter last year. EPS for the quarter stood at Rs0.1.

Outlook and Recommendations:

The company is performing very much in line with our expectations. Japanese Management continues to focus on improving or maintaining operational efficiencies wherein, they will try to reduce the interest burden of the company. The operations of plant at Patalganga have immense potential to grow. It is quite obvious some of the operations from the other plants could be shifted to the new plant in a gradual and phased manner; hence one may even see inventories being piled up at the new plant. The Japanese have a very conservative style of managing business and so they (and the company) will grow slowly but at a steady rate. In pursuit of the same, the company will continue to launch new products (SKUs) and recently in January 2019, they launched revolutionary 2-in-1 geometry and pencil box. Thus, we continue to maintain our conviction in the stock idea and maintain our target price of Rs175 with a perspective of 12 months.

Bharat Bijlee Ltd:

The net sales for the quarter under review were flat at Rs2,248mn as against Rs2,277mn, de-growth of 1.3%. However, on the operational front, there was substantial improvement seen with the EBITDA margins at 8.4% as compared to 6.2% in the same quarter last year. The net profit grew by 34.8% to Rs130mn in quarter ending December 2018 as compared to Rs97mn in the same quarter last year. EPS for the quarter stood at Rs23. On the segmental front, there has been a drop in the Power Systems segment performance by 22% while the Industrial systems grew by 37%.

Outlook and Recommendations:

Although the topline remained flat for the quarter; the positive surprise was the strong growth on the operational front, reflected in the operating margins of the company. This has been encouraging after the muted performance in the previous quarters. We are very well on track with regard to our projections and continue with the Buy recommendation for a target of Rs2000 over a 12 months horizon.

ECONOMY:

Indian Economy expected to grow at 7.5% in 2019: IMF

According to IMF, India is projected to grow at 7.5% in 2019 and 7.7% in 2020, an impressive over one percentage point ahead of China's estimated growth of 6.2% in these two years, attributing the pick up to the lower oil prices and a slower pace of monetary tightening. The IMF as per its January World Economy Outlook update is of the opinion that the country would remain the fastest growing major economy of the world.

Our comments:

India should return to a healthy growth rate of 7.6% in 2019-20, if there are no major headwinds in the global economy such as enhanced trade tensions or supply side shocks in oil.

INDUSTRY:

Insurance sector to see strong growth on robust GDP: Moody's

As per Moody's, India's insurance and reinsurance sectors will grow strongly backed by strong economic growth and evolving regulatory regime. Robust GDP expansion, coupled with low insurance penetration is likely to support a double digit growth for the non-life sector over the next 3-4 years. During the fiscal 2018, the total gross premiums for the non-life and life insurance sectors grew at 11.5% to Rs6.1lakhcr (USD94bn) at a CAGR of 11%.

Our comments:

IRDAI is proactively introducing regulations which will support the insurers' balance sheets and improve their access to capital. Also apart from the governments launch of the new program in 2018 to provide health insurance for 100mn families is credit positive as it will help grow health premiums and provide insurers with cross-selling opportunities.

*USFDA Approval:
Wockhardt*

COMPANY:

Wockhardt gets USFDA approval for Leukemia drug

The company received an ANDA approval from USFDA for 100mg and 400mg tablets of Imatinib Mesylate, which is used to treat many kind of cancer and tumors. Wockhardt's Imatinib Mesylate tablets are a generic version of Gleevec, marketed in USA and other countries by Novartis. Imatinib stops the cancer cells from growing and is indicated for treating cancers like Leukemia and some Gastro-intestinal tumors. The company is building a portfolio of oncology products in the US and has several pending ANDA's for oncology products.

Our comments:

The company will be launching this product in the US for a short period of time. The product is being manufactured at a contract manufacturing facility, based near Hyderabad, India.

Product Recalls In US

Lupin, Sun Pharma, Glenmark recall products in US

The Indian drug majors are recalling its various drugs from the US markets for a variety of reasons. As per the latest Enforcement Report published by the USFDA, Lupin is voluntarily recalling 55,000 vials and 160,241 boxes of anti-bacterial drug Ceftriaxone for injection in various strengths. The company is recalling specific lots of drugs due to the presence of particulate matter. On the other hand, Sun Pharma and Glenmark Pharmaceuticals are recalling 13,918 cartons and 139,180 vials of Vecuronium Bromide for Injection (used as a part of general anaesthesia) and 96,240 applications for the product Estradiol Vaginal Inserts for defective delivery systems respectively.

Our comments:

The ongoing nationwide voluntary recalls have been classified as Class-I which are termed for dangerous or defective products that predictably could cause serious health problems. The USFDA has even classified as Class-II recall, which is initiated as a situation wherein the use or exposure to violate a product, may cause temporary or medically reversible adverse health consequences.

*Lactalis- Prabhat
Agreement*

Lactalis to buy Prabhat Dairy business for Rs1,700cr

The French dairy group, Lactalis has signed a definitive agreement to buy the milk processing business of Prabhat Dairy for a value of Rs1,700cr. The company's local arm, Tirumala Milk Products will acquire Prabhat Dairy as well as its step down subsidiary Sunfresh Agro Industries via a share purchase agreement. After the deal, Prabhat Dairy would focus on its cattle feed business and expand into allied businesses such as animal nutrition and animal genetics.

Our comments:

The association with Lactalis, will offer the business a strong platform for accelerated growth momentum (to Prabhat Dairy) in becoming one of the largest private dairy businesses in India.

*A Move After Whistle
Blower*

Sun Pharma to make unit distributor for local formulations biz

The company replaced its domestic formulations distributor Aditya Medisales with its own subsidiary in the backdrop of a second whistle-blower complaint which was filed against the company. Sun Pharma's distribution pertaining to the Indian domestic formulations business shall be transitioned to its wholly-owned subsidiary from the current Aditya Medisales Ltd.

Our comments:

As per the company, the effective change would take place by first quarter of 2019-20, post the receipt of all requisite regulatory approvals.

*Natco's Greenfield
Facility*

Natco Pharma initiates greenfield facilities for niche agrichemical business

The company has initiated its work on greenfield manufacturing facility for niche agrichemical business in the Nellore District of Andhra Pradesh. These facilities will manufacture both Agrichemical Technical and Formulation products. Natco strongly believes that its pharma strength in chemistry coupled with an acumen towards selection of niche molecules would differentiate itself in the Agrichemical space as well.

Our comments:

The company expects the facilities to commission by end of 2019 with a total capital expenditure of Rs100cr.

WEEKLY REPORT

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