KARVY
STOCK BROKING

VALUE INVEST

2018

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Dec 23, 2017

Value Invest

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NSE Symbol	Sector	Market Cap (Rs. Mn.)	CMP* (Rs.)	Target Price (Rs.)	Upside (%)
APARINDS	Electrical Equipment	31518	811	935	15
GREAVESCOT	Capital Goods	30135	131	161	23
JISLJALEQS	Agriculture Machinery	59704	127	149	17
KPRMILL	Textiles	57380	780	922	18
KRBL	FMCG	144529	608	717	18
MIRZAINT	Footwear	19369	161	205	27
MPSLTD	Publishing	12008	648	777	20
NATCOPHARM	Pharma	179873	985	1310	33
TATASPONGE	Metal & Mining	14529	939	1140	21
VISAKAIND	Construction Materials	10022	627	800	28

*As on Dec 22, 2017, Time frame 9 - 12 Months

Apar Industries Ltd

Bloomberg Code: APR IN

Short Term Disruptions to Fade Away - Bright Future

Govt focus on T&D: India's power sector is all set to take-off with government's strong focus on 24x7 power to all, revival of Discoms through UDAY scheme. Govt launches Rs. 160000mn Saubhagya scheme for supplying free power connections to towns which have no power access. The scheme is set to improve energy demand and benefit capital goods industry, especially the distribution segment. Power grid set to invest heavily in local power transmission infrastructure of states. The 24x7 power for all scheme alone envisages an investment of Rs. 12 lakh crore. With the government thrust, Apar (with 70% of revenues from the power sector and leading presence in T&D segment) could witness significant traction in order booking. The company has built a strong product basket focusing on high efficiency in T&D segment.

Onetime hiccups: The company has suffered a onetime disruption in the business due to de-stocking ahead of GST rollout. Impact of GST roll out was on order book and sales which were lull in H1FY18. However, management, is confident of recovery in order booking post GST.

Focus on premium products to propel growth: The company is majorly focusing on premium products like High Efficiency Conductors (HEC) in conductors segment, auto lubes in specialty oil segment and elastomeric cables in cables segment. All these products are premium products and high margin earning products. Apar has suffered a dip in conductor segment margin due to aggressive pricing in domestic and international market and absorption of excess overhead cost due to capacities lying idle at newly added Jharsaguda plant. The capacity utilisation at Jharsaguda plant was at 60-65% level and by FY18 it is expected to reach 70-75% level. Conductor segment order book was also high due to aggressive bidding in domestic tenders. The cables segment has shown a robust growth of 27.2% in H1FY18 on the back of growth in power cables (52.0%) and Optical Fire cables (36.0%) on YoY basis.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	811
Target Price	935
Upside (%)	15

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	31518 / 492
52-wk High/Low (Rs.)	909 / 553
3M Avg.daily volume	29581
Beta (x)	0.9
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	38.3
Face Value (Rs.)	10.0

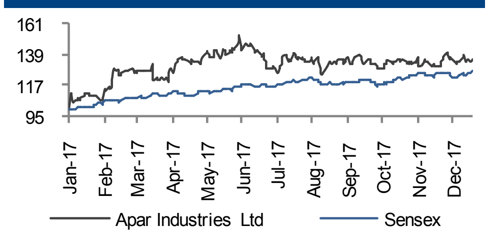
Shareholding Pattern (%)	
Promoters	58.0
FIIs	9.2
DIIs	19.2
Others	13.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	5	6	3	43
Relative to Sensex	4	(0)	(5)	10

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17E	FY18E	FY19E
Net Sales	51219	55514	52888	53018	60692
EBITDA	2520	3620	4037	3817	5037
EBITDA Margin (%)	4.9	6.5	7.6	7.2	8.3
Adj. Net Profit	495	1202	1763	1424	2335
EPS (Rs.)	12.9	31.2	45.8	37.4	61.4
RoE (%)	6.8	14.1	17.0	11.0	15.9
PE (x)*	28.8	14.9	16.4	21.7	13.2

Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Company Background

Apar Industries (Apar) is a leading manufacturer of conductors, transformer oils and cables for the domestic and overseas power T&D sector. Apar operates in diverse field of electrical, metallurgical and chemical engineering. Apar's business can be divided into three segments namely Conductors, Cables and Oils & Lubricants. Apar is market leader in the transformer oil segment standing at 4th position globally. In the lubricants segment, Apar is known for marketing the world renowned ENI brand (eni S.P.A of Italy) of lubricants. Apar has been recognised as a registered export house for conductors by Indian ministry of commerce and is the fifth largest manufacturer of conductors globally. More than 50% of revenues come from conductors segment followed by 35% of contribution from specialty oils and lubricants segment. Apar was the first company to introduce HEC in the market and is consistently growing the conductor volumes.

Valuation and Outlook

At CMP of Rs. 811, Apar is trading at 13.2.x FY19EPS, in our view the one time disruptions due to GST and raw material pricing will be vanished and thereafter recovery in demand will be visible. With accruing benefits of UDAY and other government policies Apar stands at a very strong place. Considering the above factors, we maintain our **"BUY"** rating valuing the company at 15.2x FY19E EPS of Rs. 61.4 for a target price of Rs. 935 representing a upside potential of 15%.

Key Risks

- Cyclical nature of power business.
- Project delays from customer side.
- Volatility in raw material prices mainly with respect to exports.

APARINDS: Technical View

APAR Industries' stock price over the last few years has seen a vertical rally from the levels of sub Rs. 82 in the month of August 2013 to the recent life time highs of Rs. 908 in the month of May 2017, making it as one of the multi baggers in the recent times. The said price move has generated a whopping 10x returns over the last few years. However, in the recent past, the stock after clocking its life time high of Rs. 908 in the month of May 2017 has corrected nearly 18% from the said highs and was trading in the range of Rs. 760-770 levels and given breakout from the same in the month of December 2017. In its recent consolidation the stock was finding support near 100 and 200 simple moving averages, indicating long term bullish bias. Going forward, the stock has support near Rs. 700-750 zone where it consolidated for 2-3 months and below it at around Rs. 650-670 levels, while resistances are placed at Rs. 900- 930 zone and above it at around psychological Rs. 1000 -1050 zone.

Greaves Cotton Ltd

Bloomberg Code: GRV IN

Market Leader Greaves Prepares for BS-VI World

Over three-fourths of Market is Served by Greaves: Greaves has manufactured 5mn diesel engines over the years and has market share of ~78.0% in the 3w diesel engines market. Greaves' cost leadership enables it to be a major source of 3w auto engines in India with partnerships over 35 auto manufacturers. Greaves products for Agri and Auxiliary power segment crossed 3mn pump sets and 1mn generator sets mark recently.

Greaves Prepares for a BS-VI World: Greaves has signed-up with major Original Equipment Manufacturers (OEM) for development of Bharat Stage 6 (BS-VI) compliant engines, which at the moment may come in force in next 27 months. Management has commented that they had signed these arrangements based on initial simulation data and is working towards developing Proof-of-Concept (PoC) and Total Cost of Ownership (ToC) models demonstrating value proposition for both OEMs and end-customers of OEMs as these initiatives range from multi-fuel to Hybrid to retrofit solutions. However, management refrained from quantifying the opportunity size for Greaves and competition thereof.

Growth Crawls Back Post Three Major Disruptions; Revenues to grow by 8.8% in FY17-20E: Post demonetisation, switch from BSIII to BSIV emission standards and GST, revenue grew by 2.3% on a YoY basis to Rs. 8,587mn in H1FY18. We believe the same is estimated to grow by 8.8% during FY17-20E to Rs. 21,068mn with EBITDA and PAT margin reaching to 15.2% and 10.7% by FY20E.

Strengthening of Distribution Network and New Service Line Design: 'Greaves Auto Care' - A one stop shop is being shaped-up and the estimated market size for spare parts business is at Rs. 140 bn to Rs. 150 bn which constitutes of 35%-40% of unorganised market. Greaves, at present, uses a mix of manufacturing and purchase of parts for sale in its multi-brand spare parts business segment, which at present stands at 65% of the eco system and envision taking it to 80% in a phased manner.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	131
Target Price	161
Upside (%)	23

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	30135 / 470
52-wk High/Low (Rs.)	179 / 112
3M Avg.daily volume (Mn)	0.6
Beta (x)	0.9
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	244.2
Face Value (Rs.)	2.0

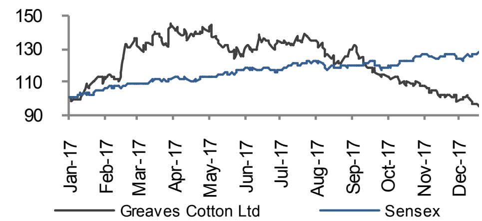
Shareholding Pattern (%)	
Promoters	51.0
FIIs	7.3
DIIs	25.6
Others	16.1

Stock Performance (%)

	1M	3M	6M	12M
Absolute	7	(5)	(19)	9
Relative to Sensex	6	(11)	(26)	(16)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar - Consolidated (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	16161	16344	17227	18760	21068
EBITDA	2674	2434	2455	2752	3209
EBITDA Margin (%)	16.5	14.9	14.3	14.7	15.2
Adj. Net Profit	2009	1807	1668	1877	2249
EPS (Rs.)	8.2	7.4	6.8	7.7	9.2
RoE (%)	23.0	19.9	17.8	19.5	22.4
PE (x)*	15.0	19.4	19.3	17.0	14.2

Source: Company, Karvy Research, *Represents multiples for FY16 & FY17 are based on historic market price

Returns Ratio and Dividend Payouts attractive: Greaves payout crossed 80% during FY16 & FY17 yet maintains ~50% of Net Worth as investments which translate to Rs. 18.7/share limiting return ratios to 19.9% (RoE) and 27.2% (RoCE) in FY17. However, once adjusted for non-core investments return ratios are more than just attractive which we believe could be a key trigger for re-rating going forward.

Company Background

Greaves Cotton Ltd. (GCL) is a leading diversified engineering company manufacturing machinery and equipment. Greaves business is organised as Auto engines, Auxiliary Power Solutions, Farm Equipment Business and After-Market business. The company has 6 manufacturing facilities and 3,500+ customer touch points spread across India. Over the years Greaves has increased its investments in R&D and the spending has averaged to the tune of ~1.5% of sales during FY08-FY17 peaking in the fiscals before CPCB norms came into force. In future, Greaves is committed to transform itself into fuel agnostic engineered solutions provider encompassing both manufacturing and service business lines.

Valuation and Outlook

Greaves domestic market to turn robust with new product launches, new geographical presence, potential addition of customers, 'Greaves Auto Care'-new service offering and fructification of R&D efforts for BSVI engines could all shape into FY19E, FY20E and beyond. We base our valuation on FY19E estimates and arrive at a target price of Rs. 161 valuing Greaves at 20.9x of FY19E EPS of Rs. 7.7 representing an upside potential of 23%.

Key Risks

- Slowdown in the revival of economic activity could significantly impact volumes.
- Rising costs could reduce margins further.

GREAVESCOT: Technical View

GREAVESCOT has been in a secular bull trend from last many years making higher highs & higher lows on the chart, indicating strength in the counter. After clocking a high of Rs. 175 odd levels in April 2017, stock has been on a corrective phase & is currently available near to its 200-weekly moving average, which is placed around Rs. 125 levels, which should be utilised as good opportunity for long term investors to accumulate the stock at current levels. Also key swing support rest around Rs. 100 levels, indicating bullish bias. Technically, the stock has support around Rs. 100-90 zone and resistance around Rs. 135 -145 zone. Going forward, the corrective phase in the stock might get arrested around current levels & stock may again continue its long term bullish trend & head towards its all time high levels. We believe the stock at current levels provides excellent opportunity & long term investors can consider accumulating the stock.

Jain Irrigation Systems Ltd

Bloomberg Code: JI IN

Lingering Impact of Demonetisation and GST Rollout on Retail Business

Promising Project and Agro Business: Jain Irrigation System has witnessed its revenue from operation growing at CAGR of 7.1% over the period of FY12-17. It has registered an impressive improvement in operating performance in FY17 wherein its revenue, EBITDA and PAT have grown at 7.0%, 14.9% and 262.0% helping it record increase in EBITDA, EBIT and PAT margin by 93, 154 and 179 bps respectively YoY basis. The company has demonstrated a positive growth across all business verticals. However, from H1FY18 perspective, revenue and EBITDA grew at moderate rate of 4.3% and 1.2% respectively on YoY basis. PAT registered contraction in growth by 33.1%. The growth in topline was mainly led by newly acquired dealer AVI and IDC in U.S.A and increase in MIS and tissue culture exports. However, subdued growth in domestic MIS business as a result of lingering impact of demonetisation and GST slowed down growth momentum. Going forward, the management has given top-line guidance of 20.0% growth on FY16 turnover. The confidence of management emanates from good size of order in hand, pro-irrigation policy of the government and fast subsiding impact of demonetisation and GST.

Promising Food Processing Business: The food processing business has grown in terms of profitability. The company has sound domestic as well as exports order book which will ensure double digit growth in forthcoming years. Further, management has planned to come out with IPO for food processing business which would provide big push to business.

Robust Global Orders: The company order book in hand is of about Rs. 39000 Mn and out of that about Rs. 19000 Mn is for Hi-tech Agri Input Division, about Rs. 7700 Mn for Plastic division and more than Rs. 10000Mn is for Food Processing Division.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	127
Target Price	149
Upside (%)	17

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	59704 / 932
52-wk High/Low (Rs.)	129 / 80
3M Avg.daily volume (Mn)	8.5
Beta (x)	1.2
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	460.2
Face Value (Rs.)	2.0

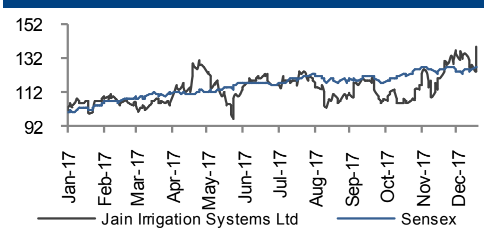
Shareholding Pattern (%)	
Promoters	28.5
FIIs	35.9
DIIs	7.8
Others	27.8

Stock Performance (%)

	1M	3M	6M	12M
Absolute	11	27	16	53
Relative to Sensex	10	19	7	17

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	61527	64865	69393	74951	81910
EBITDA	7797	8183	9402	9744	10648
EBITDA Margin (%)	12.4	12.6	13.5	13.0	13.0
Adj. Net Profit	554	487	1762	1874	2297
EPS (Rs.)	1.2	1.1	3.3	3.9	4.8
RoE (%)	1.9	1.3	4.3	4.4	5.2
PE (x)*	51.4	57.4	28.5	32.4	26.4

Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Company Background

Jain Irrigation Systems Ltd (JISL) incorporated in the year 1986, is Indian multinational company engaged in the business of Hi-tech Agri Input Products (Drip & Spinkler irrigation), Plastic Piping & Products (PE/PVC pipes and PVC sheets), Agro Processing (De-hydrated onions/vegetables and processed foods) and Other Business divisions (Solar thermal products, solar photovoltaic grid and off-grid products, Bio-gas and Solar Power generation). The micro irrigation system (MIS) is flagship product of the company, wherein, company offers end-to-end water solution projects. The company has ushered in large scale Integrated Irrigation Projects (IIP). The company does not merely sells MIS but also provides Agronomic Extension support, after sales services and all technical supports for getting better crop returns. It is one-stop-shop for total agricultural needs. The company has manufacturing plants in 29 locations and more than 11000 associates worldwide. Such large distribution network has helped company to emerge as largest MIS Company in the country and second largest globally. Further, the company has in-house R&D to capitalise on opportunities arising in MIS, tissue culture and agro processing industries.

Valuation and Outlook

We believe that the lingering impact of demonetisation and GST roll out could get smoothen out soon benefiting retail side of business, while project and export business would remain strong. Further, introduction of products such as spices & citrus juice concentrate and robust global order book of Rs. 39190 Mn to fuel overall growth. Considering optimistic business environment, we have valued stock at 31.0x of FY19E EPS and arrived at target price of Rs. 149 which translates to potential upside of 17% in next 9-12 months

Key Risks

- MIS and Agro Processing business are subject to risk associated with the vagaries of nature.
- Fx-fluctuation risk.

JISLJALEQS: Technical View

JISLJALEQS has continued to move higher from the levels of Rs. 74-75 and the stock is exhibiting a strong upward momentum. For the month the stock has generated over 7% return and continues to move higher on significant volume. The recent breakout from the lower level of Rs. 110 to the higher level of Rs. 128-129 and come on above average volume. After breakout, consolidation is witnessed in the stock on the account of minor profit bookings from the higher levels. Overall, the stock is in upward trajectory and the medium and long term moving averages suggest the same as JISLJALEQS is trading above all medium and long term moving average. Immediate support of the stock is seen around Rs. 122 followed by Rs. 110. Immediate resistance for the stock is witnessed at Rs. 132 and above that it could scale levels of Rs. 160 Investors should utilise any dip in the stock to take fresh position or accumulate the stock.

K.P.R. Mill Ltd

Bloomberg Code: KPR IN

Growth to be led by Increased Focus on Garment Division

Increasing share of value added products: KPR Mill Ltd has, in recent years, increased the share of higher margin fabric and garments segments in its portfolio. The focus continues to be on its garment business and to that extent, the company recently doubled processing capacity to 18,000 Mt. As of FY17, Fabric & Garments segments contribute ~39.0% of consolidated revenues, up by 9.5% from FY14. As a result, EBITDA margins also improved 230bps to ~20% during the period. Management is targeting further penetration into U.S, Europe and Japan for its garments division. Exports currently contribute 37.5% of revenues.

Operating expenses to decline: KPR Mill Ltd meets its power requirements through green power via wind mill (75% power requirements) and co-gen cum sugar factory (capacity of 30 MW and 5,000 tons of cane per day). Additionally, improvement in capacity utilisation and declining finance costs will further aid margin improvements. We factor EBITDA margin improvement of 100bps over FY17-19E.

Debt repayment and declining D/E ratio: The increased cash flow on the back of change in business model has been utilised for pre-payment of high cost debt. Going forward, with no major capex planned, the management intends to continue with this trend. We expect net Debt/Equity to drop to ~0.2x by FY19E from 0.5x (FY17).

Govt's increasing focus on textile exports: Government of India has taken steps recently to promote the industry via permission for 100% Foreign Direct Investment (FDI) under the automatic route, Rs. 60,000 Mn package to boost textile exports and road shows in India, U.S.A and UK to aid increased collaboration between global textile manufacturers, investors and buyers. On the back of these measures, Government expects exports to increase to $45bn by FY18E.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	780
Target Price	922
Upside (%)	18

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	57380 / 896
52-wk High/Low (Rs.)	884 / 530
3M Avg.daily volume	36663
Beta (x)	0.9
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	73.9
Face Value (Rs.)	5.0

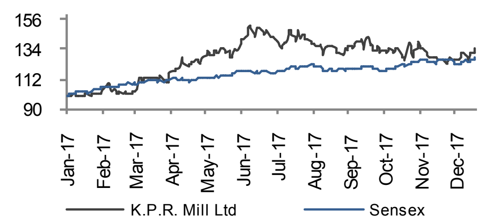
Shareholding Pattern (%)	
Promoters	74.9
FIIs	3.6
DIIs	12.3
Others	9.2

Stock Performance (%)

	1M	3M	6M	12M
Absolute	10	3	(7)	29
Relative to Sensex	9	(3)	(14)	(1)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary					
YE Mar (Rs. Mn)	**FY15**	**FY16**	**FY17E**	**FY18E**	**FY19E**
Net Sales	25765	26005	28166	31972	33113
EBITDA	4373	4696	5633	6322	6947
EBITDA Margin (%)	17.0	18.1	20.0	19.8	21.0
Adj. Net Profit	1735	2107	2868	3322	3781
EPS (Rs.)	23.1	28.0	38.8	44.9	51.2
RoE (%)	16.1	17.0	17.7	20.4	20.0
PE (x)*	20.9	29.7	17.0	17.4	15.2

Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price,

Company Background

KPR Mill Ltd. is an apparel manufacturing company engaged in the production of yarn, knitted fabric and ready made garments. It has one of the largest vertically integrated manufacturing capacities in India, enabling the company to utilise and customise the products as per client specifications. Building on its maiden business in 1984, the company currently has 0.35 Mn spindles to produce 90,000 MT of yarn per annum, knitting facility to produce 27,000 MT per annum and garmenting facility to produce 95 Mn pieces per annum (one of the largest garment manufacturers in India). The power requirements are met through the company owned 66 wind mills and through green power through a Co-gen Cum Sugar Factory with capacity of 30 MW and 5000 Tons Crushed per Day (TCD). The board, including Chairman Mr. K.P. Ramasamy and Mr. K.P.D. Sigamani, the Managing Director, has vast experience in the textile industry, which has aided in the company's evolution into fabric and garment segments.

Valuation and Outlook

Growth in business and profitability (as a result of strategic shift), led to improvement in valuations in the past 4 years and we expect continued growth in the two key segments (garment and fabric). The stock is currently trading at 17.4x and 15.2x on FY18E and FY19E EPS of Rs. 44.9 and Rs. 51.2 respectively. We factor revenue and PAT growth of 8.4% and 14.8% CAGR over FY17-19E, valuing K.P.R Mill at 18.0x FY19E EPS of Rs. 51.2 and recommend **"BUY"** with a target price of Rs. 922 for an upside potential of 18%.

Key Risks

- Volatility in price of raw materials.
- Delay in the implementation of the strategy for Thane land bank.

KPRMILL: Technical View

KPRMILLS has seen a correction of over 22%-23% from its all time high levels of Rs. 884 in past half year. However, the stock is in stellar Bull Run and has generated over 36%-37% of return on yearly basis inspite of the correction in between. The stock has consolidated near its recent swing low and has reverted back towards the higher levels. On the Fibonacci retracement drawn from its all time of Rs. 884 to the recent swing low of Rs. 685 level, the stock has retraced over 38.20% and is looking strong. Also the price volume chart is placed at the upper band of the Bollinger (20, 2) suggesting inherent strength in the counter. On the oscillator front, 14 period RSI has bounced from the lows of 41-48 levels and is currently placed around 50-56 levels suggesting more upside room in the counter. Even the counter has tested its 200 DEMA (around Rs. 700-710) on the daily chart and surged higher, suggesting it to be a strong support and affirming our bullish stance in the counter. Hence, considering all the factual data mentioned above the stock is looking pretty decent and is expected to surge towards its all time high once again, sustenance of which it may move to the uncharted territory of Rs. 900 levels.

KRBL Ltd

Bloomberg Code: KRB IN

Improving Domestic and Global Demand Situation to Drive Top-line Growth

Robust demand for branded basmati rice: KRBL has experienced revenue, EBITDA and net profit growth at CAGR of 10.9%, 21.7% and 32.4% respectively during FY13-17. From H1FY18 performance perspective, revenue, EBITDA and net profit of the company grew at 10.5%, 35.1% and 20.9% on YoY basis respectively. In the process, EBITDA margin and net profit margin expanded by 448 bps and 117 bps on respectively on YoY basis. The growth trend is likely to continue on the back of rise in rice consumption demand in general and basmati rice in particular at global and domestic levels.

The company witnessed to good jump in domestic market sales in Q2FY18 whereas exports could not keep pace with on account of roller coaster ride in price. Importers are waiting for price to stabilise while resisting current high price. India Gate Classic of KRBL is the most popular brand in the largest basmati rice consuming regions such as Saudi Arabia, Iran, Kuwait, Qatar, Oman, Bahrain and UAE. The company has been getting regular orders from these countries except Iran whose policy has not been very consistent. However, there is likelihood that Iran might start importing rice from India around Dec'17 which could be big positive for KRBL on being one of the largest players in the region.

Integrated business model: The company follows backward integration through partnership with farmers which enable company to have control on quality and quantity of produce.

Diversified sources of earnings: The company is also into renewable energy of solar power, wind power and bio-mass. It uses rice husks for captive power plant. Energy contributes about 4% in total revenue of the company. Given the backdrop of thrust on power, energy demand is expected to pick up.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	608
Target Price	717
Upside (%)	18

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	144529 / 2256
52-wk High/Low (Rs.)	675 / 270
3M Avg.daily volume (Mn)	0.1
Beta (x)	0.9
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	235.4
Face Value (Rs.)	1.0

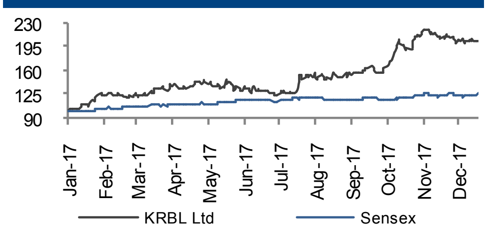
Shareholding Pattern (%)	
Promoters	58.8
FIIs	7.2
DIIs	0.3
Others	33.7

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(5)	28	55	117
Relative to Sensex	(6)	21	43	66

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	31597	33628	31490	33045	35318
EBITDA	4882	4468	6435	7404	8390
EBITDA Margin (%)	15.5	13.3	20.4	22.4	23.8
Adj. Net Profit	3217	2931	3994	4740	5416
EPS (Rs.)	13.7	12.5	17.0	20.1	23.0
RoE (%)	27.6	21.1	23.5	22.4	21.0
PE (x)*	12.2	17.9	24.3	30.2	26.4

Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Company Background

Founded in 1889 in Faisalabad, Pakistan and incorporated in 1993, KRBL is the world's largest Basmati rice exporting company with multi-brand presence both in domestic as well as overseas markets. Over the years, the company has developed rice brands such as India Gate, Nur Jahan, Telephone, Train, Unity and Bawabat Al-hind to meet the requirements of different categories of consumers. Being an integrated player, the company also deals in value added by-products like Bran Oil and De-oiled Cakes. It has got Energy business vertical as well, wherein it uses rice husks for captive power plant. Its energy portfolio comprises of Bio-Mass, Solar and Wind energy. KRBL has strong presence in export markets with 51% market share of Basmati Rice market of U.S.A, dominant presence in Middle East and expanding its export base to Africa and Europe. The KRBL is ISO 9002, HACCP (Hazard Analysis and Critical Control Points), KOSHER (approved by Jewish Dietary Law) and FDA (Food and Drug Administration) certified.

Valuation and Outlook

KRBL Ltd. is a dominant player in the largest basmati rice consuming region - Saudi Arabia and Iran with export and domestic market shares at 25.0% and 31.0% respectively. Dominance of the company in terms of brand recall and presence in major regions makes it an attractive investment proposition. We have valued stock at P/E 31.2x of FY19E EPS and have arrived at target price of Rs. 717 with **'BUY'** recommendation, reflecting potential upside of 18% in next 9-12 months.

Key Risks

- Competition risk.
- Fx-fluctuations risk.
- Economic slowdown risk.

KRBL: Technical View

The stock is in a secular uptrend. The stock is continuing its stellar rally from the levels of around 20 towards Rs. 675 levels in a span of less than five years. KRBL has given a spectacular return, multiplying almost 34 times to what it was half a decade ago. The stock after clocking fresh highs, witnesses profit booking and takes support around the lower levels. The accumulation and consolidation in the counter is witnessed in the stock before resuming its fresh up move. In the recent rally, the stock witnessed profit booking around Rs. 675 levels which dragged the stock towards Rs. 587 levels. The stock has been consolidating since then and is all set to resume its fresh up move sooner than later. The stock is trading above its 100/200-DEMA on the daily and weekly charts. The stock is trading with decent volumes, suggesting accumulation in the counter around the current levels. The support for the stock is seen to be around Rs. 550 levels below which it may slip towards Rs. 490. Whereas, on the higher side, the stock is likely to move in the uncharted territory towards Rs. 750-800 on sustaining and closing above Rs. 675 mark.

Mirza International Ltd

Bloomberg Code: MRZI IN

Sprinting ahead with Branded Footwear

Betting big on Ladies Footwear; Bond Street, Physical/ Online Stores & Warehouses in Simultaneous Focus: Mirza international known for RedTape gained prominence after the merger with Genesis Footwear in 2016. The Ladies' sports shoes launched last year had garnered a lukewarm response. So, a new ladies fashion brand will be launched by the year ended FY18E which will mark the re-entry in Womens' footwear. The women's sport shoes are priced in the range of Rs. 2,000-2,500 per pair. Operating margins will continue to expand with the growth in domestic business due to higher gross margins. Branded sales would overtake exports in FY19E given its healthy growth in the domestic market. Online presence in all major portals like Flipkart, Jabong, Myntra and Amazon is still continued with. Online platform has also started contributing significantly to the topline. They have also launched a store in Ambala where they will have online prices and customers can buy through any portal and pick-up delivery at the store at the same price. Management continues to guide for revenues of Rs.1.5-2.0 Bn for FY18E from the newly launched Bond Street and sports shoes which contributed double digit growth to the revenues for H1FY18. The effective tax rate post GST and the Rs. 2,600 Cr package announced by the Government shall prove to be a boon for this company.

Improved Margins; Growth is on track with Online Sales contributing significantly: Mirza International revenue for Q2FY18 came in at Rs. 2404 Mn, registering 4.7% QoQ decrease, and by 4.0 % YoY. EBITDA for the quarter increased by 12.2% YoY and decreased by 3.9% QoQ to Rs. 424 Mn with a corresponding margin expansion of 254 bps YoY on the back of increased Indian Branded Footwear (RedTape) Sales at Rs. 1700 Mn for H1FY18 increasing by 95% YoY and further aided by favourable changes in inventories. UK, U.S, RoW (Rest of the World) sold 90 Mn, 25 Mn and 5 Mn pairs. PAT for Mirza International rose by 18.3% YoY to Rs. 193 Mn in Q2FY17 as against Rs. 164Mn on YoY.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	161
Target Price	205
Upside (%)	27

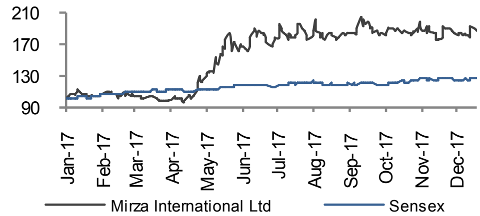
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	19369 / 302
52-wk High/Low (Rs.)	184 / 81
3M Avg.daily volume (Mn)	0.6
Beta (x)	1.1
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	120.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)	
Promoters	73.8
FIIs	0.6
DIIs	0.0
Others	25.6

Stock Performance (%)	1M	3M	6M	12M
Absolute	(1)	1	3	93
Relative to Sensex	(2)	(5)	(5)	47

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17E	FY18E	FY19E
Net Sales	9190	9287	9357	10932	12429
EBITDA	1426	1735	1605	2163	2612
EBITDA Margin (%)	15.5	18.7	17.2	19.8	21.0
Adj. Net Profit	512	781	712	1090	1364
EPS (Rs.)	5.5	7.2	5.9	9.1	11.3
RoE (%)	17.1	20.6	15.0	19.6	20.3
PE (x)*	15.7	13.4	27.2	17.7	14.2

Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Company Background

Mirza International was established in 1979 (promoted by Mr. Irshad Mirza, Chairman and Mr. Rashid Ahmed Mirza, Managing Director) is spread across 30 countries. The in-house design development team manufactures high quality products, which are stylish and comfortable, in the integrated facilities assuring Mirza as a reliable supplier to leading international brands. Mirza International is the leading Indian supplier of leather footwear to global brands since last 15 years. Approximately 75% of total revenue generated is derived from exports. 85% of the total overseas sales are private label goods supplied to leading international footwear companies. These international labels come to Mirza due to the ability to have quick deliveries, offer great build quality and maintain economic prices. At present, the company operations span across 30 countries around the globe. The main overseas markets are UK, France, Germany and U.S.A. In UK, the company has garnered a 25% share in the men's leather footwear in the mid-segment category, due to the high market penetration underlining the strong acceptance for its products.

Valuation and Outlook

We have maintained our estimates taking into account slowdown in unbranded footwear segment along with the re-attempt to foray in Ladies' fashion segment including a capex of Rs. 250-270 Mn towards advertisement. We maintain a **"BUY"** recommendation, valuing at 18.1x FY19E EPS with an upwardly revised target price of Rs. 205 representing an upside potential of 27%.

Key Risks

- Slowdown in U.S and UK economies due to political risks.
- Lower realizations.
- Increase in price of raw materials.

MIRZAINT: Technical View

MIRZAINT gave breakout from the downward sloping trend line in the month of April this year and since then the stock has been in upward trajectory. Year to date, the stock has generated the return of over 90% and in the past six months the stock has seen upside of over 6%. The stock has largely remained in the range of Rs. 170-150 over past six months. Overall, the stock is looking positive from medium to long term perspective. On the weekly chart, it is trading above all near term moving averages providing credence to the upward momentum. Immediate resistance is seen around 165 followed by Rs. 170. Above the level of Rs. 170, the stock could clock the levels of Rs. 177-180. Immediate support is seen around Rs. 156 followed by Rs. 148.

MPS Ltd

Bloomberg Code: MPS IN

Inorganic Growth an Appropriate Path Ahead

Zero Debt, Strong Balance sheet with Healthy Free Cash Flows: MPS Ltd's ability to maintain its high operating margins, with minimal Capex requirements, has lead to healthy free cash flows, resulting in the strong financial position for the company over the years. The company has zero debt on its book and we expect the company to maintain the same during FY18E-19E.

Expecting Healthy revenue growth and margin expansion in FY18-FY19E: MPS has posted 16.2% revenue CAGR along with 900 bps margin expansion over FY13-16. In FY17, the margins witnessed pressure due to operating loss in Magplus. We believe company to continue the growth momentum and expect to post 8-9% CAGR over FY17-FY19E mainly driven by its U.S business and acquisitions. We expect 90-100 bps margin expansion, profitability at a CAGR of ~8% and EPS will expand to Rs. 40-45 for the period of FY18E-19E.

Underwent restructuring, post acquisition: Successful turnaround with improved operating efficiency by downsizing its service locations and increasing the employee count at its low cost Dehradun facility benefited MPS. Overall, the building blocks are in place and is poised to capture incremental opportunities in the outsourced publishing space.

Development of new platform with increased focus on diverse market: MPS provides majority of their products and services to large publishing houses such as Macmillan, Cengage Learning, McGraw-Hill, Elsevier and Wolters-Kluwer. MPS intends to expand its reach to small and medium publishers, which forms part of traditional markets and which has not been served through different platforms. MPS has developed a broad range of customized products and service offerings in order to address the varied and expanding requirements of small and medium publishers.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	648
Target Price	777
Upside (%)	20

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	12008 / 187
52-wk High/Low (Rs.)	775 / 554
3M Avg.daily volume	27626
Beta (x)	0.5
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	18.6
Face Value (Rs.)	10.0

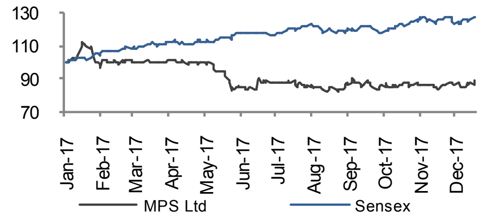
Shareholding Pattern (%)	
Promoters	67.8
FIIs	7.5
DIIs	5.7
Others	19.0

Stock Performance (%)

	1M	3M	6M	12M
Absolute	10	12	9	(5)
Relative to Sensex	9	5	0	(27)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	2239	2572	2887	3075	3383
EBITDA	804	910	931	984	1120
EBITDA Margin (%)	35.9	35.4	32.2	32.0	33.1
Adj. Net Profit	614	712	700	725	815
EPS (Rs.)	33.0	38.3	39.8	39.0	43.8
RoE (%)	35.3	26.6	23.6	18.9	17.7
PE (x)*	28.6	17.2	17.2	16.6	14.8

Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Company Background

MPS Ltd is engaged in the business of providing publishing solutions viz, typesetting and data digitalisation services for the overseas publishers and supports international publishers through every stage of the author-to-reader publishing process and provides a digital-first strategy for the publishers across content production, enhancement and transformation, delivery and customer support. It offers diverse geographic spread catering to U.S and European countries. Earlier, in the year 2011, the company was acquired by the Adi BPO services Ltd from the HM Publishers holding Ltd. Under the current management, the company successfully witnessed turnaround in a span of four years. The company has expanded through inorganic expansion and acquired three companies in U.S.A namely Elements LLC, Electronic Publishing Service Inc and TSI evolve Inc under its U.S subsidiary MPS North America LLC.

Valuation and Outlook

MPS Ltd's commitment to the inorganic approach for growth is evident by its decision to withhold the dividend payout during the year. We expect the operating performance continue to be impacted in the near term due to the recent acquisition until the associated costs get streamlined. We maintain our positive view on the company and assign **"BUY"** recommendation with the target price of Rs. 777 resulting an upside potential of 20% on consolidated FY19E EPS of Rs. 43.8 for a period of 9-12 months.

Key Risks

- Concentration risk due to dependability on few clients.
- Currency volatility could impact revenue estimates.
- Outcome of inorganic growth.

MPSLTD: Technical View

MPSLTD is in a structural bullish trend making repeated cycles of higher highs and higher lows on the weekly charts. The counter has generated strong returns for the medium to long term investors where the stock has rallied from 40 odd levels and made all time highs of 1095 levels in the month of April 2015 in a short term time frame of three years. On the longer term charts, the stock has shown no sign of weakness in the mentioned up move indicating any correction in the counter may be utilised as a buying opportunity for the medium to long term perspective. On the other hand, after making all time highs of Rs. 1095 levels, the stock has witnessed a steep round of profit booking which dragged the stock towards the lower support zone of Rs. 570-600 levels which may be utilised to enter the counter for long term period. The supports for the stock is placed at Rs. 600-620 followed by Rs. 550 levels on the lower side while resistance is pegged around Rs. 730-750 followed by Rs. 900 levels. Medium to long term investors may enter the stock at current levels and utilize any dips as a buying opportunity.

Natco Pharma Ltd

Bloomberg Code: NTCPH IN

Specialty Generics in U.S Market to Drive Profits

gCopaxone and gTamiflu to Drive Large Cash Flows: Mylan launched gCopaxone both 20mg and 40mg. All patents expired for 20mg but 40mg patent litigation is ongoing, thus 40mg is an “at-risk” launch. The 40mg version is protected by 5 orange book patents, claims of 4 of these patents were held invalid by District Court and litigation of the fifth patent issued in Aug 2016 was dismissed with prejudice. Teva has appealed all decisions in Appellate Court. Mylan is the sole generic in 40mg and is expected to capture a significant market share of the $800 Mn (quarterly sales) drug. We are assuming a second 40mg generic from Sandoz in Feb 2018, post resolution of warning letter on Pfizer’s Kansas facility. In 20mg there are only 2 generics – Sandoz and Mylan. Natco’s partner Alvogen is the first to launch gTamiflu suspension in Nov 2017. The market size is $312 Mn and about 85% of the sales happen in flu season (Nov to Mar). Limited competition in large products would lead to smaller price erosion and substantial cash flows. Our estimates indicate that Natco could generate Rs.7317 Mn and Rs.9742 Mn in profit share from both 20mg and 40mg during FY18E and FY19E respectively. Profit share from gTamiflu is estimated to be Rs.2198 and Rs.833 during FY18E and FY19E respectively.

gFosrenol and gDoxil to Generate Substantial Profits: Natco’s partner Lupin became the first to launch gFosrenol in Q2 FY18. Lupin is expected to be the sole generic in the foreseeable future. The market size is $122 Mn. According to our estimates, Natco is expected to make Rs.444 Mn and Rs.761 Mn in profit share for FY18E and FY19E respectively. Natco’s partner Dr.Reddy’s is the second generic in the difficult-to-manufacture gDoxil. Our estimates indicate that Natco could make Rs.1168 Mn and Rs.1123 Mn in profit share for FY18E and FY19E respectively.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	985
Target Price	1310
Upside (%)	33

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	179873 / 2808
52-wk High/Low (Rs.)	1090 / 555
3M Avg.daily volume (Mn)	0.3
Beta (x)	0.7
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	184.3
Face Value (Rs.)	2.0

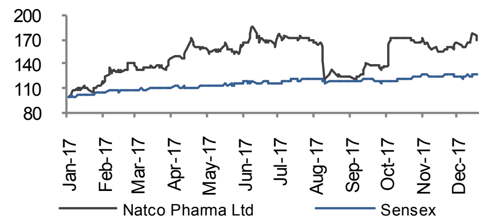
Shareholding Pattern (%)	
Promoters	51.2
FIIs	21.5
DIIs	5.4
Others	21.9

Stock Performance (%)

	1M	3M	6M	12M
Absolute	9	24	2	66
Relative to Sensex	8	16	(6)	27

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	8,253	11,416	20,650	27,367	33,142
EBITDA	2,134	2,697	6,834	10,612	12,504
EBITDA Margin (%)	25.9	23.6	33.1	38.8	37.7
Adj. Net Profit	1,195	1,552	4,860	7,751	9,091
EPS (Rs.)	8.1	9.1	27.8	42.1	49.3
RoE (%)	17.0	14.4	32.9	39.9	35.3
PE (x)	51.9	45.3	30.6	23.4	20.0

Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Company Background

Founded in 1981 and headquartered in Hyderabad, Natco is a specialty generics pharma manufacturer. It is the market leader in India in Oncology and Hepatitis C therapeutic areas. In Indian market, Natco offers 28 oncology medicines (11 for blood cancers + 17 for solid tumors) and 5 medicines in the hepatitis therapeutic area. Six brands in the oncology segment have INR 100mn+ sales. Natco typically pursues a pipeline of niche and complex generics products in U.S with Para IV and Para III filings and has over 20 approved ANDAs. Natco has 5 finished dosages facilities one each in Kothur, Nagarjuna Sagar, Guwahati and two in Dehradun. There are 2 API facilities in Mekaguda and Chennai.

Valuation and Outlook

Natco recently did a QIP (Qualified Institutional Placement) of Rs.9150 Mn (10 Mn shares issued @ Rs.915 per share). Natco is expected to invest this money to build complex generics pipeline in the long-term because gestation period is typically longer for these products and investing early is crucial to be one of the first generic firms to get approvals and launch products. We reiterate a **"BUY"** recommendation with Rs.1310 target price revised upwards based on 22x FY19E EPS of Rs.49.3 and cash flow per share of Rs.224 for FTF/Para IV opportunities (primarily gRevlimid).The target of Rs.1310 represents a potential upside of 33%.

Key Risks

- U.S Courts ruling against Mylan on any of the 5 Copaxone patents.
- Early approvals and launch of both gCopaxone 20mg and 40mg in U.S by Reddy's and Synthon/Pfizer.
- Early approvals and launch of gTamiflu suspension by Lupin, Amneal Pharms and MacLeods Pharms.
- Form 483 with major observations on any of the Natco's facility upon inspection by U.S FDA.

NATCOPHARM: Technical View

NATCOPHARMA has witnessed a V-shaped recovery of its fall from the all time high of Rs. 1090 to Rs. 671 levels which is around 61.8% Fibonacci retracement level from its rally which started around Rs. 389 levels on the weekly charts and settled above a huge runway gap (Rs. 813-929). The counter has generated more than 68 % returns in 2017 till date, indicating strong bullish trend. On the weekly chart, the stock is sustaining above all of its major moving averages suggesting the strength in the counter in all the major time frames. On the other hand, leading indicators such as parabolic SAR and Heiken candlesticks suggest a positive trend in the weekly charts. The supports for the stock is placed at Rs. 760-790 followed by Rs. 670-690 levels on the lower side while resistance is pegged around Rs. 1308 followed by Rs. 1420 levels. Medium to long term investors may enter the stock at current levels and utilise any dips as a buying opportunity.

Tata Sponge Iron Ltd

Bloomberg Code: TTSP IN

Increased Infrastructure Spending and Improving Global Macro to Revive Steel Sponge Demand

Robust Domestic Demand and Protectionist Measure to Stimulate Sale: Tata Sponge Iron Limited generated higher volume and higher operating profit in FY17 on the back of its continuous efforts to enhance the value of the product and efficient business and operating processes. The company produced 3,90,000 MT Sponge iron in FY17 as compared to 3,60,446 MT in FY16 which is higher by 8.2% and in the process achieved 100% capacity utilisation. Power generation at 185.47 MKWH in FY17 vs. 162.83 MKWH in FY16 was higher by 13.9%. The turnover of Rs. 6152 Mn in FY17 has been lower by 2.8% than the previous FY16 turnover. However, with improved margin, the net profit increased by 84.0% to Rs. 588 Mn. Going forward, the various policy measures announced by the government such as increased spending in infrastructure, affordable housing, smart cities, etc. will generate positive demand for steel and sponge iron. Given this backdrop, we believe that revenue and net profit margin for TSIL may grow at CAGR of 8.0% and 10.2% respectively during FY17-20E.

Greater Collaboration with Tata Steel: The company uses coke-coal and iron ore for production of sponge iron. While it sources close to 100% of iron ore requirements from its parent company called Tata steel, it imports good quality coke-coal from South Africa. In view of firming imported Coking-coal prices, the company might follow blend strategy with semi-coking coal which is sourced domestically without compromising on quality. The company generates surplus power which is sold out to Tata Steel and thus, realization in power business, is given.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	939
Target Price	1140
Upside (%)	21

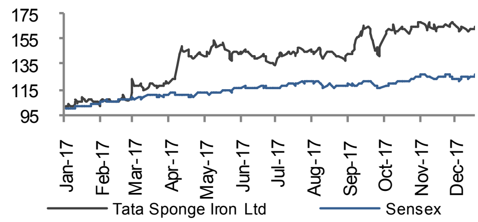
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	14529 / 227
52-wk High/Low (Rs.)	989 / 540
3M Avg.daily volume (Mn)	0.3
Beta (x)	1.2
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	15.4
Face Value (Rs.)	10.0

Shareholding Pattern (%)	
Promoters	54.5
FIIs	7.0
DIIs	0.8
Others	37.7

Stock Performance (%)	1M	3M	6M	12M
Absolute	(0)	7	15	70
Relative to Sensex	(1)	1	6	30

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary					
YE Mar (Rs. Mn)	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Net Sales	6330	6152	7375	7511	7755
EBITDA	240	616	761	778	801
EBITDA Margin (%)	3.8	10.0	10.3	10.4	10.3
Adj. Net Profit	319	588	746	762	787
EPS (Rs.)	20.7	38.2	48.4	49.5	51.1
RoE (%)	3.9	7.0	8.4	8.0	7.8
PE (x)*	22.6	18.3	19.0	19.0	18.4

Source: Company, Karvy Research, *Represents multiples for FY16 & FY17 are based on historic market price

Company Background

TSIL with manufacturing facility at Beliepada in Odisha, was initially set up as a joint venture between Tata Steel and the Industrial Promotion and Investment Corporation of Orissa (IPICOL) in the name of Ipitata Sponge Iron Limited. In 1991, Tata Steel acquired IPICOL's stake in the company making it an associate company of Tata Steel. Following acquisition, the name of the company was changed to Tata Sponge Iron Ltd. To cater to the growing demand of sponge iron, the company increased its capacity by adding kiln, over the period. Presently, the company has total sponge iron production capacity of 390000 TPA (tones per annum) from three kilns. In May 2017, the company received an approval from the Ministry of Environment for enhancing production capacity by 35,000 MT. The company also has two captive power plants that generate 26 MW of power from the waste heat of exit gases from kilns. Tata Sponge Iron limited is the first company to CDM (Clean Development Mechanism) certificate. It has also been accredited with ISO 9001 and ISO 14001 certifications.

Valuation and Outlook

TSIL enjoys leadership position in the industry with sound financial in terms of zero debt and high cash balance. Besides, company's decision to bid for Iron Ore and Coal Mines and foray into steel making would provide good synergies to business in coming years. AT CMP of Rs. 939 the stock of the company is trading at EV/EBITDA 13.1x of FY20E EBITDA. We value stock at EV/EBITDA 17x of FY20E EBITDA, which gives the target price of Rs. 1140 with potential upside of 21% and assign **'BUY'** rating for next 9-12 months.

Key Risks

- Sponge iron industry has to compete against relatively cheaper scrap.
- Non-availability of suitable grade raw materials.

TATASPONGE: Technical View

The stock has resumed its strong up move after making low of around Rs. 338 levels. The uptrend from the said lower levels has seen making higher high and higher lows on daily charts. Currently the stock is trading in the broad range of Rs. 900-985 levels with a positive bias. The stock is sustaining well above all its major moving averages of 50, 100 and 200 DEMA on the daily charts. On technical setup, the 14 period RSI is pointing northwards and showing comfortable trade on the daily charts. Going ahead the stock is expected to find support around Rs. 900 levels and below that are Rs. 777 levels. Whereas, the resistance is placed around Rs. 985 levels and above that is Rs. 1020-1050 levels. The recent price action in the stock suggests that every dip in the stock attract market participants and sustainability above the Rs. 980-985 levels will enhance the confidence amongst the market participants.

Visaka Industries Ltd

Bloomberg Code: VSKI IN

Change in Product Mix, New Age Markets to Aid Profitability

Well Diversified Product Portfolios: The company enjoys a strong position in cement asbestos, V-board and yarn business. During FY17, adverse market conditions caused by demonetisation and destocking ahead of GST implementation had negative bearing on its sales. However, operational efficiency helped the company to generate operating profit and net profit margins at 11.9% and 4.2% respectively. The company has recently launched new roofing product called "ATUM"- a new age eco-friendly, energy efficient and energy generating roof, which will help increase the sales in upcoming years. Further, overall improvements in macro-economic environment will contribute to significant rise in sales in years to come.

Implementation of GST - Positive for the business: The implementation of GST would place VIL at an advantageous position as tax compliance will become must for all the players in the industry. The total indirect tax incidence in cement sheet and V-Next product has come down to 18.0% post GST regime, which was about 28.0% pre-GST. The management has given impression that it would pass on tax benefits to customers in terms of lowering the product price, which will have positive bearing on sales in years to come.

Capacity Expansion in V-Board business division to stimulate growth: The company has started expanding V-Board business from existing capacity of 120000 MTPA by adding 50000 MTPA capacity. The process is to be completed by the end of FY18E. For capacity expansion, the company has allocated capex outlay of Rs. 1000 Mn, which will be funded largely through internal accruals. With this, the company will be able to take care of growing demand in this segment.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	627
Target Price	800
Upside (%)	28

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	10022 / 156
52-wk High/Low (Rs.)	734 / 172
3M Avg.daily volume	0.1
Beta (x)	1.5
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	15.9
Face Value (Rs.)	10.0

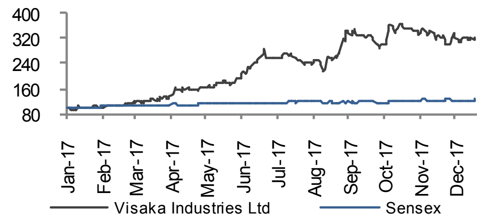
Shareholding Pattern (%)	
Promoters	41.2
FIIs	6.5
DIIs	0.9
Others	51.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(3)	2	23	257
Relative to Sensex	(4)	(4)	14	174

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	10049	9667	10130	10960	12145
EBITDA	952	1148	1247	1450	1645
EBITDA Margin (%)	9.5	11.9	12.3	13.2	13.5
Adj. Net Profit	244	408	436	592	739
EPS (Rs.)	15.4	25.7	27.4	37.2	46.5
RoE (%)	7.0	10.5	10.2	12.3	13.4
PE (x)*	6.9	10.5	22.9	16.8	13.5

Source: Company, Karvy Research, *Represents multiples for FY16 & FY17 are based on historic market price

Company Background

Hyderabad based Visaka Industries Ltd was founded by Dr. G. Vivekanand in 1981. The company has two main business verticals i.e., Building Products (including Cement asbestos & fibre cement boards like V-Boards & V-Panels) and Synthetic Yarn. The total installed capacity of asbestos and fiber cement boards are 8,02,000 and 1,29,000 tons respectively. Of these, the company has 36 depots and more than 6000 dealer outlets pan-India to ensure smooth & timely supply of products. Synthetic yarn with 41 Murata-Twin-Spun (MTS) machines, which are equivalent to 82560 ring spindles with the capability to produce 12500 tons yarn per annum. Of 12500 tons, about 3000 tons are exported to 17 countries around the globe. The company is the second largest manufacturer of cement fibre roofing sheet and is largest player in V-Board business. It is the market leader in twin Air Jet technology in the textile synthetic yarn business. The company's exports accounted for 7.2% of the total revenue. The company has 11 manufacturing facilities and 13 marketing offices across India.

Valuation and Outlook

Visaka enjoys strong presence in building products and yarn business. It has been expanding its capacities to cater to emerging opportunities. Urbanisation, in particular, would lead to greater demand for housing related products, while yarn business will receive great push as there is growing preference for branded garment. We are of the view that the company will be a big beneficiary of these developments in medium to long term. We are also of the view that the sales of the company would register growth at CAGR of 7.9% over FY17-20E. At CMP of Rs. 627, the stock is currently trading at a P/Ex of 13.5 of FY20E EPS of Rs. 46.5. We value the company on a P/Ex of 17.2 and arrive at a price target of Rs. 800 for an upside potential of 28% for next 18- 24 months with **"BUY"** rating.

Key Risks

- Stiff competition from alternative products like colour coated sheets, etc.
- Slowdown in industry.
- Shortage of raw materials & currency fluctuation.

VISAKAIND: Technical View

The stock price witnessed stellar rally from the lows of 88 levels to an all time high of Rs. 734 made in recent past, mid of Oct'17, gained more than seven times in less than two years time frame, exhibiting extraordinary performance of the stock. After placing an all time high stock price entered in to a consolidation mode wherein price correction remained limited. Technically, stock price is hovering near its 21 & 50-DEMA which is currently placed near Rs. 630-633 levels, while stock is well poised above its long term moving average 200-DEMA (518). On the weekly momentum setup 14-period RSI tested 90-levels, post which in recent price correction it managed to holds above equilibrium levels, which depicts that bulls are still in control of the counter, and possibly accumulation happening at lower levels. Technically, stock has an immediate support near Rs. 580 levels, followed by Rs. 500-520 levels, below which next support lies near Rs. 400-410 levels. While on the higher side stock may find immediate resistance near its all time high of Rs. 734, above which it will march in an uncharted territory over Rs. 780-800 levels where it is likely to find next resistance, over coming months.

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