

THE WEEKLY WRAP-UP

25th May 2018

DOMESTIC:

- Ultra Tech to acquire Century Textiles' cement business
- Dabur to invest Rs250-300cr in capacity expansion in FY19
- RIL gets green nod for Rs2,338cr expansion project in Maharashtra
- Adani plans e-bus foray with SEZ production facility, Taiwan tie-up
- Birla Group enters the fray to acquire IDBI Federal Life
- Hindalco plans to raise Rs5,000cr to repay bank loans
- Dilip Buildcon promoters pledge 33 lakh shares with RBL Bank
- L&T Hydrocarbon Engineering bags orders for setting up two fertilizer plants
- Aurobindo eyes Mallinckrodt Opioids again
- CCI approves Bayer's acquisition of Monsanto
- Tata Steel to raise Rs16,500cr debt to fund Bhushan acquisition
- Dhunseri buys out Egyptian partner's stake in JV firm for Rs90cr
- Ashoka Buildcon subsidiary receives arbitral award of Rs383.80cr
- DoT clears Rs4,000cr Idea-ATC mobile tower sale deal
- L&T Construction bags orders worth Rs2,112cr
- Minda Corp, Neuland Labs, Simplex Infra raise Rs838cr through QIPs
- Damani sells 1% in D-Mart, pockets a cool Rs800cr
- Govt. seeks USD3.8bn from RIL, ONGC, Shell
- Suzlon in talks to sell 300 MW of wind power assets
- Grasim to invest Rs13,000cr in textile, cement business
- Glenmark gets USFDA nod for generic version of Welchol tablets
- Biocon bets on R&D, bio-similars business to boost growth in FY19

ECONOMY:

- FY18 fiscal deficit may come down to 3.4%
- India moves one notch up to 44th rank in IMD's competitiveness rankings
- Tenders worth Rs13,000cr withdrawn or cancelled to promote Make in India products
- Govt expects banks to get back over Rs1trn with resolution of 12 big NPAs

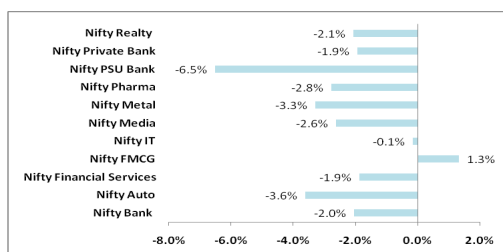
INDUSTRY:

- Paper demand to grow at 6.7% to 20mn tonnes in FY20: Study
- Telecom subscriber base again crosses 1.2bn mark in March
- All electric vehicles in India possible only in 2050: Toyota
- Bank credit grows at 12.64%, deposits at 7.61%
- Airlines may get nod to tap ECB window for low-cost funds

Price Performance (%)

Company	1M	3M	12M
Supreme Petrochem Ltd	-3.1%	-14.1%	-20.1%
Shanthi Gears Ltd	-2.9%	-8.9%	3.0%
Hind Rectifiers Ltd	-10.8%	-5.6%	42.9%
KCP Ltd	-10.6%	-6.3%	16.4%
Harita Seating System Ltd	-0.8%	2.4%	39.2%
Hester Biosciences Ltd	-11.6%	-11.0%	71.8%
The Hi-Tech Gears Ltd	0.5%	4.7%	45.2%
Bharat Bijlee Ltd	-11.1%	-6.8%	36.8%
Triveni Turbines Ltd	7.7%	-10.7%	-19.9%
Siemens Ltd	-4.1%	-10.6%	-22.4%
Hikal Ltd	-10.1%	-6.0%	11.0%
Aksh Optifibre Ltd	-6.0%	-14.3%	77.2%
GMM Pfaudler Ltd	13.1%	21.0%	59.2%
Alicon Castalloy Ltd	0.6%	2.3%	31.7%
Gufic Biosciences Ltd	2.0%	12.7%	107.5%
Excel Industries Ltd	-2.7%	57.0%	263.6%
Vesuvius India Ltd	-4.9%	6.5%	2.0%
Munjjal Showa Ltd	-10.9%	-7.4%	8.8%
Bharat Rasayan Ltd	4.3%	21.5%	110.6%
Alkyl Amines Chemicals Ltd	6.7%	13.9%	73.6%
Grauer and Weil (India) Ltd	-6.6%	-12.2%	48.0%
Texmaco Rails & Engineering Ltd	-14.4%	-24.0%	-20.9%
Nagarjuna Agrichem Ltd	-25.9%	-31.4%	14.1%
Simplex Infrastructures Ltd	-13.7%	-8.8%	79.4%
ITD Cementation India Ltd	-4.3%	-14.8%	-10.1%
Westlife Development Ltd	2.9%	16.3%	87.9%
Federal Mogul Goetze (India) Ltd	-5.0%	-9.4%	-25.1%
Dynamatic Technologies Ltd	-7.6%	-5.4%	-33.2%
Hitech Corporation Ltd	-1.9%	-3.7%	-24.2%
NRB Bearings Ltd	-11.7%	-4.2%	27.2%
Kokuyo Camlin Ltd	-13.4%	-16.2%	8.9%
Timken India Ltd	-0.4%	-13.3%	3.6%
Bigbloc Construction Ltd	-32.8%	-18.4%	33.6%
Morganite Crucible (India) Ltd	1.3%	44.4%	80.7%
Vardhman Special Steels Ltd	-21.3%	-24.2%	14.0%
Zen Technologies Ltd	-12.8%	-10.5%	92.5%
Indian Hume Pipe Co. Ltd	-16.9%	-23.2%	39.5%
Engineers India Ltd	-9.7%	-20.4%	79.8%
TRIL	-12.9%	-28.2%	-38.9%
Gulshan Polyols Ltd	-9.2%	-17.8%	-20.1%
Nesco Limited	-0.2%	-7.0%	10.3%
Castrol India Ltd	-10.6%	76.9%	-15.6%

Weekly Sectoral Gainers & Losers in (%)



The week that went by:

After digesting the outcome of the Karnataka elections, benchmark indices started off trade marginally higher. Following the mixed trend across the other Asian indices, the benchmark indices started off trade on a flat note. The markets opened flat despite the weakness seen in Asian peers. The markets opened in the positive led by the short covering of the previous session losses. Positivity continued on the last day of trade of the week.

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	304	500	64.5	29.3	18.6	14.9	16.4	20.3	9.5	12.0
Shanthi Gears Ltd	BUY	107	130	200	53.6	10.6	2.8	3.1	47.3	42.2	29.8	26.2
Hind Rectifiers Ltd	BUY	69	130	175	34.6	2.0	-1.1	0.3	-122.6	379.3	48.6	34.2
KCP Limited	BUY	71	122	200	64.2	15.7	2.8	6.3	44.0	19.3	13.0	11.1
Harita Seating System Ltd	BUY	266	963	1150	19.4	7.5	32.4	34.5	29.7	27.9	27.1	22.7
Hester Biosciences Ltd	BUY	565	1424	2200	54.5	12.1	29.2	34.2	48.7	48.1	30.2	25.7
The Hitech Gears Ltd	BUY	298	458	600	31.1	8.6	10.9	16.5	42.1	28.2	18.0	14.9
Bharat Bijlee Ltd	BUY	787	1420	2000	40.8	8.0	34.7	41.4	40.9	34.3	53.0	26.9
Triveni Turbines Ltd	BUY	92	108	150	38.8	0.4	3.5	2.4	30.7	44.3	21.8	26.7
Siemens Ltd	BUY	1128	1047	1350	29.0	372.6	9.1	10.0	115.2	104.9	78.6	69.5
Hikal Ltd	BUY	143	230	325	41.1	18.9	8.1	8.7	28.4	26.5	11.8	10.8
Aksh Optifibre Ltd	BUY	15	33	45	36.2	5.4	13.9	1.5	1.7	15.1	6.0	9.0
GMM Pfaunder Ltd	BUY	332	871	1000	14.8	12.7	19.3	20.8	45.1	41.9	30.9	28.3
Alicon Castalloy Ltd	BUY	288	628	750	19.4	7.7	21.4	24.1	29.4	26.0	11.3	8.9
Gufic Biosciences Ltd	BUY	50	136	140	3.3	10.4	1.6	2.1	86.9	65.2	40.6	30.2
Excel Industries Ltd	BUY	380	1400	800	-42.9	18.1	9.8	39.7	143.4	35.3	43.5	20.6
Vesuvius India Ltd	BUY	1165	1275	1500	17.6	25.5	49.0	62.7	26.0	20.3	14.1	11.4
Munjal Showa Ltd	BUY	191	205	350	70.7	8.2	14.2	14.6	14.4	14.1	8.6	8.3
Bharat Rasayan Ltd	BUY	2747	5591	6500	16.3	23.5	128.9	189.3	43.4	29.5	22.6	16.3
Alkyl Amines Chemicals Ltd	BUY	391	684	850	24.3	14.0	24.3	27.0	28.1	25.3	16.3	16.3
Grauer and Weil (India) Ltd	BUY	45	58	100	71.1	13.3	2.3	2.3	25.9	25.0	14.6	14.2
Texmaco Rails & Engineering Ltd	BUY	91	73	150	106.9	20.2	1.5	2.7	47.4	27.0	32.5	20.1
Nagarjuna Agrichem Ltd	BUY	29	30	75	146.7	4.7	1.6	0.9	18.8	35.1	10.9	10.1
Simplex Infrastructures Ltd	BUY	540	531	700	31.8	20.2	24.3	29.6	21.8	17.9	8.6	7.8
ITD Cementation India Ltd	BUY	158	157	225	43.3	24.4	3.1	4.8	50.6	32.8	13.3	12.0
Westlife Development Ltd	BUY	266	389	425	9.3	60.5	-0.8	0.3	-498.5	1139.0	132.6	80.0
Federal Mogul Goetze (India) Ltd	BUY	540	443	750	69.3	24.6	12.9	15.7	34.2	28.1	14.2	12.9
Dynamatic Technologies Ltd	BUY	2160	1804	3000	66.3	11.4	23.0	-9.3	46.3	-515.4	10.2	13.0
Hitech Corporation Ltd	BUY	175	150	230	53.2	2.6	6.9	3.5	21.8	42.9	8.5	9.3
NRB Bearings Ltd	BUY	138	156	200	27.8	15.2	5.2	5.5	30.0	28.4	16.7	16.0
Kokuyo Camlin Ltd	BUY	132	102	175	70.9	10.3	0.1	0.5	1082.1	195.7	51.0	37.5
Timken India Ltd	BUY	883	696	1200	72.4	47.3	14.3	15.1	48.7	46.0	29.9	26.0
Bigbloc Construction Ltd	BUY	120	114	200	75.0	1.6	2.2	2.7	52.8	41.7	17.9	15.5
Morganite Crucible (India) Ltd	BUY	1047	1480	1500	1.4	4.1	47.2	38.2	31.4	38.7	16.9	22.3
Vardhman Special Steels Ltd	BUY	151	120	225	88.0	4.3	10.3	6.4	11.6	18.6	11.3	10.9
Zen Technologies Ltd	BUY	115	106	170	60.3	8.2	0.9	0.2	114.2	497.8	69.8	190.0

*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	600	68%
Engineers India Ltd	211	200	Bonus 1 : 1.	106	250	32%
Transformers and Rectifiers (India) Ltd	300	450	Stock Split from Rs.FV 10 to Rs.FV 1.	30	40	-23%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1.	78	110	-17%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2.	479	640	16%
Castrol India Ltd	447	550	Bonus 1 : 1	223	275	-21%

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	341	288	600	108.3	14.0	20.4	14.3	14.1	20.1	7.8	10.4
Engineers India Ltd	BUY	211	139	250	79.7	46.9	4.8	5.0	28.8	27.8	28.6	30.9
Transformers and Rectifiers (India) Ltd	BUY	300	23	40	72.0	0.3	13.9	1.5	1.7	15.1	6.0	9.0
Gulshan Polyols Ltd	BUY	390	65	110	69.5	3.0	4.6	6.4	14.1	10.1	18.0	15.9
Nesco Ltd	BUY	2397	556	640	15.1	7.8	120.2	137.5	4.6	4.0	18.3	15.3
Castrol India Ltd	BUY	223	175	275	56.9	86.7	13.6	14.1	12.8	12.4	7.7	7.3

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	304	120	150	200	275	350	500	-	295%
Shanthi Gears Ltd	107	130	150	200	-	-	-	-	-	22%
Hind Rectifiers Ltd	69	130	110	140	175	-	-	-	-	88%
KCP Limited	71	122	105	150	200	-	-	-	-	72%
Harita Seating System Ltd	266	963	400	600	750	900	1150	-	-	262%
Hester Biosciences Ltd	565	1424	750	875	1150	1500	1750	2200	-	152%
The Hitech Gears Ltd	298	458	450	600	-	-	-	-	-	54%
Bharat Bijlee Ltd	787	1420	1100	1500	2000	-	-	-	-	80%
Triveni Turbines Ltd	92	108	135	150	-	-	-	-	-	17%
Siemens Ltd	1128	1047	1350	-	-	-	-	-	-	-7%
Hikal Ltd	143	230	200	250	325	-	-	-	-	61%
Aksh Optifibre Ltd	15	33	24	35	45	-	-	-	-	120%
GMM Pfäudler Ltd	332	871	500	700	800	1000	-	-	-	162%
Alicon Castalloy Ltd	288	628	450	600	750	-	-	-	-	118%
Gufic Biosciences Ltd	50	135.5	75	100	140	-	-	-	-	171%
Excel Industries Ltd	380	1111	550	650	800	1100	1400	-	-	192%
Vesuvius India Ltd	1165	1275	1500	-	-	-	-	-	-	9%
Munjal Showa Ltd	191	205.1	250	300	350	-	-	-	-	7%
Bharat Rasayan Ltd	2747	5591	3500	4250	5000	6500	-	-	-	104%
Alkyl Amines Chemicals Ltd	391	684	550	700	850	-	-	-	-	75%
Grauer and Weil (India) Ltd	45	58.45	65	80	100	-	-	-	-	30%
Texmaco Rails & Engineering Ltd	91	72.5	125	150	-	-	-	-	-	-20%
Nagarjuna Agrichem Ltd	29	30.4	45	60	75	-	-	-	-	5%
Simplex Infrastructures Ltd	540	531	700	-	-	-	-	-	-	-2%
ITD Cementation India Ltd	158	157	225	-	-	-	-	-	-	-1%
Westlife Development Ltd	266	388.9	350	425	-	-	-	-	-	46%
Federal Mogul Goetze (India) Ltd	540	443	750	-	-	-	-	-	-	-18%
Dynamatic Technologies Ltd	2160	1804	3000	-	-	-	-	-	-	-16%
Hitech Corporation Ltd	175	150.1	230	-	-	-	-	-	-	-14%
NRB Bearings Ltd	138	156.5	200	-	-	-	-	-	-	13%
Kokuyo Camlin Ltd	132	102.4	175	-	-	-	-	-	-	-22%
Timken India Ltd	883	696	1200	-	-	-	-	-	-	-21%
Bigbloc Construction Ltd	120	114.3	160	200	-	-	-	-	-	-5%
Morganite Crucible (India) Ltd	1047	1540	1500	1750	-	-	-	-	-	47%
Vardhman Special Steels Ltd	151	119.7	225	-	-	-	-	-	-	-21%
Zen Technologies Ltd	115	106.1	170	-	-	-	-	-	-	-8%

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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	68%
Engineers India Ltd	211	200	Bonus 1 : 1	106	250	32%
Transformers and Rectifiers (India) Ltd	300	450	Stock Split from Rs.FV 10 to Rs.FV 1	30	55	-23%
Gulshan Polyols Ltd	390	500	Stock Split from Rs.FV 5 to Rs.FV 1	78	110	-17%
Nesco Ltd	2397	3200	Stock Split from Rs.FV 10 to Rs.FV 2	479	640	16%
Castrol India Ltd	447	550	Bonus 1 : 1	223	275	-21%

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	Premier Explosives	BUY	350	322

*Omkar: Spin off

*Corporate development in
Morganite & Simplex Infra*

*Call Closed: Premier
Explosives Limited*

Target Revisions

Turnaround from losses

Good set of numbers

Coverage News:

Demat of shares of Morgan Terrassen B V

Morgan Terrassen B V, promoter company who is holding 10,22,000 equity shares in physical form has been converted into demat with Client ID: 27620718 and DP ID: IN300484.

Simplex Infrastructure Limited:

With respect to the QIP, the 'Committee of Directors for raising capital' of the Board of Directors of the Company has, at its meeting held on May 23, 2018, issued and allotted 70,68,490 Equity Shares of face value of Rs.2/- each to eligible qualified institutional buyers at the issue price of Rs.569/- per equity share, including a premium of Rs.567/- per Equity Share, aggregating to Rs402,19,70,810/-under the SEBI Regulations and Section42 of the Companies Act, 2013 (including the rules made thereunder).

Call Closed: Premier Explosives Limited:

We had initiated BUY on the stock at the price of Rs350 (coverage initiated on 19th October 2016) for a target of Rs450. After achieving the first target, the same was then revised to Rs525, later to Rs600 and then downgraded to Rs525. After analysing the recent March quarter as well as the full year performance, the results have not been on the expected lines. We would thereby close the call on the stock, keeping it as a candidate of re-initiation once things start falling in place in a quarter or two.

Target Revision:

We have revised the targets of Triveni Turbines Limited and Texmaco Rails Limited lower to Rs150 each from the earlier targets of Rs175 and Rs170 respectively. This has been done post the quarter result analysis.

Result Update:

NACL Limited:

The net sale for the quarter under reference is Rs1901mn as compared to Rs1608mn, growth of 18.2%. There is a drop in the Ebidta margins to 0.5% mainly due to the overall increase in the raw material prices for the company. The net profits came in at Rs4mn as compared to Rs242mn in the same quarter last year. The March 2017 numbers have the extraordinary items of Rs256mn (proceeds from Insurance claim), which if excluded then the company has reported profits compared to a loss of Rs14mn in the same quarter last year. For the full year, the sales increased by 15.3%, while excluding the extraordinary items, the profit grew to Rs107mn as compared to Rs61mn. The EPS for the full year stands at Rs0.69.

Outlook and Recommendations:

The company has reported lower operating margins for the quarter. However, overall there has been a turnaround from losses in the previous quarters to positive numbers. We continue with our recommendation of Buy on the stock with a target price of Rs75 over a 12 months horizon.

Alkyl Amines Chemicals Limited:

The net sales for the quarter under reference grew by 32.8% to Rs1,741mn as compared to Rs1,311mn in the same quarter last year. The Ebidta margins stood at 23.2%. The net profits doubled to Rs234mn as against Rs110mn in the same quarter last year. For the full year, the net sales clocked growth of 23.1% to Rs6,162mn as against Rs5,006mn. The profits grew by 29.7% to Rs643mn as against Rs496mn in the previous year. The EPS for the full year stands at Rs31.15. The company has commissioned its Methylamines Plant at Dahej on March 24, 2018

Outlook and Recommendations:

The company has reported robust set of numbers for the quarter and ended the year as well on a strong note. We add to our conviction with the commissioning of the Dahej Plant which will further improve the efficiency and business of the company. We maintain our stance on the company with a revised target price of Rs850 over a 12 months horizon.

Flat results for Timken

Result Update:

Timken India Limited:

Net sales for the quarter under reference is at Rs3,454mn as compared to Rs2,605mn in the same quarter last year, growth of 32.6%. The Ebitda margins came in lower at 13.3% as against 14.5% in the comparative quarter. The net profit dropped by 7.9% to Rs237mn as against Rs257mn. For the full year, net sales grew by 17.2% while on the other hand the net profit dropped by 19.7%. The EPS for the full year stands at Rs13.5.

Outlook and Recommendations:

The company has reported flattish results with an impact on the operating margins for the quarter, which is lower than expected. We maintain a BUY on the stock with a target price of Rs1200 from a 12-month perspective

Good set of numbers reported

NRB Bearings Limited:

The net sales for the quarter under review came in at Rs2,354mn as compared to Rs1,880mn, growth of 25.2%. The Ebitda margins for the quarter ending March 2018 improved to 17.9% from 13.2% as compared to the same quarter last year. The net profit for the quarter under review grew to Rs268mn from Rs117mn when compared on y-o-y basis. For the full year, the net sales clocked growth of 9.6% at Rs8,484mn as compared to Rs7,743mn. Net Profit stood at Rs816mn as compared to Rs496. The Board of Directors have recommended a payment of final dividend of Rs1.20 per equity share of face value of Rs2 each which is subject to approval by the shareholders.

Outlook and Recommendations:

Backed by increased revenues and better operational efficiencies, the company has reported good set of numbers for the quarter under review. As it was anticipated, the benefits of GST have started flowing for the company and the same can be witnessed in the result released by the company. We maintain our target price of Rs200 for a horizon of 12 months.

Beaten our estimates

The Hitech Gears Limited:

Net sales for the quarter under reference stands at Rs1,440mn as against Rs1,128mn in the same quarter last year, growth of 27.7%. The Ebitda margins stood at 13.5%. The net profit grew by 51.1% to Rs82mn as compared to Rs54mn in the same quarter last year. For the full year, the net sales grew by 17.6% to Rs5273mn while the profits clocked a strong growth of 53.3%. The EPS for the full year stands at Rs17.

Outlook and Recommendations:

The company has reported a strong quarter and beaten our estimates on the full year numbers as well. We continue with our stance on the Indian auto components industry in the long run and maintain a BUY on the stock with a target of Rs600 for a time frame of 12 months.

Target revision done

Triveni Turbines Limited:

The net sales for the quarter under review came in at Rs2,441mn as compared to Rs1,829mn, growth of 33.5%. The Ebitda margins improved to 24.3% from 20.3% in the same quarter last year. The net profit post contribution of JV grew by 33.1% to Rs353mn from Rs265mn. For the full year, the net sales clocked de-grew by 1.6% while the net profit de-grew by 22.3%. The EPS for the quarter is Rs1.1 as compared to Rs0.8 while for the full year it stands at Rs2.9 as compared to Rs3.7 in FY17.

Outlook and Recommendations:

The company continues to enjoy and retain the market leadership with a market share of 64%. The company has been setting up global foot prints in the form of service centres in many countries. Along with this, it has a very strong order book coupled with strong enquiries and exports orders on the rise which will enable further growth for the company. All these factors boost up for better times to come for Triveni Turbine. However, in the current scenario where the growth has limited scope we would like to reduce our target to Rs150 from the earlier target of Rs175 over a horizon of 12-months.

Margins getting back on track

Gulshan Polyols Limited:

The net sales for the quarter under review came in at Rs1,650mn as compared to Rs1,458mn in the corresponding quarter last year, growth of 13.2%. As per the company presentation, Gulshan Poly has achieved a volume growth of 6% for sales of Maize Starch sales in Q4FY18 in comparison to Q3FY18. At the same time, the company has also achieved 11% volume growth in its HFPS production in Q4FY18 as compared to Q3FY18. The company had successfully commenced the commercial production of ENA and Rectified Spirit during the month of December 2017. Despite a negative growth as of now (initial teething troubles) due to the distillery unit, the company has shown better margins. The Ebitda margins improved for quarter ending March 2018 and the same was seen at 15.1% as compared to 13.8% in the same quarter last year. The net profit de-grew by 18.9% to Rs77mn from Rs95mn. The same is lower due to higher finance cost of Rs39mn and higher depreciation of Rs109mn (Capex was almost completed in quarter ending December 2017). In addition to the interim dividend of Rs0.4 paid in November 2017, the board of Directors of the have recommended a final dividend of Rs0.3 per equity share of face value of Rs1, which is subject to approval from the shareholders.

Outlook and Recommendations:

In terms of margins, the company seems to be coming back on track. The company has reported good set of numbers for the quarter under review. The incremental dividend distribution provides a sign of improvement of the financials. With the current capex coming to an end, investors with a long term horizon will be able to reap the benefits over the quarters to come. We maintain our target price of Rs110 for a horizon of 12 months.

Indian Hume Pipes Limited:

The net sales for the quarter under reference dropped by 10.9% to Rs4112mn as compared to Rs4617mn in the same quarter last year. The Ebitda margins dropped to 11.4% as compared to 14% in the comparative quarter. The net profits reported a drop of 33.1% to Rs232mn as against Rs347mn. For the full year, the revenues reported a drop of 10.5% to Rs15260mn as against Rs17043mn last year. The net profits also dropped by 33.7% to Rs661mn. The EPS for the year came in at Rs13.64. In respect of certain works contract executed in earlier years in the state of Rajasthan, Hon'ble Supreme Court vide its order dated August 28' 2011 rejected the appeal filed by the Company. The Company based on legal advice has filed an application seeking recall of the said order, pending outcome of the recall application, on a prudent basis the Company has made a provision of Rs3,033/- Lakhs against sales Tax demand (including interest thereof Rs2132 lakhs in the results of the year ended 31st March 2018. This has also impacted the performance of the company. The Board of Directors at their meeting held on May 23, 2018 have recommended a dividend of Rs3.40 (170%) per equity share of face value of Rs2/- each for the financial year ended March 31, 2018, subject to approval of the shareholders in the ensuing Annual General Meeting of the Company. Lack of clarity and transitional challenges the Company faced while moving from VAT regime to GST regime affected operations of the Company on account of delayed receipt of materials and bought out items from suppliers, delayed billing to the client and collection thereof which resulted in slowing down of operations particularly in 2nd quarter. As such, in spite of having sufficient orders on hand there is a decline in revenues. The Company on prudent basis has made necessary adjustments to applicable projects in respect of its order value, cost etc. to account GST impact. With a strong order book, the company is hopeful of achieving reasonable growth during ensuing financial year.

Outlook and Recommendations:

The company has reported subdued results for the quarter under reference. This is mainly due to the cyclical nature of business and post effects of implementation of GST. Maintaining a positive on the outlook of the company going forward, we continue to recommend a BUY with a target price of Rs600.

Subdued results for the quarter

Decent numbers for the company

Bigbloc Construction Limited:

The net sales for the quarter under reference is Rs189mn as compared to Rs159mn in the same quarter last year. The Ebidta margins dropped to 12.8% from 19.6% in the comparative quarter. The net profits clocked a growth of 68.3% to Rs5mn from Rs3mn. For the full year, the net sales increased by 13.8% while profits grew by 37%. In comparison to the previous quarter of the same year, the Profit for the current quarter is less as compared to previous quarters of the current year due to various provisions required to be done at the year end. Also, the input costs had increased in the last quarter due to higher cement and lime prices.

Outlook and Recommendations:

The company has reported decent numbers on comparative basis. However, on a q-o-q comparison the performance has been subdued. The company however is on track to meet the expected growth going forward. We maintain a BUY on the stock with a target price of Rs200 (revised from Rs160) over a 12 months horizon.

Morganite Crucible (India) Limited:

The net sales for the quarter under review came in at Rs276mn as compared to Rs269mn, growth of 2.6%. The Ebidta margins came in at 27.0% as compared to 27.5% in the same quarter last year. The net profit grew by 5.4% to Rs49mn from Rs46mn. For the full year, the net sales clocked de-growth of 9% while the net profit de-grew by 32% at Rs113mn as compared to Rs166mn in the FY17. The EPS for the quarter is Rs17.3 as compared to Rs16.1 while for the full year, the EPS stands at Rs49.6 as compared to Rs59.3 in FY17. The Board of Directors at their meeting held on 24 May 2018 has recommended payment of a final dividend of Rs16 per equity share (i.e. 160% on face value of Rs10 each) for the financial year ended 31 March 2018, which is subject to approval of shareholders.

Outlook and Recommendations:

During the year, the company was hit by increasing prices of graphite and other raw material hence the net profits are depressed for FY18. However, the same (RM prices) appears to be correcting for good for Morganite Crucible as it is evident from the margins coming back in line with that of the previous year. Amalgamation of Diamond Crucible Company Limited will be a positive trigger for the company in times to come. Considering the niche market in which the company operates in, sustainable margins and corporate developments in the debt free company, we maintain our target price of Rs1750 over a 12 months perspective.

Good growth going ahead

ECONOMY:

India moves one notch up to 44th rank in IMD's competitiveness rankings

India has moved one notch higher, to the 44th place in terms of competitiveness, in the annual rankings compiled by International Institute for Management Development (IMD) which placed the US in the top slot. This year, though India has moved up to 44th position worldwide, up one rank from last year, it is ranked the 12th most competitive economy out of the 14 Asian countries on the list.

Our Comments:

Some of the challenges which India has to face for the year 2018 would be skilling of manpower and employment generation, streamlining the implementation of goods and services tax and balancing high growth with sustainable development goals

Ranking improvement for India

Paper demand on the rise

Telecom subscribers on the gain

USFDA approval for Glenmark

Bayer's acquisition of Monsanto

INDUSTRY:

Paper demand to grow at 6.7% to 20mn tonnes in FY20: Study

Buoyed by a strong economic growth and a robust demand for paper, Care Ratings said it expects the overall paper demand to grow at a compounded annual growth rate (CAGR) of 6.7% to touch 20.7 million tonnes in FY20. It noted that the domestic demand in the country grew from 9.3 million tonnes in FY08 to 17 million tonnes in FY17 at a CAGR of 6.9%. The demand drivers and growth triggers have come from a combination of factors such as rising income levels, growing per capita expenditure, rapid urbanisation and a larger proportion of earning population which is expected to lead consumption and there is enormous potential for the paper industry in the country.

Our Comments:

As per the report, the profitability of the players is expected to be maintained in the medium-term on the back of eased out cost side pressures and improved realisations of the finished goods.

Telecom subscriber base again crosses 1.2bn mark in March

Telecom subscriber base in the country again crossed 1.2 billion mark, with mobile service companies recording a net addition of over 26 million customers in March, according to monthly subscriber report of telecom regulator Trai released. The number of telephone subscribers in India increased from 1,179.83 million at the end of February 2018 to 1,206.22 million at the end of March 2018, thereby showing a monthly growth rate of 2.24%.

Our Comments:

The net addition trend shows that March was a competitive month for mobile segment with Idea Cellular and Bharti Airtel reducing their gap significantly with Reliance Jio.

COMPANY:

Glenmark Pharma gets USFDA nod for generic version of Welchol tablets

Glenmark Pharma has received final approval from the US health regulator for Colesevelam Hydrochloride tablets, 625 mg, the generic version of Daiichi Sankyo's Welchol tablets, 625 mg. The company said it has already commenced supplies of the product to the US market.

Our Comments:

Quoting IQVIA sales data for the 12-month period ending March 2018, Glenmark Pharma said the Welchol tablets, 625 mg, achieved annual sales of approximately USD519.9mn.

CCI approves Bayer's acquisition of Monsanto

India's competition watchdog has approved Bayer's proposed \$66-billion acquisition of US biotech firm Monsanto, subject to modifications. The approval comes as Monsanto faces opposition in India over the promotion of genetically modified crops and issues of royalty and patents. The CCI had launched a public consultation process in January to determine whether the merger between the global giants to create the world's largest seed and Pesticide Company would have any adverse impact on competition in the country.

Our Comments:

Bayer said in a statement that the CCI has conditionally approved its proposed acquisition of Monsanto. Obtaining clearance from the CCI is another milestone towards the global acquisition of Monsanto. The combination brings together two different, but highly complementary businesses.

*Ultratech to acquire
Century Textiles*

COMPANY:

Ultra Tech to acquire Century Textiles' cement business

UltraTech said it would acquire the cement business of BK Birla Group company Century Textiles and Industries through a share swap deal, a move which would further consolidate its position as market leader in the segment. According to the scheme, the shareholders of Century would get one equity share of UltraTech, having a face value of Rs10/- each for every eight equity shares of Century of face value Rs10 each. UltraTech will issue 1.4crore new equity shares to the shareholders of Century, which will increase its equity capital to Rs288.58cr, divided into 28.86crores equity shares of Rs10/- each.

Our Comments:

The transaction would provide UltraTech, opportunity to further strengthen its presence in the east and central markets and extending its footprint in the Western and Southern markets in the country.

Adani plans e-bus foray

Adani plans e-bus foray with SEZ production facility, Taiwan tie-up

Adani Enterprises is set to make a big-ticket entry into electric buses manufacturing as per sources. The group, which plans to set up a manufacturing base in its special economic zone at Mundra in Gujarat, is in talks with a Taiwanese electric bus maker for technological tie-up. Experts believe that Adani's entry, along with a foreign player, will change the dynamics of the Indian electric buses segment that has limited players. The company is closely looking at battery swapping model.

Our Comments:

Looking at the priorities of the country to shift to electric fleet, the potential is expected to be huge.

*Opioids on Aurobindo mind
again*

Aurobindo eyes Mallinckrodt Opioids again

Even as the Donald Trump administration intensifies its crackdown on the opioid crisis in the US, Aurobindo Pharma has re-engaged with Mallinckrodt to acquire its specialty generics portfolio. But within a year, the value of the business has more than halved to USD700mn as per sources. Last September, Aurobindo disengaged with Mallinckrodt while peer Intas Pharma remained in active bilateral dialogue till early this year. But the regulatory spotlight in US increased legal risks, which led to talks fizzling out.

Our Comments:

Sensing an opportunity, Aurobindo stepped in to resume negotiations earlier this month, added sources mentioned above. It's an intriguing move, as the company has significantly pared opioid exposure in the past few years to just USD50mn, which is less than 5% of overall revenues.

Stake sell by Damani

Damani sells 1% in D-Mart, pockets a cool Rs800cr

Ace investor and billionaire Radhakishan Shivkishan Damani pocketed close to Rs800cr by selling 1% stake in his newly listed company Avenue Supermarts which owns retail store chain D-Mart. The share sale took place between May 21 and May 24 in order to meet the minimum public shareholding requirement set by market regulator Sebi. Prior to 1% stake sale, promoter RK Damani and his family owned 82.20% stake in the company which was listed in March 2017.

Our Comments:

As per Securities and Exchange Board of India (Sebi) regulations, promoter stake has to be brought down to 75% within three years of listing on stock exchanges.

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