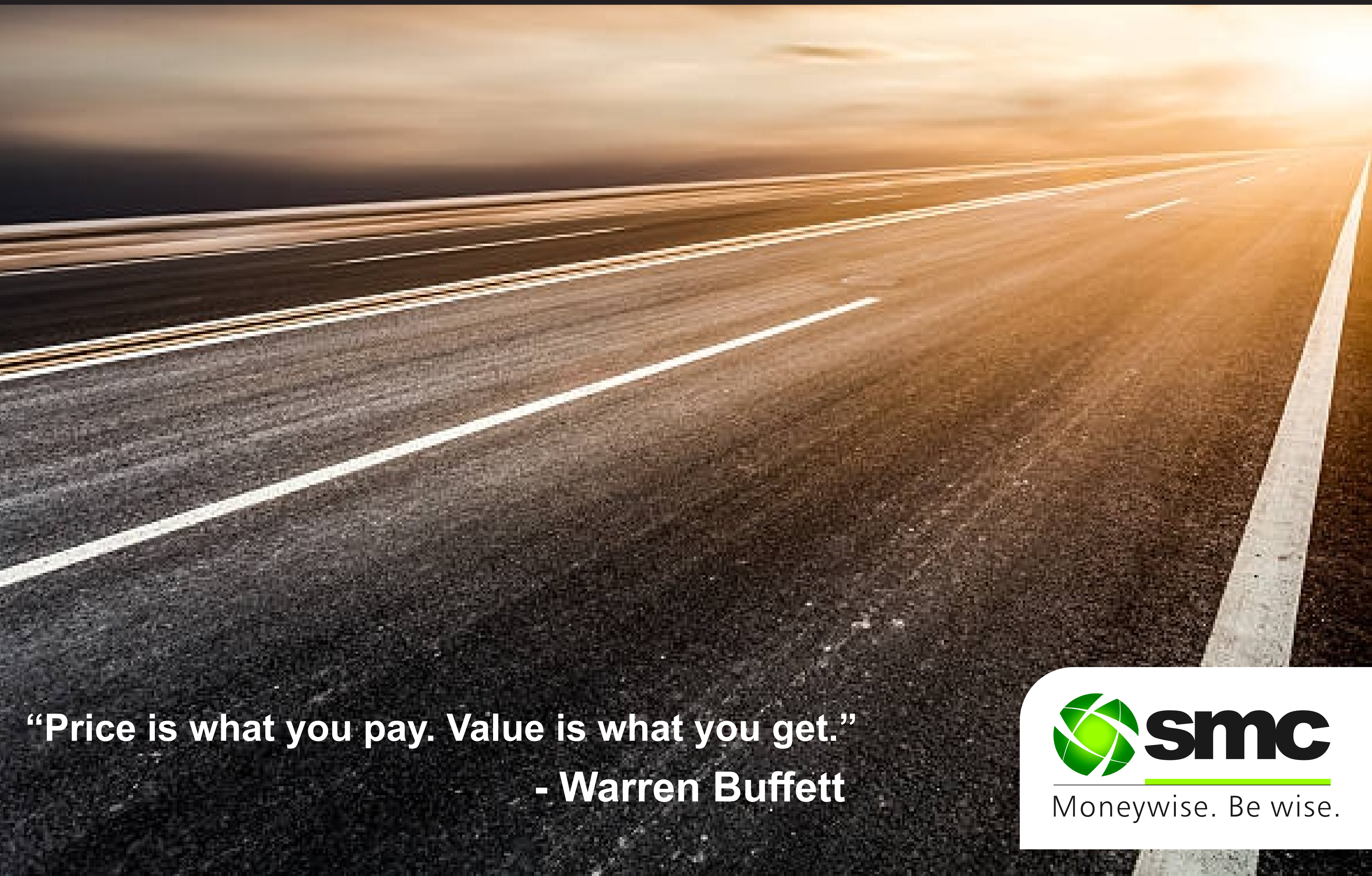
TOP PICKS FOR 2020



"Price is what you pay. Value is what you get."

- Warren Buffett

smc

Moneywise. Be wise.

Moneywise. Be wise.

FROM SMC RESEARCH DESK ....

Markets have been more volatile over the years and 2019 was no different, with many markets posting steady rises. Indian Market too posted thumping & record-setting runs. Both Nifty and Sensex were up by 13 and 15 per cent respectively albeit midcap and small-cap index did not do well, witnessed a fall of 4 percent and 9 percent respectively. Global trade rift, liquidity worries, slower economic growth, corporate tax cut, and series of rate cuts by the Reserve Bank of India (RBI) are among the few that guided the markets through the year 2019. Investors would be eyeing the announcement in the union budget. There is an expectation that policy measures announced so far and other measures which are expected to announce in upcoming budget may reverse consumption and economic slowdown. Also the RBI's reduction in rates is expected to support the economy. Talking about the global economy, there is hope of a global growth pickup as trade tensions have lessened and continuity of accommodative monetary policies across the globe is expected to pay-off dividend in 2020.

Back at home, with a mammoth recapitalisation and consolidation drive, banking sector problems have been addressed to some extent. Recent resolutions of some big NCLT cases have raised hopes of some more resolution happenings in the near future. There is an expectation that the auto sector, basically the two-wheeler and three-wheeler will do well in 2020. The automobile industry has always been cyclical. Rabi season is expected to be good this year as reservoir positions are healthy, which in turn is expected to revive two wheelers sales as they rely on rural areas for nearly 60% of their sales. Besides the entertainment sector has a significant opportunity given India`s young demographics. Government's speed of spending on infrastructure and railways is a theme which is expected to play out well going next year. Moreover, domestic focused pharmaceutical companies are expected to do well given the issues that are keep on coming from overseas regulatory bodies. Focus on the green energy especially when oil is on boil is another investment theme that will remain favourites among investors.

At this juncture, it is advised to investors to keep on booking profits and remain invested in the market.

Happy Investing

TOP PICKS - 2020

SR.NO.	CO_NAME	SECTOR	CLOSE PRICE*	TARGET (RS.)	UPSIDE POTENTIAL (%)
1	ICICI Bank	Banks	539.00	653	21
2	Bajaj Auto	Automobile	3230.10	3710	15
3	Bank of Baroda	Banks	99.00	120	21
4	Gujarat Gas	Gas Distribution	223.95	262	17
5	K E C Intl.	Capital Goods - Electrical Equipment	294.60	392	33
6	Inox Leisure	Entertainment	375.60	433	15
7	J B Chem & Pharm	Pharmaceuticals	429.55	497	16

***CMP as on 26th December, 2019**

ICICI BANK LIMITED

CMP: Rs. 539.00 | **Target: Rs. 653** | **Upside Potential : 21%** | **Recommendation: Buy**

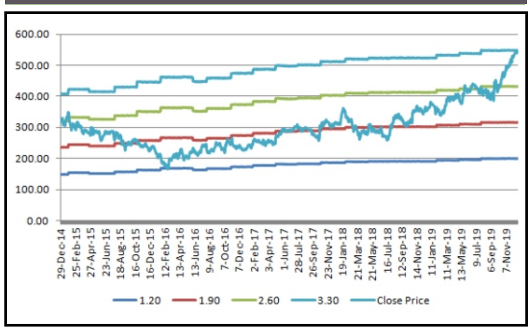
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	549.50/336.25
M.Cap (Rs. in Cr.)	348641.03
EPS (Rs.)	7.94
P/E Ratio (times)	67.88
P/B Ratio (times)	3.24
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'19	% Of Holding
Foreign	54.58
Institutions	37.06
Non Promoter Corporate Holding	1.88
Public & Others	6.48

P/B CHART



INVESTMENT RATIONALE

- The business of the bank had increased at accelerated pace of 19% yoy to Rs 1309632 crore at the end September 2019, supported by deposits growth rising to 25% at Rs 696273 crore at end September 2019. The loan book of the bank had increased 13% at Rs 613359 crore.
- Domestic advance book grew 16% yoy to Rs 553324 crore, while the overseas advance book continued to decline at 13% at Rs 60035 crore at end September 2019. Growth in the domestic advance book was led by the retail loan book continuing to expand at strong pace of 22% yoy to Rs 380966 crore at end September 2019. SME loan book growth also accelerated to 30% yoy at Rs 19064 crore at end September 2019. The corporate book rose 3% yoy to Rs 153294 crore.
- With the healthy growth, the share of retail book in the overall advance book was stable on sequential basis at 62.1% at end September 2019 from 6.1% end June 2019 and 57.30% at end September 2018.
- The bank had posted healthy 26% increase in NII at Rs 8057.43 crore for the quarter ended September 2019. Interest income increased 23% to Rs 18565.30 crore, while interest expenses rose 21% to Rs 10507.87 crore.
- The gross NPA additions were Rs 2482 crore in Q2FY2020. The NPA additions and gross provisions for the quarter were in line with expectations. The provision coverage ratio excluding technical write-offs was 76.1%. The net NPA ratio declined from 1.77% end June 2019 to 1.60% end September 2019.
- The bank is focused on achieving a consolidated return on equity of 15.0% by the quarter ended June 2020.
- The bank has accelerated network expansion adding 346 branches and 58 ATMs in Q2FY2020. It has the network of 5228 branches and 15159 ATMs at end September 2019.

RISK

- Unidentified Asset Slippages (Non- Identified NPA's)
- Regulatory Provisioning on assets and Corporate Governance issue

VALUATION

The bank continues to focus on growing the core operating profit in a risk calibrated manner. The bank aims to improve share of profitable market opportunities by making delivery to the customer more seamless and frictionless through digitization and process improvements. Business performance of the bank such as domestic loan growth, overall corporate advances, retail loan growth, CASA ratio are continuously improving. Thus, it is expected that the stock will see a price target of Rs. 653 in 8 to 10 months time frame on an expected P/Bvx of 3.24x and FY21 BVPS (Book Value Per Share) of Rs. 201.66.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-19	FY Mar-20	FY Mar-21
NII	27015.00	32477.83	37769.04
Ebit	23437.90	26850.40	32294.56
Pre-tax Profit	3776.76	17680.38	24566.37
Net Income	3363.30	10541.91	18557.01
EPS	5.17	16.33	28.89
BVPS	168.10	177.72	201.66
RoE	3.20%	9.86%	15.06%

Source: Company's Website, Reuters & Capitaline

BAJAJ AUTO LIMITED

CMP: Rs. 3230.10 | **Target: Rs. 3710** | **Upside Potential : 15%** | **Recommendation: Buy**

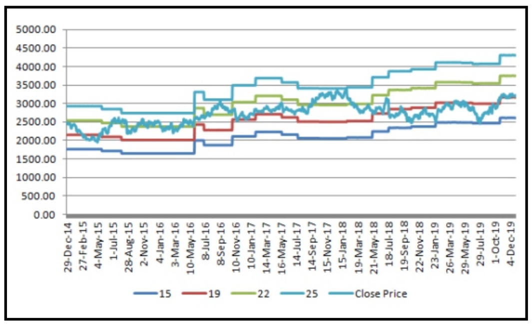
VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	3289.50/2400.00
M.Cap (Rs. in Cr.)	93468.44
EPS (Rs.)	162.34
P/E Ratio (times)	19.90
P/B Ratio (times)	4.20
Dividend Yield (%)	1.86
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'19	% Of Holding
Foreign	14.54
Institutions	9.79
Non Promoter Corporate Holding	4.56
Promoters	53.52
Public & Others	17.60

P/E CHART



INVESTMENT RATIONALE

- Bajaj Auto is a global two-wheeler and three-wheeler manufacturing Company which is based in Pune, Maharashtra. It manufactures motorcycles, scooters and auto rickshaws. Its plants include Waluj plant, Chakan plant and Pantnagar plant.
- The company's domestic motorcycle retail market share stands at 20% while domestic CV market share stood at 59.4% in 2QFY20. On the development front, the management of the company is expected to launch new models in its executive and premium segments, which will help improve market share gradually over the medium term. Furthermore, the company also expects to launch electric two-wheeler Bajaj Chetak till January 2020 in Pune followed by Banglore while management of the company expects to see improvement in 3W segment from April onwards.
- On exports front, the management has maintained that exports are doing well and the exports for Pulsar brand have improved significantly in new markets of Bangladesh, Nepal and Malaysia. The firm registered its highest ever exports sales. Exports jumped 14% to 1.95 lakh units in November 2019 compared with 1.72 lakh units in November 2018. Total domestic sales slipped 12% to 2.07 lakh units in November 2019 as against 2.34 lakh units in November 2018.
- The company will resume sales in Egypt going forward. The management also indicated that it has a robust pipeline of products for the next 18 months.
- On the development front, the company ties up with Husquarna brand under KTM Austria and expected to commence production during current financial year and would launch product during Q1FY21.Moreover, its tie up with Triumph is under process.
- On the financial front, the margins of the company has improved during Sep 2019 quarter to 16.9% driven by price hike, change in product mix and dollar realization. Moreover, realization of the company has also improved by 6% QoQ as the company upgraded the product portfolio in the entry level segment.
- Regarding the outlook for the industry, management feels that with the coming rural demand; market share and demand of the company would grow. The management feels that 10% to 12% growth in exports is doable on a 5-years CAGR basis. For domestic motorcycle, 14% CAGR growth is possible over 5 years.

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 & would continue to grow for next couple of years. The management assured that one will 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. 3710 in 8 to 10 months time frame on a 5 year average P/E of 20.28x and FY21 (E) earnings of Rs. 182.94.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-19	FY Mar-20	FY Mar-21
Revenue	30249.96	31041.70	34551.44
Ebitda	4982.02	4975.00	5479.31
Ebit	4716.33	5007.54	5408.70
Pre-tax Profit	6361.16	6416.37	7001.03
Net Income	4333.18	4910.13	5297.38
EPS	149.78	170.09	182.94
BVPS	752.67	851.15	955.13
RoE	21.20%	21.01%	20.16%

Source: Company's Website, Reuters & Capitaline

BANK OF BARODA

CMP: Rs. 99.00 | **Target: Rs. 120** | **Upside Potential : 21%** | **Recommendation: Buy**

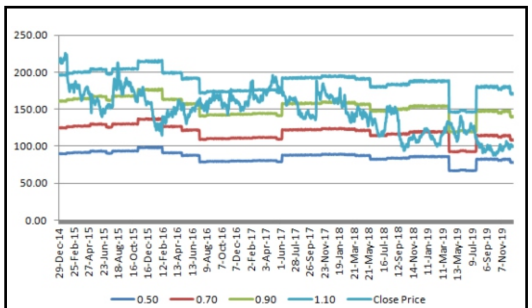
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	143.60/85.70
M.Cap (Rs. in Cr.)	45743.61
EPS (Rs.)	2.01
P/E Ratio (times)	49.25
P/B Ratio (times)	0.64
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'19	% Of Holding
Foreign	5.26
Institutions	13.69
Non Promoter Corporate Holding	0.65
Promoters	71.60
Public & Others	8.80

P/B CHART



INVESTMENT RATIONALE

- The bank has expanded its operations through mergers of Dena bank and Vijaya Bank and it is amongst the five largest banks in India with a domestic branch network presence through 9,449 branches & 13,153 ATMs and Cash Recyclers supported by self-service channels. Well distributed branch network with 31% coverage in Rural, 27% in Semi-urban, 23% Metro and 20% Urban. The customer base of banks stood at 13 crore, while the bank has workforce of 86170 employees. The Bank has a significant international presence with a network of 100 overseas offices spanning 21 countries.
- Global business of the bank grew by 2% yoy to Rs 1531470 crore at end September 2019. The business growth was driven by domestic business rising 3% to Rs 1316666 crore, while overseas business declined 2% to Rs 214804 crore at end September 2019.
- Global deposits increased 3% to Rs 894130 crore, while global advances moved up 3% to Rs 637340 crore at end September 2019. Credit-deposit ratio of the merged entity rose on sequential basis to 71.3% at end September 2019 from 70.7% a quarter ago and 70.7% a year ago. Contribution of Bank's International Business at the end of September 2019 was 14.2 % compared with 14.6% as of September 2018 due to effect of rationalisation of overseas operations setting in.
- Net Interest Income (NII) of the merged entity increased 10% to Rs 7027.93 crore in the quarter ended September 2019. Interest income increased 8% to Rs 19274 crore, while interest expenses rose 6% to Rs 12246 crore in Q2FY2020.
- The bank aims to reduce NNPA ratio below 3% and improve provisions coverage ratio to 80-85% by end March 2020.
- During Q2FY2020, the bank has reported net profit of Rs 736.68 crore with the improved margins and strong growth in non-interest income and decline in expense ratio. However, the bank has witnessed increase in credit cost for Q2FY2020.

RISK

- Regulatory Provisioning on assets
- Corporate Governance issue

VALUATION

A pickup in the investment cycle, higher growth in retail & SME segments, healthy fee income growth, and growth in CASA would lead to a rebound in RoAs. The transformation journey aims at improved market share, quality business growth, portfolio diversification and enhanced fee income, with cutting edge digitization of processes, while ensuring due focus is accorded to compliance and controls. Thus, it is expected that the stock will see a price target of Rs.120 in 8 to 10 months time frame on an expected P/Bvx of 0.75x and FY21 BVPS (Book Value Per Share) of Rs.160.18.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-19	FY Mar-20	FY Mar-21
NII	18683.81	28134.88	31899.50
Ebit	13486.82	18052.03	20841.99
Pre-tax Profit	698.15	4927.05	9418.15
Net Income	433.52	2872.85	6938.32
EPS	1.41	5.54	15.85
BVPS	192.72	148.22	160.18
RoE	0.85%	6.20%	11.58%

Source: Company's Website, Reuters & Capitaline

GUJARAT GAS LIMITED

CMP: Rs. 223.95 | **Target: Rs. 262** | **Upside Potential : 17%** | **Recommendation: Buy**

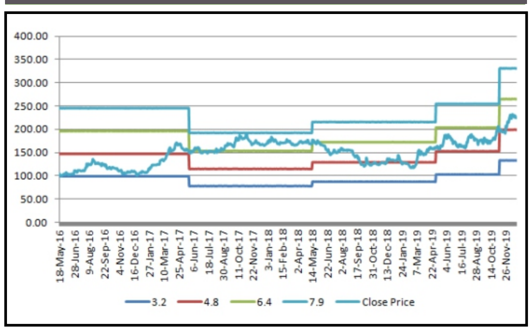
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	236.80/116.00
M.Cap (Rs. in Cr.)	15416.50
EPS (Rs.)	14.88
P/E Ratio (times)	15.05
P/B Ratio (times)	5.37
Dividend Yield (%)	0.45
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'19	% Of Holding
Foreign	12.23
Institutions	5.73
Non Promoter Corporate Holding	14.93
Promoters	60.89
Public & Others	6.22

P/B CHART



INVESTMENT RATIONALE

- Gujarat Gas Limited (GGL), is the largest City Gas Distribution (CGD) player with its presence spread across 23 Districts in the State of Gujarat, Union Territory of Dadra & Nagar Haveli and Thane Geographical Area (GA) (excluding already authorised areas), which includes Palghar District of Maharashtra. In 10th CGD bidding round announced by PNGRB, the company has won 6 GAs comprising of 17 cities in the state of Punjab, Haryana, Madhya Pradesh and Rajasthan, making GGL a pan India Company.
- The company has around 23,200 kms of gas pipeline network. It has around 344 CNG stations and distributes approximately 8.5 mmscmd of natural gas to about 13,55,000 households, approximately 2 lakh CNG vehicles (serving per day) and to over 3540 industrial customers.
- The management of the company is aiming at setting up more than 63 CNG stations in financial year 2020, for the target to increase volume of 9-9.5 mmscmd in FY20. The debt stands at Rs 1,800 crore and the management of the company is looking at EBITDA margin of around 13 Percent in FY20.
- Government of Gujarat has also initiated a CNG Sahbhagi Scheme and also pushing for this market in other way and have eased land requirement from 1000 square meter to about 500-550 square meter and permission process has been fastened in Gujarat now.
- So ecosystem around the company has been improved due to that effort and in last budget, Gujarat government allocated 1,000 crore for CNG buses. Therefore, all these will help it to improve its CNG volumes and that needs to push more CNG stations in time to come.

RISK

- Fluctuation in commodity prices
- Regulatory changes

VALUATION

The company has strong & steady revenue growth momentum and sustainable margins. It shall continue to focus on growing the penetration in the current operating areas by increasing the PNG connections and additional CNG stations while tapping the untapped potential by expeditious rollout of distribution network in the newly acquired geographic areas as well. With this focused endeavor, GGL shall continue its efforts in providing clean fuel solutions across all operational area to augment an energetic top-line and bottom-line in coming years. Thus it is expected that the stock will see a price target of Rs. 262 in 8-10 months time frame on an expected PBV multiple of 4.8 times and FY21E BVPS of Rs. 54.64.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-19	FY Mar-20	FY Mar-21
Revenue	7962.480	10552.082	11747.619
Ebitda	984.640	1529.537	1671.434
Ebit	696.630	1210.330	1328.616
Pre-Tax Profit	595.620	1160.797	1309.273
Net Income	418.450	920.074	946.100
EPS	6.080	13.032	13.581
BVPS	32.03	43.13	54.64
RoE	21.43%	36.02%	25.76%

Source: Company's Website, Reuters & Capitaline

Moneywise. Be wise.

KEC INTERNATIONAL LIMITED

CMP: Rs. 294.60 **Target: Rs. 392** **Upside Potential : 33%** **Recommendation: Buy**

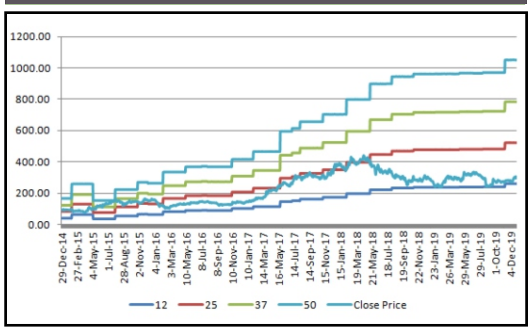
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	340.50/229.95
M.Cap (Rs. in Cr.)	7573.82
EPS (Rs.)	20.96
P/E Ratio (times)	14.06
P/B Ratio (times)	2.93
Dividend Yield (%)	0.92
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'19	% Of Holding
Foreign	8.09
Institutions	27.14
Non Promoter Corporate Holding	2.21
Promoters	51.59
Public & Others	10.97

P/E CHART



INVESTMENT RATIONALE

- KEC International is a global infrastructure engineering, procurement and construction (EPC) major. It has presence in the verticals of power transmission and distribution, railways, civil, solar, smart infra, and cables. Globally, the company has empowered infrastructure development in more than 63 countries.
- The company has robust and well diversified order book and its management is confident of 15-20% growth in revenue for FY2020. The company expects its Railway business revenue to register a growth of 20-25% for FY20 and that of T&D as a whole is expected to register a growth of 15% for FY20.
- Recently, it has secured orders of Rs 885 crore for transmission & distribution projects from Power Grid Corporation, Tamil Nadu Transmission Corporation and Karnataka Power Transmission Corporation. Further, the urban transport business segment has secured an order of Rs 853 crore for the construction of elevated viaduct along with 10 stations of the Delhi Metro Phase IV project, from Delhi Metro Rail Corporation (DMRC). The railways business has secured an order of Rs 517 crore for the construction of roadbeds, major and minor bridges and associated civil works, from Rail Vikas Nigam (RVNL) in India.
- KEC International reported a 42% increase in consolidated profit after tax to Rs 139 crore in Q2 September 2019 as against Rs 98 crore in Q2 September 2018. Revenues increased by 17% to Rs 2809 crore in Q2 September 2019 as against Rs 2408 crore in Q2 September 2018. Railways Q2 revenues cross Rs 500 Crs mark and the company continues to focus on Execution focus continues.
- The Railway business continues to be on a high growth trajectory on the back of consistent order inflows. T&D growth will be largely driven by international in FY20 with execution of orders from SAARC/Bangladesh, Brazil and Arica start picking up during the fiscal. The management expects Brazil would give 35-40% order growth in FY20 and tenders already start coming from Saudi Arabia, West Africa and East Aisa.

RISK

- Increase in escalation cost due to delay in projects
- Political uncertainties and changes in regulations

VALUATION

The company is continuously performing well and delivering in all the three parameters of revenue, profitability and order intake. T&D business has delivered a stellar performance, backed by robust execution in SAARC and the Americas. The Railway business continues its growth momentum as it expands portfolio in other segments. The management of the company expects international business to pick up with large order inflow from Jordan, Saudi, Far East (Indonesia, Thailand), etc and international T&D, sub-stations and civil infra will be key drivers for FY20. Moreover, the company has maintained its annual guidance of 20% growth for FY20 revenue. We expect the stock to see a price target of Rs.392 in 8-10 month time frame on a one year average P/E of 14.06x and FY21 (E) Earnings Per Share of Rs.27.90.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-19	FY Mar-20	FY Mar-21
Revenue	11000.53	12709.52	14175.16
Ebitda	1149.91	1317.06	1478.53
Ebit	1032.78	1182.12	1331.56
Pre-Tax Profit	743.51	861.24	988.83
Net Income	495.77	618.57	719.12
EPS	19.28	24.06	27.90
BVPS	94.71	114.95	138.70
RoE	22.37%	22.62%	21.78%

Source: Company's Website, Reuters & Capitaline

INOX LEISURE LIMITED

CMP: Rs. 375.60 | **Target: Rs. 433** | **Upside Potential : 15%** | **Recommendation: Buy**

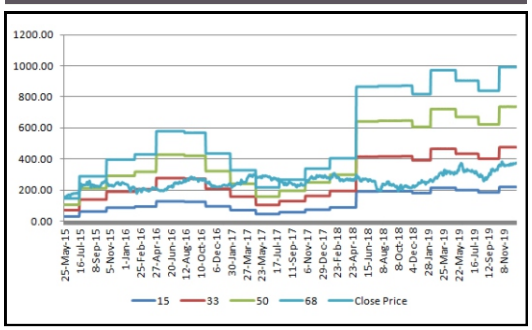
VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	390.00/234.00
M.Cap (Rs. in Cr.)	3863.34
EPS (Rs.)	14.60
P/E Ratio (times)	25.72
P/B Ratio (times)	5.67
Dividend Yield (%)	0.00
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'19	% Of Holding
Foreign	12.58
Institutions	21.19
Non Promoter Corporate Holding	1.30
Promoters	51.89
Public & Others	13.04

P/E CHART



INVESTMENT RATIONALE

- INOX Leisure Limited (INOX) is amongst India's largest multiplex chains with 144 multiplexes and 598 screens in 68 cities. INOX has redefined movie experiences in India making it truly a 7-star experience. Each INOX property is unique with its own distinct architecture and aesthetics.
- The management feels that there is enough scope for increasing the occupancy levels if the seats can be filled from Monday-Thursday and is exploring different concepts to do so. In 1QFY20, it did so by screening ICC cricket worldcup matches for corporates in the theaters and wants to take up similar initiatives going forward. It also believes that good content and script is the greatest force behind increasing the occupancy rates which mostly oscillates in the 25%-30% range currently.
- Content continued to be the decisive force behind the remarkable performance of the Quarter, with numerous movies doing extremely well at the Box Office. Mission Mangal, Super 30, The Lion King, Chhichhore, Saaho and Dream Girl were the top contributors. Batla House, Fast & Furious Presents Hobbs & Shaw and Spider Man - Far From Home also made significant contributions towards the record ticket sales.
- The company has added 27 new screens in the FY20 so far, underlining Company's expansion focus. INOX continued its focus on technology and formats with the roll out of India's first 270-degree multi-projection ScreenX auditorium at Inorbit Mall Malad, Mumbai and Quest Mall, Kolkata.
- Recently, it has launched Megaplex – world's first multiplex with maximum formats under one roof, at Inorbit Mall Malad. Besides being an architectural marvel spread over 60,000 Sq Ft, the 11-screen spectacle is also a destination for connoisseurs of good food with numerous F&B concepts and cuisines. Also launched Bengals's first ScreenX theater at its multiplex at Quest Mall, kolkatta. ScreenX Technology offers a panoramic 270-degree movie watching experience to the audience. ScreenX is the worls's first multi-projection theatre designed to enhance the movie-going experience.

RISK

- Obtaining Business Licenses
- Quality Film Content Flow

VALUATION

With the consistency in performance and a healthy pipeline signal strong growth, the company is expected to see good growth going forward. It continues to impress with industry leading growth across all parameters. In addition, strong market position reflected in ability to consistently raise ticket prices and strong screen pipeline, will help in increasing average footfalls and consumer spending. Thus, it is expected that the stock will see a price target of Rs.433 in 8 to 10 months time frame on a current P/Ex of 25.72x and FY21 EPS of Rs.16.84.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-19	FY Mar-20	FY Mar-21
Revenue	1692.180	2055.428	2361.610
Ebitda	309.160	560.139	637.972
Ebit	212.850	346.381	392.220
Pre-Tax Profit	199.100	201.985	237.799
Net Income	133.490	136.125	165.636
EPS	14.19	14.33	16.84
BVPS	98.135	84.337	99.397
RoE	16.96%	15.75%	17.58%

Source: Company's Website, Reuters & Capitaline

J B CHEMICALS & PHARMACEUTICALS LTD

CMP: Rs. 429.55 | **Target: Rs. 497** | **Upside Potential : 16%** | **Recommendation: Buy**

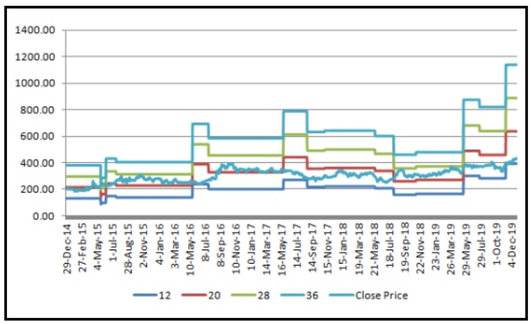
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	434.50/293.00
M.Cap (Rs. in Cr.)	3446.56
EPS (Rs.)	31.41
P/E Ratio (times)	13.68
P/B Ratio (times)	2.18
Dividend Yield (%)	1.16
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'19	**% Of Holding**
Foreign	7.17
Institutions	15.36
Non Promoter Corporate Holding	1.17
Promoters	56.02
Public & Others	20.28

P/E CHART



INVESTMENT RATIONALE

- JB Chemicals & Pharmaceuticals Limited (JBCPL), one of India's leading pharmaceutical companies, manufactures & markets a diverse range of pharmaceutical formulations, herbal remedies and APIs. JBCPL exports to many countries worldwide with presence in US, Europe, Australia, South Africa, other developing countries, Russia and CIS.
- The management of the company focuses on harnessing potential of existing products, launching of new line extensions; achieving of new line productivity will be pursued with scientific product promotions and aggressive marketing strategies. The stringent initiatives taken by the company have resulted in rationalization of inventory position and release of cash for growth.
- With wide geographical presence in the international market, increased focus on ANDA filings, focus on new products introduction in Russia-CIS market, focus on lucrative contract manufacturing business backed by State-of-the-art manufacturing facilities with approval from health authorities such as US FDA, UK MHRA, TGA Australia, MCC South Africa, MoH-Russia, Ukraine (PICs), ANVISA Brazil, MoH-Japan, and wide range of products across injectable, solid and semi-solid present a good opportunity in international business.
- During Q2FY20, Domestic formulations business at sales of Rs. 189.38 crores registered growth of 15.70% YoY. The overall strategy of expansion of field force is playing out well. Domestic sales of contrast media products at Rs. 14.98 crores were 11.90% higher YoY. Formulations exports in Global business (other than Russia-CIS) at Rs. 116.42 crores declined by 8% YoY mainly due to 19% lower sales in US market. Sale of Company's South African subsidiary at Rs. 41.07 crores was flat.
- The company has a strong R&D and regulatory set-up for development of new drug delivery system and formulations, filing of DMFs and ANDAs. It's State-of-the-Art manufacturing facilities are approved by health authorities of regulated markets.
- The future outlook for the industry and growth expectations remains positive in view of increased government and private spending on healthcare.

RISK

- Regulatory risks
- Currency Fluctuation

VALUATION

The company accords high priority to domestic formulations business, which offers significant value proposition. It has consistent, strong free cash flows, with a low debt-equity of 0.02x. It also plans to continue to pursue focus on harnessing potential of the existing products, launch new products selectively and achieve increased productivity. Thus, it is expected that the stock will see a price target of Rs.497 in 8 to 10 months time frame on a current P/Ex of 13.68x and FY21 EPS of Rs.36.35.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	**FORECAST**	
	FY Mar-19	**FY Mar-20**	**FY Mar-21**
Revenue	1643.20	1802.87	2015.20
Ebitda	305.39	355.19	408.58
Ebit	249.75	273.70	316.30
Pre-Tax Profit	286.99	331.24	383.89
Net Income	193.47	249.98	286.74
EPS	23.54	32.35	36.35
BVPS	184.74	190.72	192.64
RoE	13.24%	16.11%	16.48%

Source: Company's Website, Reuters & Capitaline

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