KARVY STOCK BROKING

VALUE INVEST 2019

MID CAP STOCKS

VALUE INVEST

Company Name	NSE Symbol	Sector	Market Cap (Rs. Bn.)	CMP* Rs.)	Target Price (Rs.)	Upside (%)
Bajaj Electricals Ltd	BAJAJELEC	Electrical Equipment	51	497	670	35
Finolex Cables Ltd	FINCABLES	Electrical Equipment	70	459	600	31
Jain Irrigation Systems Ltd	JISLJALEQS	Farm Machinery & Equipment	35	69	101	46
K.P.R. Mill Ltd	KPRMILL	Textiles	41	565	716	27
Menon Bearings Ltd	MENONBE	Auto Ancillary	4	79	120	52
Relaxo Footwears Ltd	RELAXO	Footwear	88	732	911	24
Sunteck Realty Ltd	SUNTECK	Real Estate	51	348	497	43
Take Solutions Ltd	TAKE	IT	22	148	226	53
The Phoenix Mills Ltd	PHOENIXLTD	Real Estate	85	557	735	32
Visaka Industries Ltd	VISAKAIND	Construction Materials	7	426	750	76

**As on Dec 28, 2018*

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BAJAJ ELECTRICALS LTD

Bloomberg Code: BJE IN

Consumer and EPC Business Both on a Strong Footing

Q2FY19 Update: The revenues came in at Rs. 1598 mn growing by 70.9% YoY beating our expectations. Both the segments have performed strongly to drive growth. EPC has posted strong growth of 126.9% YoY majorly driving the huge revenue growth. Consumer durable segment has shown consistent growth of 25% with major sub-segment growth in fans and appliances. PBT was at Rs. 533 mn showing a growth of 73.8% and PAT was at Rs. 341 mn for a growth of 79.6%. Considering YoY, the margins have shown an improvement but QoQ there is a decline in margins. The margins declined QoQ due to increase in commodity prices and depreciation of rupee.

Consumer Durables: With the implementation of RREP the company was able to establish a strong distribution network of 180,000 touch points. It is in the process of bringing new products and expanding its existing product range. BJE motivates and encourages the distributors by bringing new incentive schemes and training session. It has taken a price hike due to increase in commodity prices and its margin and working capital cycle has improved a lot.

Nirlep Acquisition: Bajaj has expanded its consumer segment portfolio and has acquired 79.85% of Nirlep appliances which is majorly into the business of non-stick cookware. The management expects the acquisition to be revenue accretion in the coming years. The management expects Nirlep revenues to grow at CAGR of 30% over the next 3 years.

Healthy Order book: The improvement in execution and being selective about projects has helped the company revenue to grow. In order to improve the execution and supply chain, the company has used Theory of Constraints. Margins can fall in UP orders due to increase in commodity price and slightly higher execution cost. Management expects revenue to be around Rs. 40 bn in FY19.

Valuation and Risks: With a very positive scenario for both consumer and EPC segment, we expect the revenue to grow at CAGR of 14% during Fy18-20E and EBITDA margin to improve to 7.0%. We rate **"BUY"** valuing the company at 25x on FY20E EPS for a target price of Rs. 670 representing an upside potential of 35%.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	497
Target Price	670
Upside(%)	35

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	51.0 / 0.7
52-wk High/Low (Rs.)	706 / 400
3M Avg.daily value (Rs. Mn)	37.7
Beta (x)	1.1
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	102.4
Face Value (Rs.)	2.0

Stock information

Promoters	62.8
FIIs	9.6
DIIs	5.3
Others	22.3

Shareholding Pattern (%)

	1M	3M	6M	12M
Absolute	6	(1)	(6)	1
Relative to Sensex	4	(1)	(9)	(6)

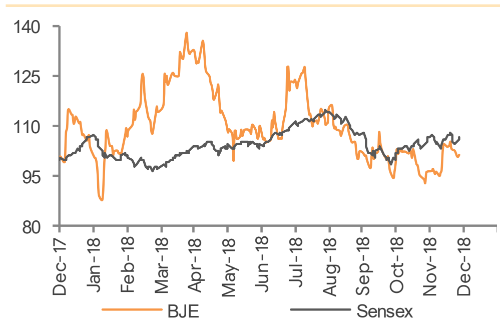
Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	46267	42983	47164	56860	66270
EBITDA	2642	2445	2935	3696	4639
EBITDA Margin (%)	5.7	5.7	6.2	6.5	7.0
Adj. Net Profit	1103	1093	1730	2023	2720
EPS (Rs.)	10.9	10.8	17.1	20	26.9
RoE (%)	14.6	12.5	18.3	18.2	20.1
PE (x)*	17.4	28.8	29.9	24.8	18.4

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Bajaj Electricals Ltd is a flagship company under Bajaj Group, one of the oldest conglomerates in India. Bajaj Electricals Ltd, established in 1938, is a pioneer in electrical home appliances, lighting and luminaries business. Over the last 75 years, it has progressively diversified into turnkey project contracts involving Power Distribution and Transmission Line Towers (TLT) by establishing a new SBU (Strategic Business Unit) for Engineering and Projects (E&P). While the power distribution projects are working on rural electrification, the TLT projects cater to connecting power transmission grids across India - connecting power generating plants or sub-stations. The company majorly follows asset-light model as it procures products from the market and sells it under the brand name of Bajaj. In November 2002, the company entered into a technical collaboration and brand licensing agreement with Morphy Richards, United Kingdom for the sales and marketing of electrical appliances under the brand name of "Morphy Richards" in India.

BAJAJELEC: Technical View

BAJAJELEC has been trading with bullish bias from past few quarters making higher highs and higher lows on the weekly charts. The counter has clocked all-time high of 692 in April 2018 and witnessed a round of correction which dragged the counter towards the lower support area of 450-500 where an unfilled gap is acting as a strong support on the daily charts. At the current juncture, the stock is trading in the sideways consolidation mode with bullish bias and is on the verge of breakout above 520-525 levels on the short term charts. On the levels specific data, the counter is having support around 470 followed by 450 level while resistance is pegged around 525 followed by 580-600 levels where the unfilled gap is placed. The counter is currently trading in the cluster of moving averages on the daily charts with Bollinger band (20,2) expanding in the northward direction. We expect the stock to move higher in the coming weeks and may test 560-580 levels in the medium term perspective with strong supports pegged around 450 level. Medium to long-term investors may buy the stock from current levels and may accumulate more around the mentioned supports.

FINOLEX CABLES LTD

Bloomberg Code: FNXC IN

Volume Impacted But Set to Recover in H2FY19

Q2FY19 Update: Finolex top line grew marginally by 3.8% YoY on the back of strong performance from communication cables which grew by 14.3%. The growth was lower due to the tepid performance of the electrical segment. The electrical segment was impacted due to transport disruption in July and floods in Kerala which is one of the prominent places for electrical cables business. The absolute EBITDA has shown a growth of 6.6% with margins at 12.0% showing a decline of 234 bps YoY. Profit for the quarter has declined by 6.8% due to a higher incidence of taxation because of expiry of tax exemption period of Roorkee facility. The net profit margins were lower at 13.0% showing a fall of 147 bps.

Growth in Cables Segment: Communication cables can grow with 20% sales CAGR over FY18–20E led by government's investments in Bharat Net, electrical cables' growth has been muted over the past five years—2% CAGR over FY13-18. The electrical cables segment has given a flat performance due to transport issues at its Roorkee facility and floods in Kerala. The EBIT margins for electrical cables segment declined by 210 bps due to commodity prices variation.

Consumer durable business: The new segment mainly comprises of electrical consumer durables like Fans, Switchgear and Water heaters which the company forayed into last year. The products have been well received by the market on the back of strong brand name Finolex, with a strong supply chain system. The revenue from other segment has shown a growth of 28.0% YoY. The management expects higher profitability in the coming quarters.

Valuation and Risks: At CMP of Rs. 459, FCL is trading at 16.8x to FY20E EPS. FCL is expected to generate healthy free cash flows over time. Due to the recent price correction, we recommend **"BUY"** rating by valuing the company at 22x (3 years avg) on FY20E EPS for a target price of Rs. 600 representing an upside potential of 31%.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	459
Target Price	600
Upside(%)	31

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	70.1 / 1.0
52-wk High/Low (Rs.)	758 / 402
3M Avg.daily value (Rs. Mn)	18.7
Beta (x)	0.8
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	152.9
Face Value (Rs.)	2.0

Shareholding Pattern (%)

Promoters	37.3
FIIs	6.5
DIIs	20.6
Others	35.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	1	(14)	(18)	(34)
Relative to Sensex	(0)	(13)	(21)	(38)

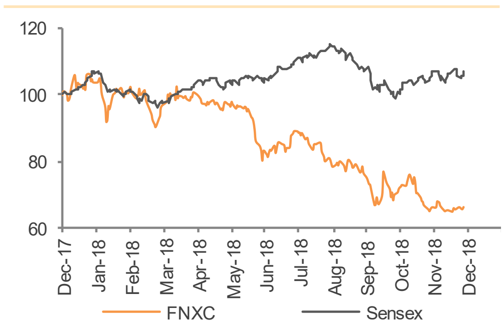
Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	24610	26707	28842	32361	36047
EBITDA	3390	3714	4223	4854	5407
EBITDA Margin (%)	13.8	13.9	14.6	15.0	15.0
Adj. Net Profit	2488	3159	3583	3711	4170
EPS (Rs.)	16.3	20.7	23.4	24.3	27.3
RoE (%)	17.0	16.8	16.3	15.9	15.6
PE (x)*	20.7	25.0	27.7	18.9	16.8

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Finolex Cables Limited is a manufacturer of electrical and communication cables and copper rods. The Company's business segments include Electrical Cables, Communication Cables, Copper Rods and Others. The Electrical Cables segment includes 1,100 Volts polyvinyl chloride (PVC) insulated cables, motor winding PVC insulated cables and approximately three core flat cables, automotive/battery cables and elevator cables. The Communication Cables segment includes jelly filled telephone cables (JFTCs), local area network cables, coaxial cables, speaker cables, optic fiber cables and closed-circuit television (CCTV) cable. The Copper rods segment offers continuous cast copper (CCC) rods of over eight millimeters diameter. The other segment includes Electrical Switches, which include switches, sockets & regulators. In addition to this also includes lamps, which include retrofit and non-retrofit compact fluorescent lamps (CFL), as well as T5 Tube Lights fittings and light-emitting diode base lighting switches.

FINCABLES: Technical View

The stock is in an uptrend and making higher highs and higher lows on monthly charts and made the all-time high of 744.47 levels in February 2018. The stock has seen profit taking from the lifetime high which has dragged the stock to the low of 442.80 levels. The stock has corrected around 55% from its previous rally from 197.55 to 744.47 and trading near the support 448 levels which is 200 EMA on the weekly chart. The stock is trading in the range of 442-477 levels from last one month. The immediate support is placed around 437 levels which is the 50 EMA moving average on monthly chart and below that is 406 levels which is 61.80% retracement level of the said rally. The stock is trading below its 50/200 DEMA moving averages on daily charts suggesting short-term weakness in the counter. Among the indicators and the oscillators, the 14 period RSI is pointing northwards after giving positive crossover with signal line. On the higher side, resistance is placed around 490 levels followed by 530 levels. Hence, we recommend investors with a longer time horizon to go long in the counter around current levels, average on declines towards 437 levels.

JAIN IRRIGATION SYSTEMS LTD

Bloomberg Code: JI IN

Revenue Growth Visibility

Jain Irrigation Systems Limited is the largest in domestic and 2nd largest in global Micro Irrigation System business. The company has well-diversified product portfolio comprising of Hi-tech Agri Input Products (MIS i.e., drip & sprinkler and Tissue Culture), Plastic Division (PE/PVC Pipes & sheets), Agro Processing Division (De-hydrated Onions/ Garlic, Spices and Processed Foods) and Other Business Division (Green Energy). The company registered consolidated revenue of Rs. 79468 Mn (excluding other income and net of excise duty) up 17.4% in FY18 on the back of strong growth it registered in all business segments. The company posted EBITDA growth of 12% and PAT growth of 26% over FY17 on YoY basis.

Strong Segmental Performances: The Company recorded growth of 28% in Hi-tech Agri Input Products Division, 12% in Plastics Division and 0.5% in Agro Processing Division in FY18 on YoY basis. It continued with good segmental performance during H1FY19 having registered growth of 21% in Hi-tech Agri Input Products Division, 24% in Plastics Division and 26% in Agro Processing on YoY basis.

Government Irrigation Initiatives to be Growth Stimulator: Central Government initiatives like adding at least 1 million hectares of land under micro irrigation every year, Building 100 Smart Cities, Housing for All, Swachh Bharat, etc. and resolve of state governments to bring more hectares of land under irrigations to provide big fillip to MIS and plastic pipes & sheet business.

Fast Growing Agro Processing Business: Food-processing is largely export-oriented. It has some domestic business as well. Much higher level of growth in overseas markets helped the company to register growth of 26% during H1FY19 on YoY basis.

Overseas Business: The recent acquisitions of Agri Valley Irrigation (AVI) and Irrigation Design and Construction (IDC) amidst stabilization of economic and political situations in Turkey, Brazil and Mexico ensures increased order inflows from these regions.

Valuation and Risks: We have valued the stock on 1 year forward PE 9.5x of FY20EPS and have arrived at TP of Rs. 101 with 46% upside potential. Greater dependence on government irrigation policy and seasonal nature of business are potential risks to the call.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	69
Target Price	101
Upside(%)	46

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	35.3 / 0.5
52-wk High/Low (Rs.)	150 / 55
3M Avg.daily value (Rs. Mn)	417.9
Beta (x)	1.5
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	496.4
Face Value (Rs.)	2.0

Shareholding Pattern (%)

Promoters	28.6
FIIs	30.8
DIIs	7.2
Others	33.3

Stock Performance (%)

	1M	3M	6M	12M
Absolute	5	13	(13)	(46)
Relative to Sensex	4	14	(15)	(49)

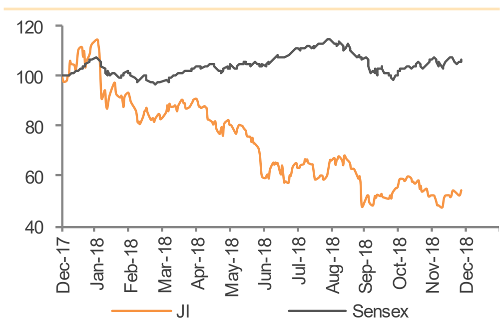
Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	63222	67698	79468	90427	102540
EBITDA	8183	9402	10554	13233	15979
EBITDA Margin (%)	12.9	13.9	13.3	14.6	15.6
Adj. Net Profit	487	1762	2213	3764	5470
EPS (Rs.)	1.1	3.3	4.3	7.3	10.6
RoE (%)	1.3	4.3	5.2	8.3	11.1
PE (x)*	57.7	28.5	25.1	9.5	6.5

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Jain Irrigation Systems Limited, incorporated in the year 1986 is a Indian multinational company engaged in the business of Hi-tech Agri Input Products, Plastic Piping & Products Agro Processing 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 the flagship product of the company wherein company offers end-to-end water solution projects. The company has manufacturing plants in 30 locations and more than 11000 associates worldwide. Such large distribution network has helped company to hold 40% market share in domestic MIS industry and around 20% market share in domestic PVC piping. Further, the company has in-house R&D to capitalize on opportunities arising in MIS, tissue culture and agro-processing industries.

JISLJALEQS: Technical View

JISLJALEQS has gained more than 14% during the third quarter of 2019 Financial Year ending 3 quarters of losses. The stock seems to be ending its downtrend as it is finding strong support as it is nearing its previous swing lows of 55 and witnessed a bounce back from these levels. The stock is currently trading above its short-term moving averages like 21 and 100 days moving averages. However, on a broader trend, the stock is stuck in the range of 245-325 levels over last few quarters. Adding to it, Heiken candlesticks is signaling positive trend on the daily charts as well as weekly charts reflecting the stock is well placed to move higher in the coming days. 14 periods RSI is trading at 44.01 above the 9 period averages trading at 41.41 on weekly chart indicating positive momentum. The stock has good support around Rs. 55-57 levels below which the next levels of meaningful support lie around Rs. 44-46 levels. As far as the technical setup of the stock is concerned, the ADX is clearly indicating that the stock is gaining strength of its current up move on daily charts. Investors with a medium-term horizon can start accumulating the stock in bits and parts with a provision to add more on dips towards 58-60 levels and may hold with a stop loss placed below Rs. 55 on a closing basis for potential upside technical targets of Rs.90-95 in the next few quarters.

K.P.R. MILL LTD

Bloomberg Code: KPR IN

Exports Continue to Improve

Exports excel, capex plans on track: Garment export business thrives as volumes increased by 15.36% (Rs. 44.5 Mn vs Rs. 37.6 Mn) and the realization by ~6% (Rs. 137.75 vs Rs. 129.78 in H1FY19). Exports contribution has increased to ~ 43% of consol. Revenues as of H1FY19 vs ~40% in previous fiscals as more of the yarn and fabric is now being consumed internally for the garment manufacture. With private consumption (domestic) on the rise, improvement in realization for both - yarn & fabric division and garment, we revise our revenues estimates for FY19E and FY20E upwards by ~9% and 10% and PAT by 2.4% for FY19E and 6% for FY20E. We revise our rating upward to **'BUY'**, with a Target price of Rs. 716.

Garment division gets further boost: KPR is also on track to begin manufacture at its new plant in Ethiopia (capacity of 10 mn units) by Q4FY19. The plant will provide import duty benefits between 10% and 18% and further improve competitiveness. The company in principle has an agreement for the manufacture of garments with 2 clients from this unit and is positive of ramping up seed capacity in 6 months. Currently, the export order book stands at Rs. 6,000 Mn for the garment business. The depreciation of rupee has provided levy for the company to improve bottomline and also pass on the benefits to its clients.

Cotton price outlook: Cotton prices are higher on YoY basis on the back of rise in MSP (by 28% and 26% for medium and long staple cotton) and increased import by China. India already garners about 25% cotton sales to China and with continued tariff war scenario between China and the US is expected to further increase the export percentage to China. Cotton prices are expected to stabilize at ~Rs. 45,000 to Rs. 46,000 per quintal (vs ~Rs. 40,000 per quintal in the same period last year).

Valuation and Risks: Owing to good numbers in the last few quarters and expectations of steady performance in FY19E and FY20E, valuations have remained fairly stable despite the overall correction within the sector and markets in general. Major trigger for the stock will increase garment revenue in the overall mix and improvement in margins on the back of commencement of Ethiopia plant. We value the stock at 13.2x (5 year average 1yr forward P/E) on FY20E EPS of Rs. 54.4. Key risks to the call are higher than expected cotton prices due to global factors and lower growth from US market.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	565
Target Price	716
Upside(%)	27

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	41.0 / 0.6
52-wk High/Low (Rs.)	850 / 552
3M Avg.daily value (Rs. Mn)	15.1
Beta (x)	1.0
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	72.6
Face Value (Rs.)	2.0

Shareholding Pattern (%)

Promoters	75.0
FIIs	1.7
DIIs	14.1
Others	9.2

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(5)	(7)	(11)	(28)
Relative to Sensex	(6)	(6)	(14)	(32)

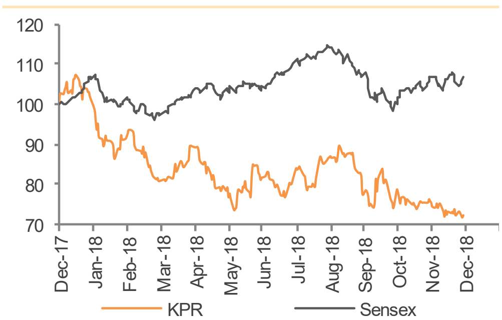
*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	26005	28166	30245	34687	37314
EBITDA	4696	5633	5753	6466	7181
EBITDA Margin (%)	18.1	20.0	19.0	18.6	19.2
Adj. Net Profit	2107	2726	2925	3450	4018
EPS (Rs.)	28.0	36.3	39.6	46.7	54.4
RoE (%)	17.1	17.7	19.1	20.4	20.6
PE (x)*	29.7	18.1	14.3	12.1	10.4

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



Source: Bloomberg

Company Background

KPR Mill Ltd. is an apparel manufacturing company engaged in the production of yarn, knitted fabric and readymade garments. It has one of the largest vertically integrated manufacturing capacities in India, enabling the company to utilize and customize 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, have vast experience in the textile industry, which has aided in the company's evolution into fabric and garment segments.

KPRMILL: Technical View

The stock is in a secular uptrend making higher highs and higher lows on the monthly chart. The stock witnessed a strong rally from the lows of 310 levels registered in February 2016 to the highs of 878 levels registered in June 2017. The stock formed a double top on the daily charts in January 2018 when the stock re-visited levels near the highs that it had registered previously. As far as the technical setup of the stock is concerned, the stock has re-traced more than 50% since and is trading near a confluence of supports. The 200 period exponential moving average on the weekly chart for the stock is placed around 547 levels and the 50 period exponential moving average on the monthly chart for the stock is placed around 533 which also coincides with the 61.8% Fibonacci retracement levels of its previous rally. The stock is currently placed below all the major moving averages on the daily chart which indicates that the stock may see weakness in the near term. Hence investors with medium to long-term time horizon can start accumulating the stock on dips towards the immediate support zone of 533-547 levels and may hold with a stop loss placed below its swing support placed around 450 levels for the potential upside of 690-700 levels, breaching which the stock might surge further towards 830-850 levels.

MENON BEARINGS LTD

Bloomberg Code: MEN IN

Expansion Plans & Value Unlock in Aluminum Division

Strong revenue growth, healthy profit margins: Menon enjoys a marquee list of clientele like TATA, VOLVO, Mahindra & Piaggio and state of the art manufacturing facilities. Menon undertakes designing, testing, validation & manufacturing of bearings, bushes & thrust washers for a wide range of applications. We expect the investments made by the firm in new facilities will start paying off by FY20E. In view of the order book position, customer demand, we expect revenue CAGR of 16.5% during FY18-20E. We also expect EBITDA margins to stabilize around ~26% by FY20E.

Capacity enhancements: Menon has invested Rs. 400 Mn for enhancement of aluminum division and the facility is expected to be ready by FY20E to cater to increased customer demand. With enhanced capacities, Menon is in good place to de-risk its product mix. Considering the strong clientele & new contracts, we are of the positive view about Menon's focus on increasing the aluminum share from the current levels of ~30%. We also expect the segment to witness a faster growth ahead.

Financial position: Net debt/ equity of 0.1x in FY18, net working capital/ sales at less than 25% and cash per share of Rs. 3.3 indicate its balance sheet strength to remain debt free while maintaining operational superiority. The company is expected to meet its capex through internal accruals & debt. Historically, Menon Bearings has been recording a healthy profitability & return ratios; we expect the trend to continue in future with RoE reaching 24.0% & RoCE of 32.5% levels by FY20E.

Valuation and Risks: At CMP of Rs. 79, MBL is trading at 15.7x to FY20E EPS. In view of the capacity enhancements, product mix de-risking and healthy profitability margins coupled with superior return ratios, we ascribe a multiple of 24.0x to FY20E EPS (5 year average of one year forward PE) and recommend a **"BUY"** rating for a target price of Rs. 120 representing an upside of 52%. We believe that on account of high return on capital at 33.6% over the last 3 years, the company has potential to be re-rated. Threat of counterfeit products which mainly cater to aftermarket segment (10% of Menon revenues) along with slowdown in industrial & automotive segments especially tractor & CV sales may pose risk to the call.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	79
Target Price	120
Upside(%)	52

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	4.4 / 0.1
52-wk High/Low (Rs.)	127 / 70
3M Avg.daily value (Rs. Mn)	2.5
Beta (x)	1.1
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	56.0
Face Value (Rs.)	2.0

Shareholding Pattern (%)

Promoters	70.9
FIIs	0.1
DIIs	1.2
Others	27.7

Stock Performance (%)

	1M	3M	6M	12M
Absolute	4	(5)	(9)	(18)
Relative to Sensex	3	(4)	(12)	(23)

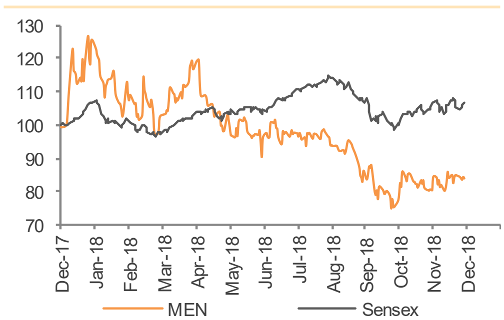
Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	1109	1228	1449	1609	1964
EBITDA	286	324	364	425	512
EBITDA Margin (%)	25.7	26.4	25.1	26.4	26.1
Adj. Net Profit	149	191	211	246	280
EPS (Rs.)	3.2	3.4	3.8	4.4	5.0
RoE (%)	28.7	29.8	27.3	26.4	24.8
PE (x)*	15.5	21.4	26.1	17.9	15.7

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Incorporated in 1991 & headquartered at MIDC in Kolhapur, Maharashtra, the company is engaged in manufacturing automobile components like bushes, bearings, thrust washers, aluminum die cast and bimetal strips. These products are customized according to the clients' requirements in various specifications. Different varieties of bearings supplied by the company include flanged bearings, tri-metal bearings, copper-bronze & aluminum-tin bearings for crankshafts. The products find applications in light & heavy commercial vehicles, passenger vehicles, compressors, combustion engines and electrical appliances such as refrigerators and air conditioners. The company caters to OEMs, replacement market and the export market. Its products are exported to countries across the globe such as USA, UK and Middle East.

MENONBE: Technical View

MENONBE has rallied from 19.93 levels in March 2015 to 125.77 levels in January 2018 and corrected from there to 70.10 levels, which is around 50% Fibonacci retracement level of the said rally and bounced back to settle above 38.2% Fibonacci retracement levels of the rally indicating the end of the correction. The stock was in consolidation mode for very long time followed by a strong breakout with huge jump in volume indicating a fresh leg of rally from these. Adding to it, the Parabolic SAR and Heiken candlesticks are signaling positive trend on the daily charts as well as weekly charts reflecting the stock is well placed to move higher in the coming days. 14 periods RSI is trading at 56.17 above the 9 period averages trading at 44.20 on weekly chart indicating positive momentum. The stock is trading well above all of its major moving averages on daily as well as weekly charts indicating strong positive momentum in the counter for all major time frames. On Bollinger band, weekly chart stock has tested the mean and started to move towards upper bands indicating positive momentum. At the current levels, investors with a medium-term horizon can start accumulating the stock in bits and parts with a provision to add more on dips towards 80 levels and may hold with a stop loss placed below Rs. 70 on a closing basis for potential upside technical targets of Rs. 118-120 in the next few quarters.

RELAXO FOOTWEARS LTD

Bloomberg Code: RLXF IN

Relaxo Continues to Push Forward

Footwear segment has seen various listed players take up dominant share in the organized space. While Bata and Mirza have focused on value-added (non-leather) products in recent years and have increased their efforts to penetrate into the domestic market, the competitive nature of the industry (largely unorganized and smaller players) has limited the pace of growth. Relaxo – which focuses on providing higher quality than unorganised players at very competitive prices in the low price region, have managed to widen their reach and improve volumes (Relaxo's volumes have improved 8%, over FY15-18) , supported by rural India (for its low priced products) and has also gained acceptance in urban India in the "home wear category".

Growth story expected to maintain pace: In the listed space, Relaxo has been a consistent performer in the last 5 years. Revenue has grown at 14% and an improvement of operating margins by 458 bps has led to 29% CAGR growth in PAT over the same period. With best in class return ratios (average RoE of 26.2% and RoCE of 32.6% in the last 5 years) and backed by improving realization and growing customer base, we expect top and bottomline to grow by 16.3% and 21.1% CAGR over FY18-21E.

Focusing on brand building: Channel sales continue to drive major sales growth for Relaxo. The company is also investing heavily towards brand building. Since 2012, the company has focused more on celebrity endorsements and increasing its retail presence. Currently, Relaxo has 311 retail outlets and spends about 4.5% of its revenues on advertisements, which is higher than its peers in the listed space. Higher value products such as Sparx are believed to constitute in the range of 10% to the total volumes and the company is looking to significantly improve the revenue mix in the coming fiscals.

Valuation and Risks: Consistent performance has led to improvements in valuations by 4x over the past 5 fiscals. It currently trades at 2 year forward P/E of 31x. We believe the company warrants premium valuation, given the continued high growth prospects and the brand building efforts being undertaken. We value the stock at 38x (a premium to its 5 year average 2 year fwd P/E of 30x), on FY21E EPS of 24 and arrive at a target price of Rs. 911. Key risks to the call are difficulties in penetrating into the online category, and intensified competition from unorganized players.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	732
Target Price	911
Upside(%)	24

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	88.1 / 1.3
52-wk High/Low (Rs.)	874 / 550
3M Avg.daily value (Rs. Mn)	21.7
Beta (x)	0.8
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	120.4
Face Value (Rs.)	2.0

Shareholding Pattern (%)

Promoters	74.3
FIIs	3.9
DIIs	2.2
Others	19.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(4)	0	6	7
Relative to Sensex	(5)	0	3	0

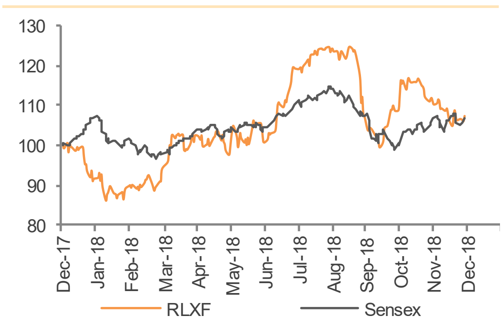
Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	15000	17332	16520	19644	22984
EBITDA	2006	2399	2309	3021	3482
EBITDA Margin (%)	13.4	13.8	14.0	15.4	15.1
Adj. Net Profit	1031	1160	1200	1611	1947
EPS (Rs.)	8.6	9.7	10.0	13.4	16.2
RoE (%)	31.7	27.4	22.1	23.6	23.1
PE (x)*	37.7	37.7	49.8	48.6	45.3

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Incorporated in 1984, Relaxo Footwears Ltd. is the largest footwear manufacturer in India, engaged in the manufacture and trading of footwear and related products. It started off with the manufacture of Hawaii slippers and subsequently diversified into manufacturing casuals, joggers, school and leather shoes. Relaxo has the capacity to manufacture over 100 million pairs, per annum. Relaxo's capacity to manufacture 300,000 pairs of Hawaii slippers per day is the highest in the footwear industry.

The portfolio of the company includes 5 brands (Relaxo, Flite, Sparx, Bahamas and Schoolmate) and sells its products mainly through 50,000 retailers, and also has 311 retail outlets to improve brand visibility. It sold a total of 157 million pairs in FY18, and is estimated to have a market share in the range of 5% to 6%. Nearly 90% of the revenue is attained from the domestic market.

RELAXO: Technical View

The stock is in a secular uptrend making higher highs and higher lows on the weekly chart. The stock is placed above all the moving averages on the monthly chart which suggests large scale accumulation in the counter. The stock has gained nearly 8.50% this calendar year after gaining more than 68% in the previous calendar year which indicates that the stock is sustaining at higher levels after a strong rally suggesting that it is one of the preferred picks in the footwear segment for Medium to Long term investors. As far as the technical setup of the stock is concerned, the stock is trading near a confluence of supports. The 200 DEMA for the stock is placed around 725 levels and the 50 period exponential moving average on the weekly chart for the stock is placed around 713. On the momentum oscillator front, the 14 period RSI is placed below the 9 period signal line on the daily as well as monthly charts which suggests weakness in the stock in the near term. Hence investors with medium to long-term time horizon can start accumulating the stock on dips towards its 50 period exponential moving average on the weekly chart which also coincides with the swing support near 710-715 levels with a provision of adding more on dips towards its 21 period exponential moving average on the monthly chart placed around 650-655 levels and may hold with a stop loss placed below its swing support placed around 590 levels for the potential upside of 860-865 levels.

SUNTECK REALTY LTD

Bloomberg Code: SRIN IN

Expanding Product Portfolio; Strong Pre-sales

Sunteck Realty Ltd (SRL) is engaged in the business of developing, designing and managing high-end and premium residential and commercial properties predominantly in the Mumbai Metropolitan Region (the "MMR"). In the last decade, the company has developed a project portfolio of ~30 mn sqft spread over 25 projects, with ~12 msf to be completed by FY23. SRL has a strong cash flow visibility on back of strong project portfolio in MMR.

Bandra Kurla Complex (BKC) and Oshiwara District Center (ODC) – core assets of the company: The company has carved a niche for itself in the ultra-luxury and luxury segment by differentiating itself in each micro-market through brand positioning with a different product offering. While the projects in BKC are residential projects catering to ultimate luxury and premium customers, ODC project will be a mixed-use development project with residential, commercial and retail space. A significant amount of operating cash flow - Rs. 31 bn - is expected to be realized from these two projects over a period of 3-4 years.

Consolidated revenue to grow at CAGR 29% over FY18-FY20E: Since last few quarters, the company has experienced healthy growth in pre-sales and it delivered ~100% YoY growth in presales in H1FY19 (Rs. 6027 mn pre-sales in H1FY19 as compared to Rs. 2976 mn in H1FY18) due to overwhelming response to first phase of Naigaon project. Going forward, we expect SRL to sustain its current growth momentum and have forecasted a consolidated revenue CAGR of 29% over FY18-20E period (Revenue in FY20E).

Forayed into mid-income level segment: The company has launched its affordable housing project on 100 acres land parcel at Naigaon, Mumbai. We believe that the government's push for affordable housing coupled with conservative pricing by the company will drive the sales. The company has already sold ~2000 units worth more than Rs. 600 cr (out of 2476 units) during the launch of the project in September.

Valuation: We have valued SRL using the NAV method, wherein we have calculated the value of ongoing projects and unsold inventories from completed projects. We have assumed a cap rate of 8% for rental assets and a discount rate of 13% for residential projects. We estimate a target price of Rs. 497/share (post-tax) on FY20E basis.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	348
Target Price	497
Upside(%)	43

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	50.9 / 0.7
52-wk High/Low (Rs.)	527 / 296
3M Avg.daily value (Rs. Mn)	93.2
Beta (x)	1.0
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	146.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)

Promoters	66.8
FIIs	24.5
DIIs	3.4
Others	5.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	0	(13)	(4)	(17)
Relative to Sensex	(1)	(13)	(7)	(22)

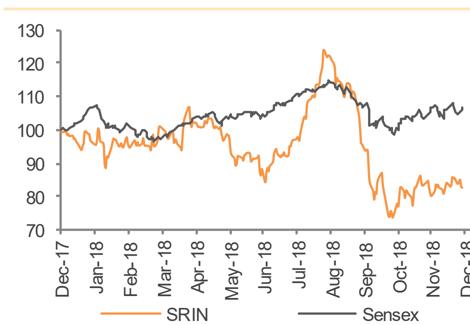
Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	2434	9522	8883	9418	14825
EBITDA	239	3481	3720	3876	5655
EBITDA Margin (%)	9.8	36.6	41.9	41.1	38.1
Adj. Net Profit	206	2202	2233	2450	3777
EPS (Rs.)	1.4	15.0	15.3	16.7	25.8
RoE (%)	1.3	12.3	8.5	8.6	11.8
PE (x)*	8.4	22.3	25.4	21.3	13.8

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

SRL is one of the leading real estate development companies of the country with a focus on city-centric developments well spread-out across Mumbai Metropolitan Region (MMR). The company's business focuses on designing, developing and managing premium residential and commercial properties.

The company has carved a niche for itself in the ultra-luxury and luxury segment by differentiating itself in each micro-market through brand positioning with different product offering, brand partnerships and having different reputed channel partners for each product.

SRL started the residential development business with its iconic project "Signature Island" in BKC (Bandra Kurla Complex), Mumbai. The company chose BKC to start its residential foray at a time when other industry players were focused on making commercial footprints in the area. Post the successful launch of Signature Island, the company launched two more projects viz. "Signia Isles" & "Signia Pearl" in BKC.

SUNTECK: Technical View

SUNTECK witnessed a strong up move from the lower levels of 225 towards 500 plus level within a short time frame of around 16 months. The stock is trading around the major moving averages and is trading near the major support area of 320-340 levels and formed a good base around the same from past few weeks. The stock has been in the sideways consolidation mode from past few weeks and witnessed reasonable volumes indicating strong hands have started accumulating the stock at current levels after the recent correction. At the current juncture, the stock is looking bullish and is poised to surge higher towards 400 plus levels with 14 day RSI trading comfortably around 45-50 levels suggesting positivity in the counter. On the shorter time frame, the stock will enter into definite bullish trajectory once the price breached its immediate resistance level of 370 followed by 380 level. On the flip side, the next best support for the counter is placed around 315-320 which may be utilized as a good accumulating opportunity for the long-term period. On the overall front, we expect the stock to gradually move northwards in the next few month and may continue to trade with positive bias. Long-term investors may buy the stock at current levels and accumulate more if the stock dips towards the support zones.

TAKE SOLUTIONS LTD

Bloomberg Code: TAKE IN

Looks Attractive with Improving Fundamentals

Clinical business to be the growth driver: Take Solutions (TAKE) has been focusing on Clinical business as total R&D spends is expected to reach $181 bn by 2022 growing annually at 2.4%. To take advantage of this and to improve margins, TAKE is leveraging use of technology. It is in the process of developing OneClinical into platform-as-a-service by adding components of clinical trial business process as part of its digital transformation. It is further revamping the entire suite of OneClinical platform by adding features like use of mathematical models to support site selection, initiation, patient screening and enrolment modules. It is enhancing the Reporting Module of OneClinical to facilitate ease of understanding.

Support generics firms to gain first-to-market advantage: TAKE has end-to-end bioavailability and bio-equivalence services to fast track client's first-to-market strategy. TAKE has thus been helping generics firms with their state-of-the art facilities in Manipal, Mangalore, Bengaluru and Chennai. The bio-analytical labs set up at Manipal and Bengaluru are regulatory compliant. It enables to develop and validate new methods in 4 weeks. Company has a huge database of volunteers including of 23000 males and 1000 females.

Revenue visibility boosts confidence: During Q2FY19 TAKE reported revenue growth of 39% which is highest in past 6 quarters. We expect TAKE to continue to report higher growth rates going forward and reach historical levels of ~40% due to strong order book. During end Q2FY19, TAKE's order book stood at $228 mn with revenue visibility of 2x-3x of this order book in the future. While the management has guided for organic growth of 23-24% in USD terms, we believe it has upside risks due to inorganic component. Moreover, continuous decline in its conversion rate of order book (45% in Q1FY17, 39% for Q1 FY18 and 37% in Q1 FY19) implies increasing proportion of high value-added offerings and increasing mix of long-term deals providing growth visibility for longer period.

Valuation and Risks: While we remain optimistic about TAKE's future prospects, recent correction gives a good entry opportunity with a target price of Rs. 226, based on FY20E EPS of Rs 19.8 and 3 –year historical average PE of 11.4x. We think regulatory risks and low RoE are key risks to our price target.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	148
Target Price	226
Upside(%)	53

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	21.9 / 0.3
52-wk High/Low (Rs.)	307 / 127
3M Avg.daily value (Rs. Mn)	44.8
Beta (x)	0.7
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	147.9
Face Value (Rs.)	1.0

Shareholding Pattern (%)

Promoters	66.8
FIIs	13.8
DIIs	1.6
Others	17.8

Stock Performance (%)

	1M	3M	6M	12M
Absolute	10	(3)	(35)	(8)
Relative to Sensex	9	(3)	(37)	(14)

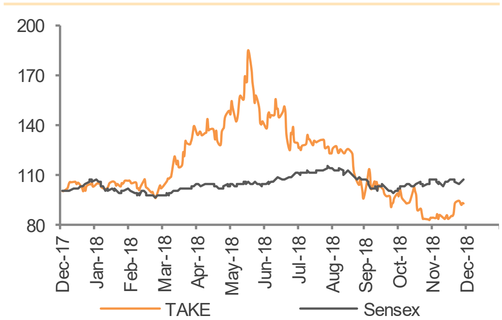
Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	10301	13446	15872	19364	23625
EBITDA	2133	2622	3065	3885	4819
EBITDA Margin (%)	20.7	19.5	19.3	20.1	20.4
Adj. Net Profit	1197	1462	1599	2225	2890
EPS (Rs.)	9.9	11.2	12.2	15.3	19.8
RoE (%)	20.6	18.9	14.3	15.4	16.9
PE (x)*	14.3	11.3	12.1	9.7	7.5

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Take Solutions (TAKE) delivers domain intensive services in Life Sciences and Supply Chain Management. In the fast-growing Life Sciences space, TAKE offers clients a unique combination of full-service Clinical, Regulatory & Safety services, backed by unique technology capabilities. TAKE's service offerings span from Clinical trials to regulatory submissions to post-marketing safety, all backed by insights derived through proprietary industry networks forums. With a team of leading Life Sciences experts, best-in-class systems and processes, and bespoke, industry-specific technology and analytics, TAKE delivers successful outcomes for clients. TAKE's clients include large and small innovator biopharmaceutical companies as well as generic manufacturers. TAKE's operations are spread across North America, Asia, Europe and South America, with Americas contributing 81%, followed by APAC with 12% of revenues and rest contributed by Europe. Within Life Sciences, Clinical contributes 30%, Consulting and Nets, 12% and Regulatory & PV contributing 58%.

TAKE's Supply Chain business contributes 10% of revenues. In Supply Chain TAKE focuses on high margin niches, in engineering services, and supply chain collaboration. TAKE's IP-led approach enables its clients to automate supply chain processes, track, trace and control and optimize their processes.

TAKE: Technical View

Since Jun'18, TAKE is correcting from the highs at 308 levels and is currently trading close to its support zone around 135-140 levels. We expect the stock to witness a round of consolidation in the near term before taking the fresh leg of an up move, and medium to a long-term investor may start accumulating the stock from current levels and add more on declines towards 135-140 levels which are a confluence support of the counter as the stock has witnessed consolidation at the mentioned levels in the recent past and finding support around that area. On the oscillator front, the 14 periods RSI is indicating consolidation in the near term and is currently placed around the oversold region, indicating a pause in the counter. On the weekly chart, the stock is nearing its upward slope trend line connecting the higher lows since Jul'15 which would act as strong support at 130 levels. Going ahead key support is placed around 135 levels followed by 125 levels while resistance is placed around 180 levels followed by 210 levels. In the current scenario, considering all the data mentioned above, one may go long in the counter on any dip towards the mentioned support zone.

THE PHOENIX MILLS LTD

Bloomberg Code: PHNX IN

Doubling Portfolio and Increased Consumption at Existing Malls

As India's largest mall owners and operators, the Phoenix Mills Limited (PML) is evolving into a trusted proxy for the consumption trends of India's urban middle class. India's retail infrastructure has come a long way and PML is at the forefront of creating fully integrated recreational centers on a pan India basis. The company operates 8 malls, close to 6 Mn sqft. in total, across 6 Tier-1 cities in India.

Higher Occupancy levels across Malls: According to a JLL report, Occupancy level in malls across India is hovering around 85%. PML has been consistently able to maintain occupancy level for all its stabilized malls at more than 90% compared to industry standards of 85%. With higher occupancy level, PML has achieved rental CAGR of 11% over FY13-18. MarketCity Malls at Pune and Bangalore have achieved a higher rental CAGR of 16% over the same period. The growth in rentals can also be attributed to PML's superior mall management skills of churning, relocating and resizing of retailers on a continuous basis.

Retail portfolio to double by FY22-23: PML has ~6msf of rentable area spread across 8 malls in 6 cities. It has partnered with Canada Pension Plan Investment Board (CPPIB) and has acquired 2 land parcels – one each in Pune and Bengaluru – and an under construction retail asset at Indore. Outside of the alliance, PML has acquired also an under construction retail asset at Lucknow and has entered into JV with Bsafal Group to develop a mall in Ahmedabad. These 5 acquisitions will be operational by FY22-23 and has a retail development potential of ~4.8 msf.

PAT to grow at 23.6% over FY18-20E: PML's PAT grew at 17% CAGR over FY14-18. Over FY18-20E, PAT is expected to grow by 23.6% CAGR driven by 1) Revenue growth with 3 year CAGR of 12.2%. 2) Renewals - Major area in HSP Mumbai (44%) and MarketCity Pune (36%) is coming up for renewal in next 2 years 3) Improved realizations at MarketCity Mumbai.

Valuation: We have valued PML using the NAV method, wherein we have calculated the value of ongoing projects and unsold inventories from completed projects. We have assumed a cap rate of 8% for rental assets and a discount rate of 13% for residential projects. We estimate a target price of Rs. 735/share (post-tax) on FY20E basis.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	557
Target Price	735
Upside(%)	32

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	85.3 / 1.2
52-wk High/Low (Rs.)	732 / 489
3M Avg.daily value (Rs. Mn)	50.4
Beta (x)	0.6
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	153.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)

Promoters	62.8
FIIs	27.9
DIIs	4.2
Others	5.1

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(7)	1	(14)	(14)
Relative to Sensex	(8)	2	(17)	(19)

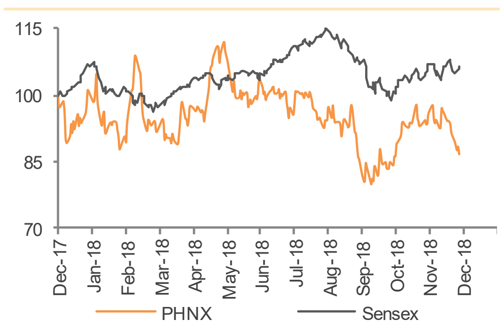
Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	17795	18246	16198	17816	20680
EBITDA	7869	8469	7774	8615	10207
EBITDA Margin (%)	44.2	46.4	48.0	48.4	49.4
Adj. Net Profit	1289	1679	2422	2814	3701
EPS (Rs.)	8.4	11.0	15.8	18.4	24.2
RoE (%)	6.4	7.8	8.5	8.2	9.9
PE (x)*	55.4	34.5	37.4	32.9	25.0

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Phoenix Mills have an operational history of more than 100 years. It started off as a textile manufacturer and later on reinvented itself as a retail mall developer. PML specializes in the ownership, management and development of iconic large format retail led mixed-use properties that include shopping, entertainment, commercial, residential and hospitality assets. All the Phoenix malls enjoy the leadership position in their respective cities.

The company has a 6msf retail portfolio spread across 8 malls. PML has a presence across Mumbai, Chennai, Bengaluru, Pune, Lucknow and Bareilly.

During FY13-18, consumption at all its malls has grown at a CAGR of 20%. Rental income during the same period grew at a CAGR of 15%. During FY18, PML completed stake purchases of private equity partners across the portfolio and has reached majority stake in key assets.

PHOENIXLTD: Technical View

The stock is in an uptrend and making higher highs and higher lows on monthly charts and made the all-time high of 723.11 levels in May 2018. The stock has seen profit taking from the life-time high which has dragged the stock to the low of 489 levels which is around 50% of previous rally from 234.70 to 723.11 levels. The stock has found the buying interest around 489 levels and resumed its up move. The immediate support is placed around 510 levels and below that is 465 levels which is the 200 day EMA moving average on weekly chart. The stock is trading below its all major moving averages on daily charts suggesting short-term weakness in the counter. Among the indicators and the oscillators, the 14 period RSI is pointing southwards on daily chart and weekly chart as well after giving negative crossover with signal line. The parabolic SAR is placed above the price on daily charts as well which indicates weakness in the stock will remain intact in near term. As far as the long-term moving averages are concerned, the 200 day exponential moving average on weekly chart is placed around 465 levels and the stock is comfortably trading above it. On the higher side, resistance is placed around 600 levels followed by 640 levels. Hence we recommend investors with a longer time horizon to go long in the counter around current levels, average on declines towards 510 levels.

VISAKA INDUSTRIES LTD

Bloomberg Code: VSKI IN

Improved Capacities & Volumes, Margins to Expand

Diversified product portfolio & enhanced capacities: Visaka enjoys a strong position in cement asbestos, V-board and yarn business. It has a market share of 18% in cement asbestos segment while boards and panels segment enjoys a market share of 26%.

During FY18-19 Visaka has made capex towards enhancing the capacities in boards & panels segments. Management is positive about the commencement of operations from H2FY19 onwards at its new plant in Jhajjar, Haryana. The facility has a potential of Rs. 650 Mn revenue addition if operated at full capacities. The facility is expected to improve the profitability margins by 75-100 bps due to reduced transportation costs. Also the management is expecting its innovative product, ATUM-solar roofing product, commercialization to start in FY19E and expecting a revenue addition of Rs. 150 Mn from for FY19E. While we do not account for revenue from the product, we believe it to be an upside catalyst in near future.

Non-Asbestos revenue contribution, improved profitability margins: Current revenue mix is in favour of asbestos segment with a 68% contribution; however, management is focusing on bringing a proper balance due to its improved profitability from boards & panels segment. Management is of the view to bring about equal balance between asbestos & non-asbestos which will help improve margins in future.

Improvement in working capital: Historically, VIL's working capital cycle has been ranging from 100-125 days due to high inventory from asbestos segment due to its products dynamics. Considering the management's focus to increase the non-asbestos revenue (boards & panels), which enjoys higher margins are expected to have a dual effect in terms of reduced working capital cycle along with higher profitability at the consolidated level. We expect the NWC to reach 95 days by FY20E.

Valuation and Risks: In view of the management's focus on increasing the non-asbestos revenue, enhanced capacities and anticipated improvement in working capital cycle along with reduced transportation costs, we value the company at 15x (5 year average of one year forward PE) to FY20E EPS and recommend a **"BUY"** rating with a target price of Rs. 750 with an upside potential of 76%. Competition from alternate products along with potential ban on asbestos products may pose a threat to the call.

Recommendation (Rs.)

CMP *(as on Dec 28, 2018)*	426
Target Price	750
Upside(%)	76

Stock information

Mkt Cap (Rs.Bn/US$ Bn)	6.8 / 1.0
52-wk High/Low (Rs.)	840 / 360
3M Avg.daily value (Rs. Mn)	18.3
Beta (x)	1.3
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	15.9
Face Value (Rs.)	10.0

Shareholding Pattern (%)

Promoters	41.5
FIIs	3.9
DIIs	0.6
Others	54.0

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(3)	(4)	(12)	(33)
Relative to Sensex	(4)	(3)	(14)	(37)

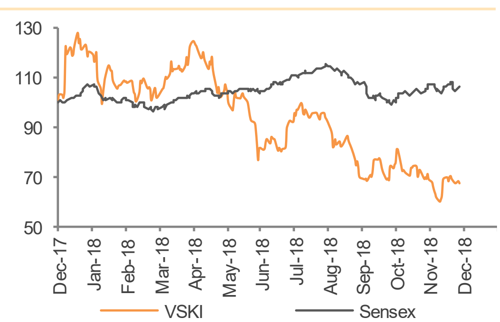
Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	10049	9606	10123	10960	12145
EBITDA	952	1172	1502	1578	1804
EBITDA Margin (%)	9.5	12.2	14.8	14.4	14.9
Adj. Net Profit	244	428	666	685	803
EPS (Rs.)	15.4	26.9	41.9	43.1	50.6
RoE (%)	7.0	10.9	14.9	13.7	14.1
PE (x)*	6.9	10.0	15.4	9.9	8.5

*Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price*

Relative Performance*



*Source: Bloomberg; *Index 100*

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 and fiber cement boards like V-Boards and V-Panels) and Synthetic Yarn. The company has 36 depots and more than 6000 dealer outlets pan India to ensure smooth & timely supply of products. The company is the second largest manufacturer of cement fiber roofing sheet and is the largest player in V-Board business. It is the market leader in twin Air Jet technology in the textile synthetic yarn business. The company has 11 manufacturing facilities and 13 marketing offices across India.

VISAKAIND: Technical View

The stock is in consolidation mode since its lifetime high of 838 levels clocked in January 2018 and currently found support around 370-390 levels and rallied from there on. The stock is trading below its 200 - days Simple moving average while is trading above its 200-week simple moving averages indicating that long-term investors are present at lower levels. We expect the stock to witness a round of consolidation in the near term before taking the fresh leg of an up move, and medium to a long-term investor may start accumulating the stock from current levels and add more on declines towards Rs. 380-400 zone which is a retracement zone of its current swing low of 367.20 levels to the high of 448 levels. On the oscillator front, the 14 daily periods RSI is indicating a pause and is placed near the oversold region, while the weekly chart is trading above the 9 period EMA indicating a bullish bias in the medium term. Going ahead key support is placed around 400 levels followed by 380 levels while resistance is placed around 540 levels followed by 630 levels.

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