



**Enlightening  
your  
Portfolio  
this Diwali!**

 **smc**  
Moneywise. Be wise.

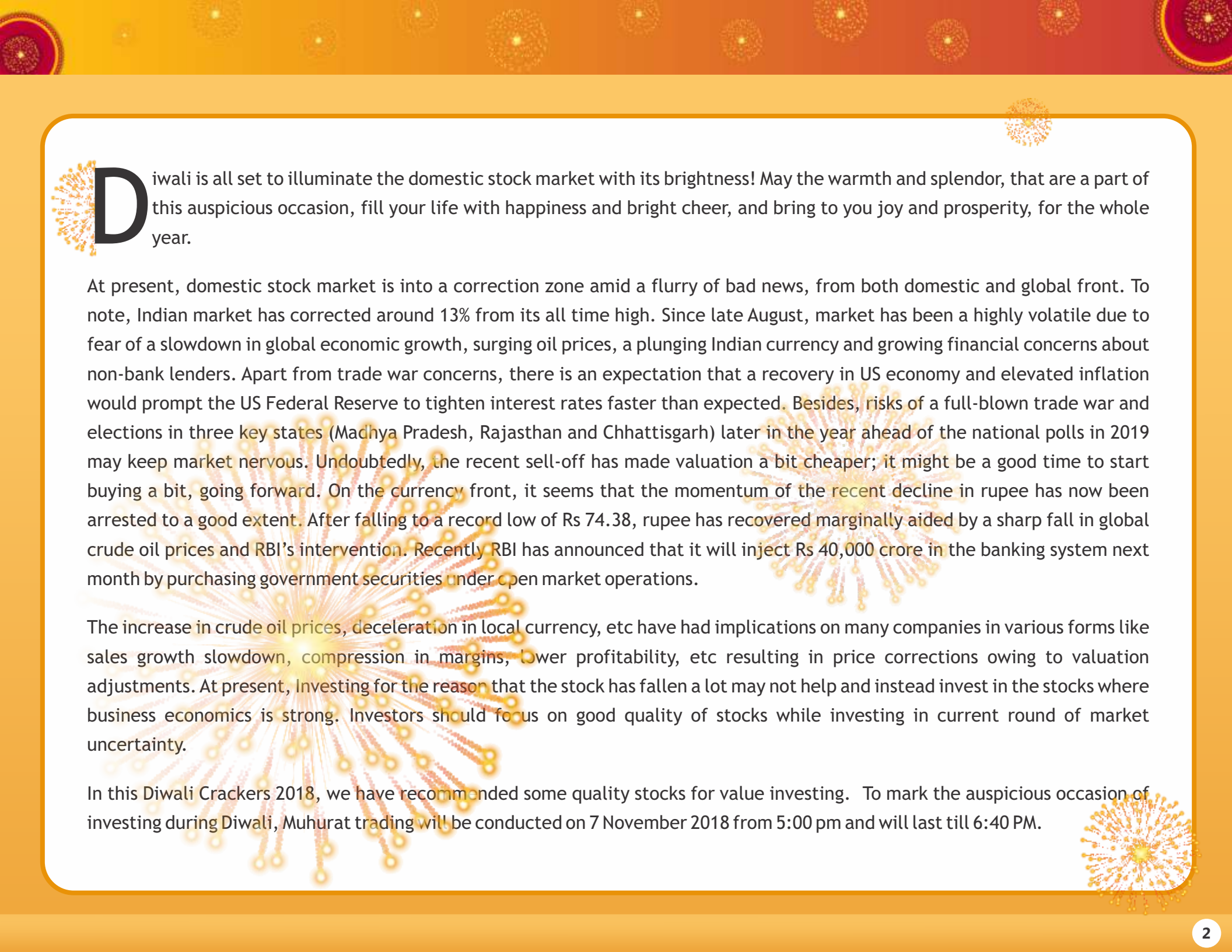
# DIWALI CRACKERS 2018

## Snap Shot

SR	CO_NAME	SECTOR	BSE CODE	NSE SYMBOL	PRICE*	MARKET CAP*	TARGET	UPSIDE POTENTIAL
1	ITC	Tobacco Products	500875	ITC	283.55	347170.47	330	16%
2	ICICI Bank	Banks	532174	ICICIBANK	349.15	224705.51	422	21%
3	Bajaj Auto	Automobile	532977	BAJAJ-AUTO	2542.20	73562.88	3221	27%
4	Dr Reddy's Labs	Pharmaceuticals	500124	DRREDDY	2534.75	42088.47	3301	30%
5	L&T Technology	IT - Software	540115	LTTS	1669.20	17354.68	1963	18%
6	Mahindra CIE	Castings, Forgings & Fastners	532756	MAHINDCIE	264.45	10012.65	346	31%
7	NIIT Tech.	IT - Software	532541	NIITTECH	1254.25	7721.10	1521	21%
8	Bajaj Corp	FMCG	533229	BAJAJCORP	359.40	5301.15	454	26%
9	Trident	Textiles	521064	TRIDENT	63.70	3246.12	81	27%
10	Aarti Drugs	Pharmaceuticals	524348	AARTIDRUGS	580.20	1368.23	732	26%

\*Closing Price as on 29th October 2018

FROM SMC RESEARCH DESK ...



**D**iwali is all set to illuminate the domestic stock market with its brightness! May the warmth and splendor, that are a part of this auspicious occasion, fill your life with happiness and bright cheer, and bring to you joy and prosperity, for the whole year.

At present, domestic stock market is into a correction zone amid a flurry of bad news, from both domestic and global front. To note, Indian market has corrected around 13% from its all time high. Since late August, market has been a highly volatile due to fear of a slowdown in global economic growth, surging oil prices, a plunging Indian currency and growing financial concerns about non-bank lenders. Apart from trade war concerns, there is an expectation that a recovery in US economy and elevated inflation would prompt the US Federal Reserve to tighten interest rates faster than expected. Besides, risks of a full-blown trade war and elections in three key states (Madhya Pradesh, Rajasthan and Chhattisgarh) later in the year ahead of the national polls in 2019 may keep market nervous. Undoubtedly, the recent sell-off has made valuation a bit cheaper; it might be a good time to start buying a bit, going forward. On the currency front, it seems that the momentum of the recent decline in rupee has now been arrested to a good extent. After falling to a record low of Rs 74.38, rupee has recovered marginally aided by a sharp fall in global crude oil prices and RBI's intervention. Recently RBI has announced that it will inject Rs 40,000 crore in the banking system next month by purchasing government securities under open market operations.

The increase in crude oil prices, deceleration in local currency, etc have had implications on many companies in various forms like sales growth slowdown, compression in margins, lower profitability, etc resulting in price corrections owing to valuation adjustments. At present, investing for the reason that the stock has fallen a lot may not help and instead invest in the stocks where business economics is strong. Investors should focus on good quality of stocks while investing in current round of market uncertainty.

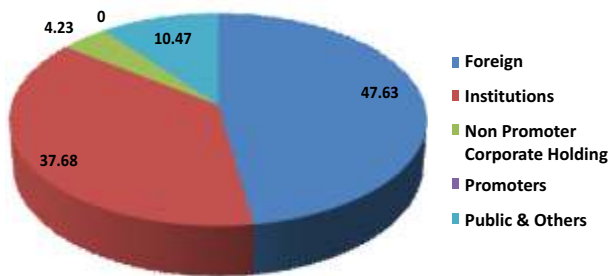
In this Diwali Crackers 2018, we have recommended some quality stocks for value investing. To mark the auspicious occasion of investing during Diwali, Muhurat trading will be conducted on 7 November 2018 from 5:00 pm and will last till 6:40 PM.



### VALUE PARAMETERS

Face Value (Rs.)	1.00
52 Week High/Low	322.70/250.35
M.Cap (Rs. in Cr.)	347170.47
EPS (Rs.)	8.99
P/E Ratio (times)	31.54
P/B Ratio (times)	6.61
Dividend Yield (%)	1.81
Stock Exchange	BSE

### SHARE HOLDING PATTERN (%)



₹ in cr

### INVESTMENT RATIONALE

- ITC is one of India's foremost multi-business enterprises. It has robust portfolio of traditional and greenfield businesses encompassing Fast Moving Consumer Goods (FMCG), Hotels, Paperboards & Specialty Papers, Packaging etc. Some of its popular brands include Aashirvaad, Sunfeast, Mom's Magic, Bingo!, Yippee!, Fiama & Vivel.
- During Q2FY19, it has reported healthy cigarette volume growth. Cigarettes business, which contributed 45 percent to the total revenue, has registered a 10.4% increase at Rs 5,026 crore with its reported EBIT rising 8.7%. Launches in the quarter include new variants in Hollywood (triple fliter) and Flake Taste Pro (dual filter). However, cigarette margins have taken a slight hit due to costs related to new warnings on cigarette packs from September, 2018.
- Gross Revenue for the quarter stood at Rs. 11,094.89 crores, representing a growth of 3.5% over the June quarter & a growth of 14.65% over the same period in previous year driven mainly by FMCG, Agribusiness and Hotels. PBDIT stood at Rs. 4,205.97 Crores and Profit after Tax at Rs. 2,954.67 Crores.
- Superb growth is seen in FMCG business due to positive traction in branded food business, growing at the rate of 10.1% over the previous quarter. The company has forayed into the frozen snacks category in the September Quarter. Moreover, on the development front, recently, it has launched 10 variants of snacks.
- Paper and Paperboard business net sales grew 5.1% to Rs. 1,424 Crores owing to strong demand and capacity enhancement in Value Added Paperboard and Décor segment. Capacity utilization has been scaled up at the bleached chemical thermo mechanical pulp mill. Restoration of a paperboard machine at Bhadrachalam unit was successfully completed during the quarter, thereby increasing the paperboard capacity by 1.5 Lakhs tones (per annum).

- The company's Hotel business is doing extremely well. ITC Kohenuur, a 271 room luxury hotel was commissioned on 1st June 2018. Revenue grew by at a healthy pace of 6.15% over the last quarter & EBIT also saw strong growth.

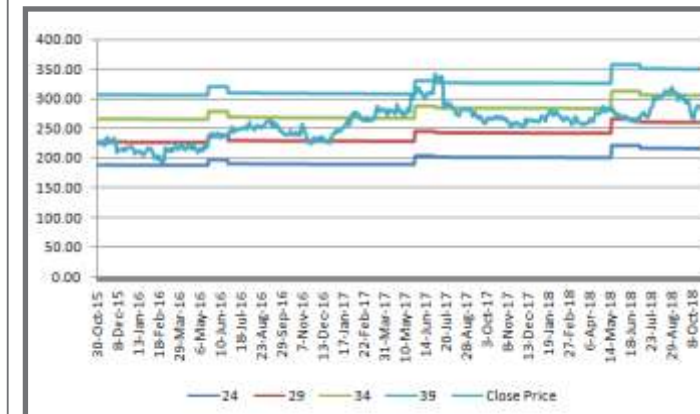
### RISK

- Increase in GST rates & ad valorem duty on Cigarettes.
- Downturn in Consumption patterns.

### VALUATION

The company's has posted robust and encouraging growth numbers from its core segments & the Cigarette segment has delivered second consecutive quarter of volume growth. Other business, especially paperboards & packaging continue to support the margins and the profit to support the growth momentum. However, India remains the fastest growing major economy in the world. The pace of consumption will show up in numbers to come. Thus, it is expected that the stock will see a price target of Rs.330 in 8 to 10 months time frame on target P/E of 29x and FY20 EPS of Rs.11.41.

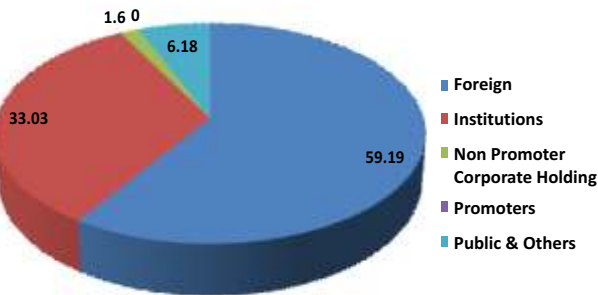
### P/E Chart



### VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	365.65/256.50
M.Cap (Rs. in Cr.)	224705.52
EPS (Rs.)	11.98
P/E Ratio (times)	29.14
P/B Ratio (times)	2.09
Stock Exchange	BSE

### SHARE HOLDING PATTERN (%)



₹ in cr

	ACTUAL	ESTIMATES	
	FY Mar-18	FY Mar-19	FY Mar-20
NII	23025.84	26536.02	30329.78
Ebit	24741.63	16875.82	24863.74
Pre-tax Profit	7434.55	7796.29	19273.42
Net Income	6777.42	5801.47	14435.31
EPS	10.46	8.66	22.10
BVPS	163.57	166.29	183.27
RoE	6.61	4.73	12.17

### INVESTMENT RATIONALE

- Overall, the bank is focusing on further growing its core operating profit through granular and risk-calibrated business growth. The domestic loan book grew by 16% led by retail loan growth of 20.5%, while the proportion of the loan portfolio rated A- and above increased from 63.3% end June 2018 to 65.5% end September 2018.
- The funding profile of the bank continues to be healthy. CASA deposits increased 15% and average CASA ratio was maintained above 45%.
- The net interest margin was at 3.33% in Q2FY2019 up from 3.19% in Q1FY2019 and 3.27% in Q2FY2018. The domestic NIM has increased to 3.71% in Q2FY2019 from 3.54% in Q1FY2019 and 3.57% in Q2FY2018. International margins dipped to 0.05% in Q2 2019 compared to 0.30% in Q1FY2019 due to lower interest collection from non-performing loans.
- During the Q2FY19, the net non performing asset (NPA) ratio dipped from 4.19% to 3.65% in the same period. While the net NPA ratio was the lowest in eight quarters. Provisions and contingencies declined 11% to Rs 3994.29 crore in Q2FY2019 from Rs 4502.93 crore in Q2FY2018. The profit before tax declined 49% to Rs 1255.42 crore in Q2FY2019 over Q2FY2018.
- Management has also kept up on its guidance of double digit growth in the fee income & maintaining the Net interest margins well above 3%. The fee growth has come at 17% over the same period in previous year & Net Interest Margin has come at 3.33%.
- There has been an increase in the incremental cost of term deposits for the banking system in September. While the Bank has been passing on the increase in cost of deposits to borrowers by hiking the MCLR and the incremental lending rates, the impact of the same on margins would come with a lag due to the lower reset frequency of loans linked to MCLR.

- Bank has the network of 4867 branches and 14417 ATMs at end September 2018.

### RISK

- Unidentified Asset Slippages. (Non- Identified NPA's).
- Regulatory Provisioning on assets.

### VALUATION

Business performance of the bank such as domestic loan growth, overall corporate advances, retail loan growth, CASA ratio are continuously improving. On the development front, it is increasing its presence across the country and work on fully leveraging existing resources and infrastructure. Further, it would also look at implementing additional cost optimization measures during the year, while growing its retail franchise. Thus, it is expected that the stock will see a price target of Rs.422 in 8 to 10 months time frame on a target P/BVx of 2.30x and FY20 BVPS of Rs. 183.27.

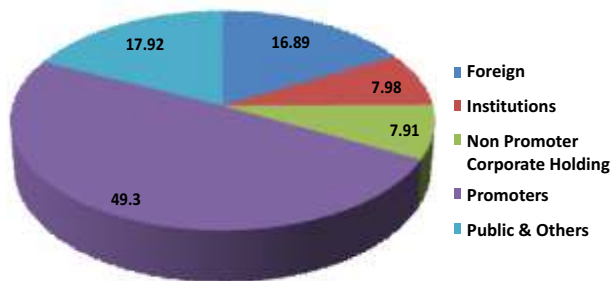
### P/E Chart



### VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	3472.60/2425.00
M.Cap (Rs. in Cr.)	73562.88
EPS (Rs.)	155.06
P/E Ratio (times)	16.39
P/B Ratio (times)	3.61
Dividend Yield (%)	2.36
Stock Exchange	BSE

### SHARE HOLDING PATTERN (%)



₹ in cr

	ACTUAL		ESTIMATES	
	FY Mar-18	FY Mar-19	FY Mar-20	
Revenue	24700.30	29309.20	32830.53	
Ebitda	4783.43	5140.42	5845.95	
Ebit	4468.63	4957.32	5629.69	
Pre-Tax Profit	5814.57	6282.93	7101.64	
Net Income	4100.10	4347.48	4912.41	
EPS	141.71	150.04	169.57	
BVPS	660.19	755.12	839.32	
RoE	23.00	21.00	22.00	

### INVESTMENT RATIONALE

- Bajaj Auto Limited is an India-based manufacturer of motorcycles, three-wheelers and parts. The company's business segments include Automotive, Investments and Others. The company's vehicles include two-wheelers and commercial vehicles. Bajaj Auto commands a market share of 59% in the overall three-wheelers, which includes passenger and goods carriers.
- It has started gaining market share in the 2W segment. This is primarily on the back of aggressive pricing strategy adopted by the company. Despite subdued industry demand, the company registered an 18.6 percent volume growth in Q2 FY19. This led to a 170 bps expansion in overall domestic market share, which stood at 18.6 percent. The management has guided at achieving 20 percent market share in motorcycle segment by FY19-end and has a long term target of 24 percent.
- It also plans to spend up to Rs 300 crore this financial year towards new launches, and research and development (R&D).
- Exports seem to be stabilising and is expected to benefit Bajaj Auto as it generates more than 40 percent of its revenue from overseas. In Q2, it registered a 33 percent growth in export volumes. It currently has a 45 percent market share in Africa and that may rise to 50 percent in years to come. As per the management, the company would continue to focus on exports and new markets and has guided at exports of 2 million units in FY19, up from 1.6 million units sold in FY18.
- In the domestic market, the company has outperformed the industry by recording growth of 19% over Q2 / FY2018 as against industry growth of 8%. Its overall share in the domestic motorcycle market increased to 18.6% as against 16.9% in Q2 / FY2018. In September 2018, its overall share in the domestic motorcycle market was 20.1%.

### RISK

- Currency fluctuation
- Commodity pricing

### VALUATION

The company has a diversified business model and strong focus on the profitable growth, widening reach in export markets and strategic alliances with global majors. The domestic 2-wheeler market would start growing from the festive season & would continue to grow for next couple of years. The management has assured that the company would see a very healthy top line growth and a very healthy EBITDA increase in coming quarters. Thus it is expected that the stock will see a price target of Rs.3221 in 8 to 10 months time frame on a target P/E of 19x and FY20 (E) earnings of Rs.169.57.

### P/E Chart

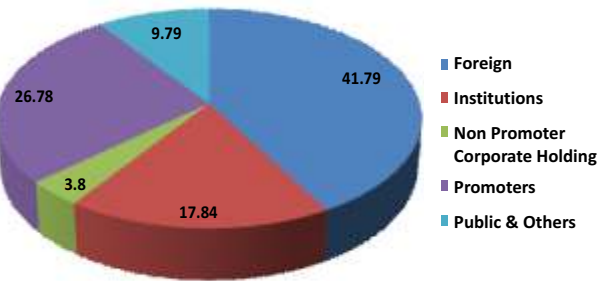




**VALUE PARAMETERS**

Face Value (Rs.)	5.00
52 Week High/Low	2687.45/1888.00
M.Cap (Rs. in Cr.)	42088.47
EPS (Rs.)	94.50
P/E Ratio (times)	26.82
P/B Ratio (times)	3.21
Dividend Yield (%)	0.79
Stock Exchange	BSE

**SHARE HOLDING PATTERN (%)**



₹ in cr

	ACTUAL		ESTIMATES	
	FY Mar-18	FY Mar-19	FY Mar-20	
Revenue	14281.00	15687.39	17901.79	
Ebitda	2351.20	3030.44	3854.30	
Ebit	1274.00	1844.49	2631.56	
Pre-Tax Profit	1350.40	1976.20	2723.10	
Net Income	946.80	1541.48	2053.28	
EPS	56.96	91.33	126.99	
BVPS	757.33	835.05	933.71	
RoE	7.63	11.23	14.22	

**INVESTMENT RATIONALE**

- Dr. Reddy's operates through three key core business segments:
  - a) Global Generics (GG), which includes branded and unbranded prescription medicine as well as over-the-counter (OTC) pharmaceutical products. It also includes the biosimilars business;
  - b) Pharmaceutical Services & Active Ingredients (PSAI), which comprises Active Pharmaceutical Ingredients (APIs) and Custom Pharmaceutical Services (CPS); and
  - c) Proprietary Products (PP), focused on dermatology and neurology.
- It has also received approval for Aspirin and Extended-Release Dipyridamole Capsules, a therapeutic equivalent generic version of Aggrenox (aspirin and extended-release dipyridamole) Capsules in the United States market from USFDA. The Aggrenox brand and generic had U.S. sales of approximately \$183 million MAT for the most recent twelve months ending in August 2018.
- Global generics are its biggest business driver and it offers more than 200 high-quality generic drugs, keeping costs reasonable by leveraging its integrated operations. The company derives around 16% of its revenues from the global generic business in emerging markets.
- The management of the company expects 15-20 launches in FY19 and also expects emerging markets grew 16% YoY led by robust spurt in Russia and ROW.
- As of the end of 2nd Quarter, cumulatively 113 generic filings are pending for approval with the USFDA (110 ANDAs and 3 NDAs under S0S(b)(2) route). It has launched Colesevelam Hydrochloride Tablets in the U.S. Market & has regained worldwide rights to DFA-02.
- On the global front, the company has strong presence in North America, the emerging markets of Russia and Romania. It has also entered in Columbia and Brazil markets.

- During the quarter ended September 2018, net sales rose 7.2% on a yearly basis to Rs 3817.50 crore. Revenue from pharmaceutical services and active ingredients rose 7% on a yearly basis to Rs 600 crore, while revenue from emerging markets and global generics rose 36% and 7% respectively to Rs 750 crore and Rs 3,050 crore.

**RISK**

- Strict Operational and strategic regulation
- Currency fluctuation

**VALUATION**

The company has reported robust growth in second quarter of FY19, according to the management of the company, continuous focus on execution, operational efficiency and cost optimization are showing good results. Looking ahead, the company's priority will be to resolve pending regulatory issues, and continue to work on execution and cost structures that will enable affordable medicines for more patients. Thus, it is expected that the stock will see a price target of Rs.3301 in 8 to 10 months time frame on an expected P/E of 26x and FY20 EPS of Rs.126.99.

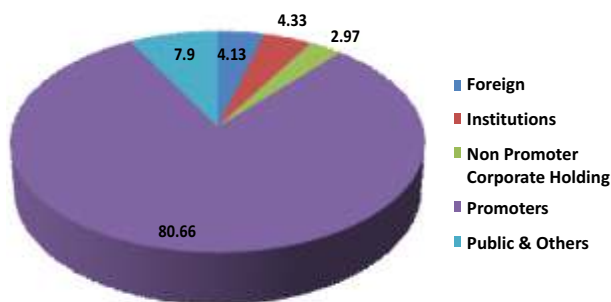
**P/E Chart**



### VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	1852.50/807.75
M.Cap (Rs. in Cr.)	17354.68
EPS (Rs.)	64.97
P/E Ratio (times)	25.69
P/B Ratio (times)	8.71
Dividend Yield (%)	0.24
Stock Exchange	BSE

### SHARE HOLDING PATTERN (%)



₹ in cr

	ACTUAL	ESTIMATES	
	FY Mar-18	FY Mar-19	FY Mar-20
Revenue	3747.10	4804.15	5626.00
Ebitda	575.60	860.19	1043.76
Ebit	486.80	800.23	984.10
Net Income	506.00	667.03	766.49
EPS	48.18	64.20	73.10
BVPS	189.37	228.83	281.36
RoE	29.57	33.89	29.69

### INVESTMENT RATIONALE:

- L&T Technology Services (LTTs) is a leading global pure-play Engineering Research and Development (ER&D) services provider. It provides ER&D services, which is defined as the set of services provided to manufacturing, technology and process engineering companies, to help them develop and build products, processes and infrastructure required to deliver products and services to their end customers.
- It has completed the acquisition of Bangalore-based Graphene Semiconductor Services Private Limited, on October 15, 2018. Graphene's strong offshore presence, coupled with expertise in complete VLSI Chip Design & Embedded Software, allows LTTs to further strengthen its footprint in SOC Design and consolidate its leadership in the Semiconductor & Product OEM space. According to the management of the company, this acquisition would act as a force multiplier for LTTs in the Semiconductor & Product OEM space
- LTTs has won a large deal worth USD 40 million to provide digital content management services to a technology company's industrial products segment. It will leverage centres in Europe, US and India and talent to manage content for all current and future product suites for the customer.
- During Q2FY19, the company has won 6 multi-million dollar deals across Industrial Products, Process Industry and Telecom & Hi-tech. LTTs has increased its USD30mn+ clients by 1, USD10mn+ clients by 3 and its USD5mn+ clients by 5 on a YoY basis. Revenues from digital & leading-edge technologies increased to 33% and grew by 66% YoY.
- The patents portfolio of L&T Technology Services stood at 349 out of which 256 are co-authored with its customers and 93 are filed by LTTs. 12 new patents were added in the quarter with 7 being filed by LTTs and 5 co-authored with customers. LTTs' employee strength stood at 13,585, a net addition of 504 during the quarter.

- The company reported a strong second quarter with a 29.5% YoY growth in constant currency. All of its industry segments grew in double digits on a YoY basis, with Industrial Products also turning around this quarter. The strong growth was accompanied by good execution on the operational front as it has improved EBITDA margins to 18.1% despite wage hikes, leading to a 56% YoY growth in Net profit to Rs.191.80 crore.

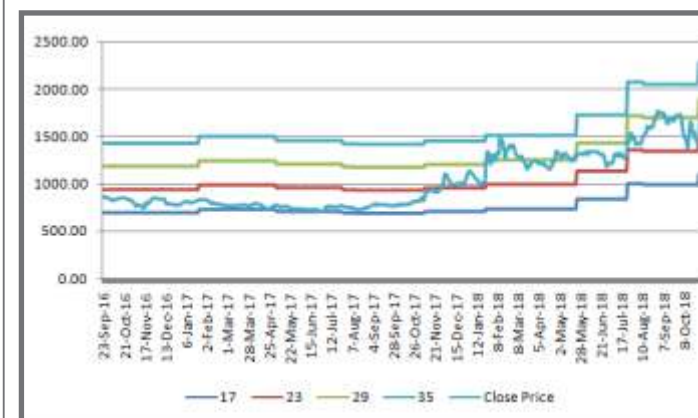
### RISK

- Currency Fluctuation
- Highly Competitive

### VALUATION

The management of the company expects a healthy deal pipeline and good traction in focus areas such as Edge computing, Smart Manufacturing, IoT, Electric & Autonomous vehicles. The company was rated as a 'Leader' in 6 market categories across 3 industries in the U.S. market by ISG. Thus, it is expected that the stock will see a price target of Rs.1963 in 8 to 10 months time frame on a 1 year average P/E of 26.86x and FY20 (E) earnings of Rs.73.10.

### P/E Chart

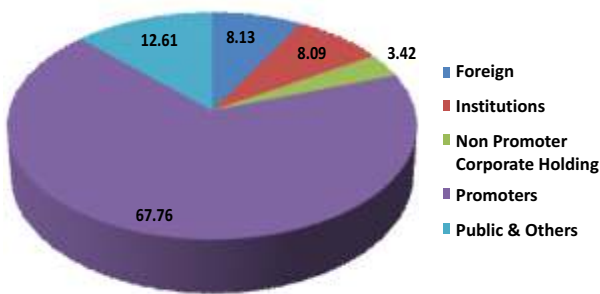




### VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	301.80/199.20
M.Cap (Rs. in Cr.)	10012.65
EPS (Rs.)	9.59
P/E Ratio (times)	27.57
P/B Ratio (times)	2.69
Dividend Yield (%)	0.00
Stock Exchange	BSE

### SHARE HOLDING PATTERN (%)



₹ in cr

	ACTUAL	ESTIMATES	
	CY Dec-17	CY Dec-18	CY Dec-19
Revenue	6519.97	7730.33	8490.48
Ebitda	822.06	1079.62	1219.22
Ebit	541.24	765.47	885.49
Pre-Tax Profit	513.59	709.13	841.65
Net Income	365.32	529.09	625.07
EPS	9.64	13.97	16.49
BVPS	98.20	108.47	126.48
RoE	10.46	13.15	14.11

### INVESTMENT RATIONALE

- Mahindra CIE is a multi-technology automotive components supplier. It is a subsidiary of the CIE Automotive group of Spain; an industrial group specialized in supplying components and subassemblies for the automotive market, which has presence across the globe.
- The company has received orders for gears from TBK India, stampings from Ashok Leyland and crankshafts from Hyundai. It has also bagged new orders from Hyundai and Kia Motors, which would add to revenue during CY 2019. New orders will help the company to increase its market share and according to the management, demand in the India business is strong as seen from new orders.
- The management expects that “Bill Forge” continues to win new orders on the back of very strong demand in Mexico and would cater new clients; it would commence production from January next year. In order to fulfill new orders and cater to strong demand, the company plans to add third press line in Mexico by CY18-end.
- During the Q3CY18, the management of the company expects decent demand in European market due to production shutdown by OEMs such as Renault and VW. Moreover, Mahindra Forgings Europe (MFE) and Metalcastello continue to grow its revenue and are expected to aid margin of its European business.
- The company continues its focus on increasing plant efficiency and has improved margins through continuous improvements. The integration between the company and Parent CIE has become even tighter with full time operational experts from CIE being stationed at the plants in Pune.
- On the development front, the integration of Bill Forge Private Limited (Bill Forge) has progressed smoothly and has resulted in good results and growth expectations. With the help of CIE, the

different verticals of the Indian operations are continuing to develop new products and will pursue business with western OEMs in India.

- During September 18 quarter, MCIE India registered 22% growth in net sales which was above the Indian market growth in auto sector. EBITDA margins expanded to 13.5% largely driven by Indian operations revenue and improved product mix.

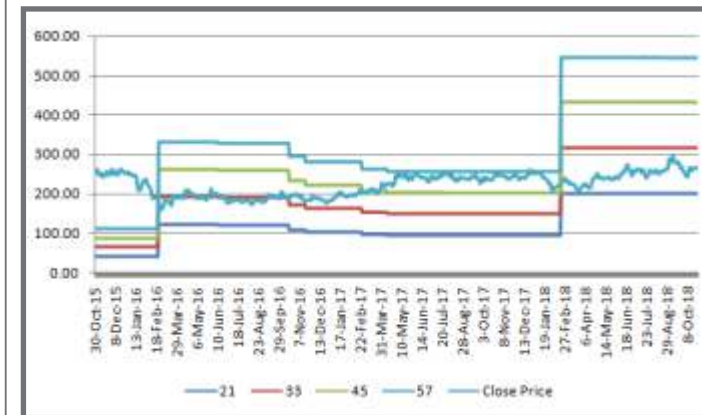
### RISK

- Technological changes
- Commodity prices

### VALUATION

The company has strong balance sheet and is consistently reporting steady performance on quarter on quarter. Cash flow is improving and balance sheet is getting stronger. The management of the company is optimistic about Indian operations in future and margins look sustainable. Thus, it is expected that the stock will see a price target of Rs.346 in 8 to 10 months time frame on target P/E of 21 and CY19 EPS of Rs.16.49.

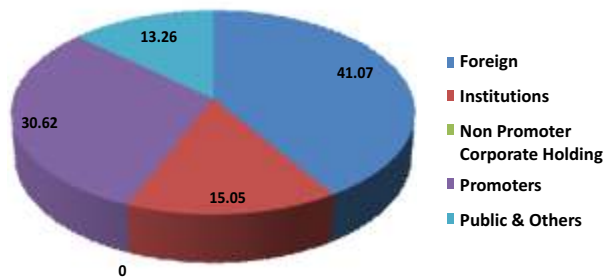
### P/E Chart



### VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	1425.00/606.00
M.Cap (Rs. in Cr.)	7721.10
EPS (Rs.)	62.87
P/E Ratio (times)	19.95
P/B Ratio (times)	4.13
Dividend Yield (%)	1.19
Stock Exchange	BSE

### SHARE HOLDING PATTERN (%)



₹ in cr

	ACTUAL	ESTIMATES	
	FY Mar-18	FY Mar-19	FY Mar-20
Revenue	2991.40	3673.18	4265.83
Ebitda	501.30	650.98	766.98
Ebit	373.90	525.48	623.80
Pre-Tax Profit	403.60	583.18	675.09
Net Income	280.20	419.75	489.32
EPS	45.34	68.25	79.53
BVPS	288.66	331.82	384.97
RoE	16.19	21.22	21.36

### INVESTMENT RATIONALE

- NIIT Technologies is a leading global IT solutions organization, enabling its clients to transform at the intersect of unparalleled domain expertise and emerging technologies to achieve real-world business impact. The Company focuses on three key verticals: Banking and financial services, Insurance, Travel and Transportation. This domain strength is combined with leading-edge capabilities in Data & Analytics, Automation, Cloud, and Digital.
- It has secured a fresh business of US \$ 160 million during the quarter which included 10 new logos. Geographical breakdown of order intake - US (86 million), EMEA (39 million), ROW (35 million). Order book executable over the next 12 months expanded to \$ 363 million.
- Significant increase in new logo acquisition, accelerating order book generation and new leadership firmly in position has materially improved the business profile of the company. The company has added four new clients in September 2018 quarter. The business from Digital has been accelerating and has grown 38% YoY and represents 28% of overall revenue
- The attrition rate was at 10.8 percent at the end of September quarter, which was higher compared to 10.1 percent in previous quarter. 261 people were added during the quarter ended September 2018 taking headcount to 10,025 at the end of the period. With over 10,000 employees serving clients across Americas, Europe, Asia, and Australia, NIIT Technologies fosters a culture that promotes innovation and constantly seeks to find new yet simple ways to add value for its clients.
- The company has reported robust numbers in the quarter ended September 2018. The company has reported a healthy sequential growth of 30.3% in its consolidated profit to Rs 111.8 crore, driven by strong operational performance. Profit in the quarter ended June 2018 stood at Rs 85.8 crore. Revenue during

the quarter under review grew 10% at Rs 9,074 million over the previous quarter.

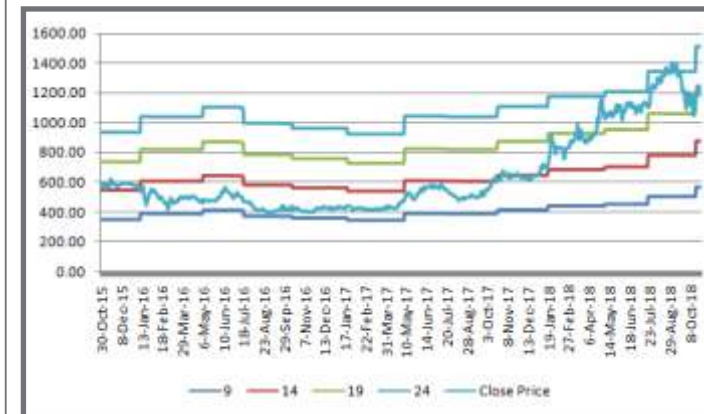
### RISK

- Currency Fluctuation
- Highly Competitive

### VALUATION

On the back of strong order pipeline, the management of the company expects the momentum of robust performance would continue in coming years. Moreover, the management is confident on retaining the current EBIDTA margin level of 18% in the coming quarters as most of its investments in headcount intake and leadership realignment are completed. Thus, it is expected that the stock will see a price target of Rs.1521 in 8 to 10 months time frame on a one year average P/E of 19.13x and FY20 (E) earnings of Rs.79.53.

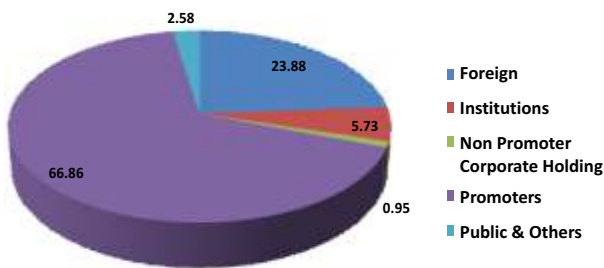
### P/E Chart



### VALUE PARAMETERS

Face Value (Rs.)	1.00
52 Week High/Low	525.00/342.00
M.Cap (Rs. in Cr.)	5301.15
EPS (Rs.)	14.20
P/E Ratio (times)	25.30
P/B Ratio (times)	10.76
Dividend Yield (%)	3.34
Stock Exchange	BSE

### SHARE HOLDING PATTERN (%)



₹ in cr

### INVESTMENT RATIONALE

- Bajaj Corp is a FMCG company with major brands in hair care category. It is engaged in the business activity of trading and manufacturing of cosmetics, toiletries and other personal care products.
- The overall hair oil market grew by 7.4% in volume terms and value terms at 16.3%. The company was able to hit all time 59.8% market share in volume terms 62% in value terms in Sep 18 quarter.
- The company has reduced its dependency on wholesale trade which accounted for around 33% of total sales of the company compared to more than 42% pre GST era.
- On the development front, the new capacity is addition in Baroda of more than 1/3rd of the existing capacity has started its construction activities.
- The company has unveiled a brand new packaging for its flagship brand Bajaj Almond Drops Hair Oil. For the first time in 25 years, the brand has changed its packaging. The brand's new look aims at targeting the new age consumers & build on its key imagery attributes of lightness, nourishment & premium feel in an environmentally sustainable manner.
- During the quarter ended September 2018, the company has seen rural volumes increases, improvement in leadership position, improvement in market share, marked improvement in distribution and deeper penetration in rural sector and higher visible launch of ayurveda Nomarks.
- The company has undertaken a price hike of 3.5 percent which will reflect in Q3. Including 1 percent hike in the month of April, quantum of pricing effect would be about 4.5 percent in this fiscal so far. Price hikes have been necessitated by the increase in raw material prices.

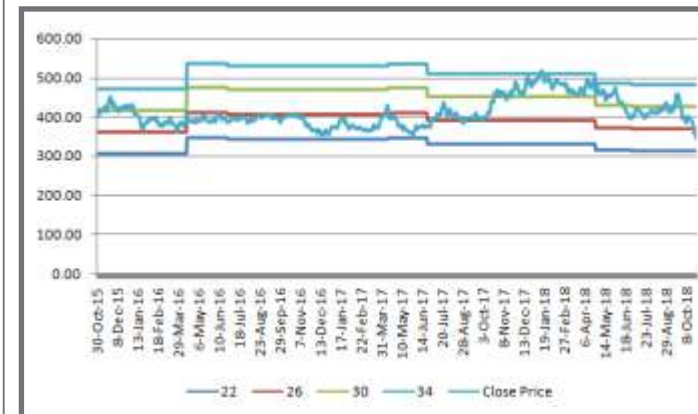
### RISK

- Frequent fluctuations in the prices of its raw material
- Highly competitive FMCG market with competitors

### VALUATION

The company is gaining in its light hair oil category which is premium hair oil. Recently, it has increased number of distributors in rural areas. Moreover, management of the company expects immediate launches towards hair oil and skin care category and this would give good growth to the company. Thus we expect the stock to see a price target of Rs 454 in 8 to 10 month's time frame on a current P/Ex of 25.30 and FY20 (E) earnings of Rs. 17.96.

### P/E Chart

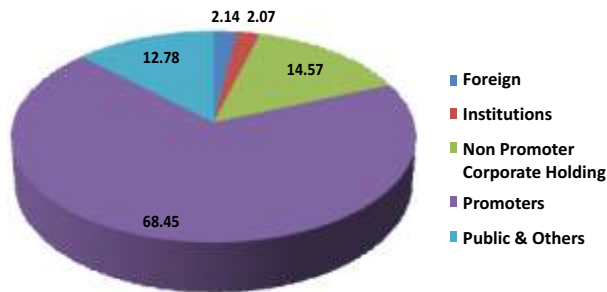




### VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	105.35/51.00
M.Cap (Rs. in Cr.)	3246.12
EPS (Rs.)	5.18
P/E Ratio (times)	12.29
P/B Ratio (times)	1.10
Dividend Yield (%)	1.88
Stock Exchange	BSE

### SHARE HOLDING PATTERN (%)



₹ in cr

### INVESTMENT RATIONALE

- Trident Limited is the flagship Company of Trident Group, a USD 1 billion Indian business conglomerate and a global player and is vertically integrated textile (Yarn, Bath & Bed Linen) and Paper (Wheat Straw-based) manufacturer and is one of the largest players in Home Textile Space.
- Over the years, it has transformed from a Pure Play Yarn Player to an Integrated Textiles and Paper Manufacturer. Currently, it has a capacity to produce 90,000 Tones of towel (49% utilization), 43.2 million meters of bed linen (58% Utilisation), 115,000 Tones of yarn (97% Utilisation) and 175,000 Tones of paper (89% Utilisation).
- It has longstanding relationships with large and diversified customer base in domestic market and across many international markets. Integrated business model with large manufacturing capacities will result in operating and cost efficiencies. The company's continuous focus on innovation and developing value added products would drive the next leg of growth. Also, the Underutilized capacity of the company is likely to come as an opportunity in the backdrop of the rising demand globally for its Towel & Linen Products.
- Net Debt as at the end of H1 FY 2019 is Rs. 2000 crore, with the Debt Equity ratio at 0.7. Management of the company is committed towards the reduction of Net Debt out of regular cash flows.
- During the September FY2019, in textile segment, bed Linen sales grew by 44% and bath linen grew by 30% YoY and branding, distribution and expanding team closer to market in US has helped the company in improving the volumes and would support in sustaining the growth in the forthcoming quarters also.

- The management of the company expects revenue guidance at 10-15% growth with margins in the range of 18-22%.

### RISK

- Commodity Price Fluctuation
- Currency Fluctuation

### VALUATION

The company is fundamentally sound and during the September quarter it has achieved good operating performance due to highest ever revenue growth. According to the management of the company, it is optimistic to achieve the growth on revenue keeping its margins resilient in the coming quarters. Moreover, it would further consolidate the business by leveraging the existing customers and adding new customers to its portfolio. Thus, it is expected that the stock will see a price target of Rs.81 in 8 to 10 months time frame on a expected P/E of 9x and FY20 EPS of Rs. 9.03.

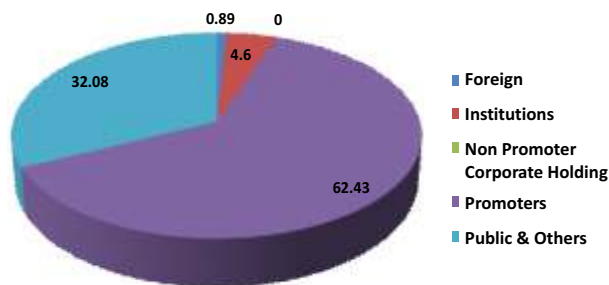
### P/E Chart



### VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	784.80/495.00
M.Cap (Rs. in Cr.)	1368.23
EPS (Rs.)	39.98
P/E Ratio (times)	14.51
P/B Ratio (times)	3.00
Dividend Yield (%)	0.17
Stock Exchange	BSE

### SHARE HOLDING PATTERN (%)



₹ in cr

	ACTUAL		ESTIMATES	
	FY Mar-18	FY Mar-19	FY Mar-20	
Revenue	1243.63	1482.93	1701.92	
Ebitda	198.47	227.88	266.40	
Ebit	158.41	205.71	241.22	
Pre-Tax Profit	124.50	147.38	177.00	
Net Income	82.31	101.43	121.07	
EPS	34.41	43.18	51.60	
BVPS	193.14	230.79	275.69	
RoE	19.01	19.43	19.63	

### INVESTMENT RATIONALE

- Aarti Drugs, a pharmaceutical company, has established a strong presence in the Anti-diarrhea, Anti-inflammatory therapeutic groups. With its manufacturing facilities at Tarapur and Sarigam, the company manufactures Vitamins, Anti-arthritis, Anti-fungal, Antibiotics, ACE inhibitors, besides its range in anti-diabetic, anti-cholinergic, sedatives and anti-depressant drugs.
- The company has presence in more than 100 countries & more than 80 products in its portfolio. Recently, the company has completed the expansion of its multipurpose facility in Tarapur, which is intended for the API exports to European markets. As per the management, top 10 products contribute to around 75% of the total revenue whereas remaining products are ready to achieve new heights.
- The Company is planning to increase its existing capacity of Chlorosulfonation Specialty Chemicals and its allied intermediates. The total cost of the proposed capex in the year 2018-19 will be approximately Rs. 68 crore which will be funded by term Loan and internal accruals. The Company has also set up a new multiproduct facility as a part of its brownfield expansion plans.
- As a company's strategic policy, the company is trying to reduce dependency on imports from China and manufacture Key Starting Materials by way of backward integration. To execute this, the company has already set up new plants in Tarapur, Maharashtra and the production from these plants is being used for a captive purpose.
- In June quarter, the company had recorded highest quarterly revenue of Rs. 375.27 crores on account of good demand and positive price variance in API segment. In exports, there was a volume growth of around 27.3% due to good demand.

### RISK

- Rising raw material prices in international market.
- Adverse foreign currency movements.

### VALUATION

The Company is planning to expand its presence in existing geographies with a particular focus on Europe, South East Asia and Latin America and also planning to expand its production capacity and set up new facilities for new products. The company has made a regular capital expenditure of 100 crores every year in the past few years which will be shown in the revenue in the coming years. Thus, it is expected that the stock will see a price target of Rs.732 in 8 to 10 months time frame on a one year average P/E of 16.97x and FY19 (E) earnings of Rs.43.18.

### P/E Chart



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