

Road Ahead

Road ahead seems to be quite bumpy, seats belts needs to be fastened tight. Given, the present scenario where Global economic growth is tapering, concerns on geo-political issues on rise, uncertain US trade policies, currency and crude oil volatility, inclusive corporate earnings growth trajectory yet to pick up; we expect 2019 to be no different from 2018, where markets may gyrate to extreme ends. Empirical evidence advocates bottom ups approach for stock picking, which is the need of hour. Companies which are driven by solid business models, asset light balance sheet, high return ratios and consistent earnings are the ones which would tide the waves. Thematically, we believe consumption space will outperform others, specifically FMCG, White Goods, Electrical & electronics, Agro-chemicals and select financials. Having, regard to various push and pull strings be it domestic political, macro-economic, geo-political, governance among few others we think every scenario throws up opportunity for quality stock investment ideas. We think below mentioned stock investment ideas are largely insulated from most of the concerning factors highlighted above and are quality companies. We recommend staggered approach for accumulating them.

Exhibit 1: Value picks

Stocks	Cmp	52 Weeks High	Margin of Safety (down from highs)	Dividend Yield
BEL	75	189.45	-60.41%	2.58%
CANFIN	234	557.5	-58.03%	0.85%
COAL	238	316.95	-24.91%	6.93%
Delta Corp	228.8	401.6	-43.04%	0.44%
LALPATHLAB	953	1122	-15.06%	0.47%
Excel Crop	3209	4922	-34.80%	0.27%
JK TYRE	88	193	-54.40%	1.70%
Mahseamless	477.5	552	-13.50%	1.26%
NBCC	49	133	-63.16%	1.71%
RBL	548	652	-15.95%	0.38%

Source: Company, IndiaNivesh Research

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RESEARCH

Rationale

STOCK INFO

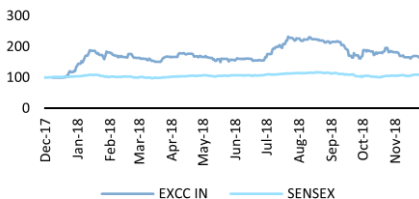
BSE	532511
NSE	EXCELCROP
Bloomberg	EXCC IN
Reuters	EXCR.NS
Face Value (Rs)	5
Equity Capital (Rs mn)	55
Mkt Cap (Rs mn)	35,324
52wk High/Low	4,922 / 1,954
Avg Daily Vol (BSE+NSE)	3,450

SHAREHOLDING PATTERN (%)

Promoters	64.97
DII / FII	6.67 / 0.23
Public & others	28.13

(as on Sep, 2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
EXCC IN Equity	(24.2)	2.2	60.4
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

EXCEL CROP CARE

CMP 3209 Target 5000

- **Gradual Shift from generic to specialty products:** Excel Crop Care Ltd (ECCL), a generics player in the agrochemical space with strong manufacturing capabilities, is set for the next leg of growth after the completion of its merger with Sumitomo Chemical India (SCI) expected by H1FY20, a company known for patented products. The merger will help ECCL to move from being a complete generics player to an all-round specialty + generic products player. Focus will be more on high margin Sumitomo products.
- **Structural growth in Agrochemicals:** India's agrochemical industry has been showing signs of structural growth, driven by rising domestic demand, favourable regulatory changes led by the Make in India policy and tighter supply from China. There is substantial opportunity to explore products going off patent during 2017–20. The aim to double farmer incomes by 2022, if realized, is likely to boost the country's agrochemical demand substantially. We expect India's agrochemical industry to record 9% CAGR over the next two years.
- **SCI product manufacturing shifts to ECCL's facilities:** Further, Post merger, we expect the products that SCI currently manufactures through third-party manufacturers on a contract basis to be shifted to ECCL's facilities. This will be win-win situation for both entities; reaping benefits of economies of scale and better asset sweating. Sumitomo plans to unlock ECCL's full potential by leveraging its manufacturing strength and good product penetration in India.
- **Business momentum picks up:** ECCL, in which Sumitomo Chemical Company (SCC) acquired ~65% stake in 2016, witnessed strong growth (21%) in FY18, which was the first full year of operations after the acquisition. We expect the merged entity to witness revenue CAGR of ~13% over FY18–21 and EBITDA CAGR of ~20%, with a margin improvement of 210bps.
- **Better product mix and offerings:** Currently, ECCL's top five products contribute ~65% to its top line. However, the impending merger will help diversify ECCL's product portfolio, which will benefit from SCI's strong specialty and PGR offerings. Also, since SCC is an innovator company, the merged entity may have access to several in-patent and upcoming new-to-the world molecules and AIs through SCC's global R&D centers. Post-merger, we expect more focus on high-margin categories like PGR and specialty products, which will be the primary growth driver.
- The scheme of the merger specifies that ECCL's shareholders, other than SCI, will receive 51 fully paid-up equity shares of SCI of face value of Rs10 each for every two fully paid-up equity shares of face value of Rs5 held in ECCL. The amalgamation and listing of SCI's equity shares are expected to be completed by H1FY20.
- **Dilution of Promoter Holding:** After the listing, SCI will have to mandatorily increase the public shareholding to 25% within a period of one year from the date of listing. This can be done by way of equity dilution or fresh issuance of shares. Since the merged entity will have positive cash flow from operation over the next three years, we expect Sumitomo to reduce its holding to 75% via sale of its shares instead of new issue by the merged entity.

RESEARCH

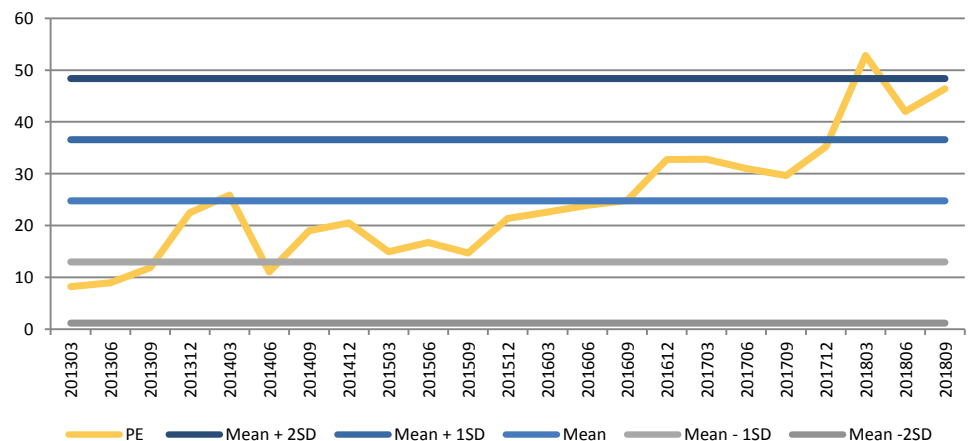
- **Strong Distribution Base:** ECCL will have more than 13,000 distributors across India, focused in the country's major agricultural belts. The combined entity will have five manufacturing plants: three in Gujarat, one in Dadra & Nagar Haveli, and one in Maharashtra. Post-merger, we expect some of SCI's technical products that are currently manufactured via third parties to be manufactured in ECCL's facilities.
- **Product Portfolio Share:** Among segments, insecticides will continue to command the largest revenue share in the combined entity at ~46%, followed by herbicides at 18% (currently 29%), and plant growth regulators (PGRs) at 15%. Meanwhile, the share of metal phosphide, fungicides, and other segment will decline to 8%, 7%, and 6%, respectively. We expect growth for the merged entity to be driven by PGRs and specialty products, in which Sumitomo's strength lies.
- **Financials:** SCI witnessed revenue and EBITDA growth of 7.3% and 23.4%, respectively, over FY14–18 (revenue increased at a CAGR of ~21% over FY11–18). This growth has mainly been on account of the over 12x growth in the agrochemical segment during FY11–17. Merged entity will be a net debt free company with having healthy FCF. We expect the merged entity to generate strong CFO of in excess of Rs4bn over FY19–21, which should be more than enough to fund the upcoming capex.
- **Valuation:** We expect the merged entity to realize synergistic benefits starting FY20, which will significantly boost its financials. We expect the merged entity's revenue and EBITDA to increase at a CAGR of ~13% and ~20%, respectively, over FY18–21, and EBITDA margin to improve to 14.5% in FY21 from 12.3% in FY18, translating into an EPS of Rs125 for FY21E. We recommend accumulate on Excel Crop Care for a per share target price of INR 5000, valuing the company at a PER of 40x FY21E in line with Global peers.

Exhibit 2: Financial summary

Rs mn	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	9,506	11,491	13,445	15,462	17,781
EBITDA	976	1,374	1,627	2,041	2,543
Adj.PAT	753	812	976	1,246	1,574
Adj.EPS (Rs)	68.4	73.7	88.7	113.2	143.0
EBITDA Margin	10.3	12.0	12.1	13.2	14.3
RoE(%)	18.0	16.5	16.7	17.9	18.8
Adj.P/E(x)	55.5	57.4	37.2	29.2	23.1
EV / EBITDA (x)	42.6	33.8	22.2	17.5	13.7

Source: Company, IndiaNivesh Research

Exhibit 3: PE band



Source: Company, IndiaNivesh Research

About the Company: Excel Crop Care primarily manufactures and markets products in the crop protection, soil nutrition, seed treatment, and post-harvest segments. Within the crop protection segment, the company manufactures products across five categories: insecticides, herbicides, fungicides, metal phosphide (fumigants & rodenticides), and plant growth regulators; insecticides and herbicides together contribute over 70% to total revenue. ECCL has an annual capacity to manufacture ~27,000MT of pesticides and ~40,000MT of formulations. SCI, established in 2000, is a wholly owned subsidiary of SCC. It has three business divisions: ASD, which manufactures formulations; animal nutrition division, which provides ingredients used in poultry feeds; and environment health division, which manufactures pest control chemicals. The agro solution division's (ASD) products dominate the company's product mix, accounting for 87% of total revenues. Insecticides and PGRs contributed 61% and 30%, respectively, to ASD's revenue in FY18. The company's specialty chemicals portfolio contributes 63% to its revenues.

RESEARCH

STOCK INFO

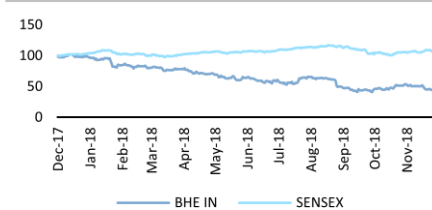
BSE	500049
NSE	BEL
Bloomberg	BHE IN EQUITY
Reuters	BAJE.NS
Face Value (Rs)	1
Equity Capital (Rs mn)	2,437
Mkt Cap (Rs mn)	189,201
52wk High/Low	190 / 74
Avg Daily Vol (BSE+NSE)	10,701,760

SHAREHOLDING PATTERN (%)

Promoters	66.09
DII / FII	19.16 / 4.92
Public & others	9.83

(as on Sep, 2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
BHE IN Equity	(14.6)	(34.5)	(58.0)
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

BHARAT ELECTRONICS

CMP 75 TGT 134

- **Defence Play:** Formidable play in defence sector. The company has a strong order book, which stood at Rs. 48995 crores at 1st October, 2018. At present run rate book to bill ratio stands at around 5x.
- **Financials:** Healthy net debt free Balance sheet, having cash per share of around Rs.27. Business outlook remains stable. High return ratios, ROE's of around 20% & ROCE of 26%. Operating margin back in expansion mode, in Q1FY19 it expanded 520 basis points to 14.80%.
- **Earnings Update:** Solid Q2FY19 numbers, where revenue grew by 35%, PAT by 39% on y-o-y basis. For H1FY19 it has clocked turnover of Rs.5360.24 crores (growth 27% YoY) while PAT stood at Rs. 751.04crores(growth 40% YoY). Order inflow is robust at Rs14338 crores in H1FY19. It generates cash in excess of Rs2000 crore on an annualized basis.
- **Concern:** The MoD has proposed a new pricing mechanism for defense PSUs with intent of making PSUs more efficient on the operational front. According to the new guidelines, margins (at PBT level) have been lowered from 12.5% to 7.5% for projects given to all defense PSUs on a nomination basis. The new pricing mechanism will be applicable for future orders (not applicable to the recently concluded long-range surface-to-air missile order of INR92b) and will not impact the company's existing order book of INR500b. Management believes the new pricing policy will not have adverse impact on the business.
- **Valuation:** Given the order book visibility and execution capability the company's earning is expected to compound at over 15% for next two years, translating into an EPS of Rs.8.93 for FY21e. Valuing the company at 15x PER of FY21e, price per share comes at Rs 134.

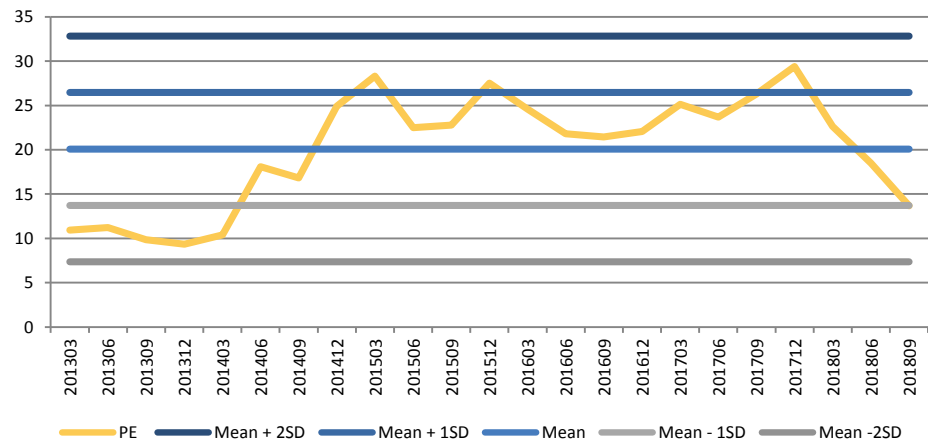
Exhibit 4: Financial summary

Rs mn	FY17	FY18	FY19E	FY20E	FY21E
NET SALES	92,207	104,852	120,579	138,666	159,466
EBIDTA	17,870	20,352	23,513	27,040	31,096
PAT	15,234	14,310	16,457	18,925	21,764
EPS (Rs)	6.25	5.87	6.75	7.77	8.93
EBIDTA Margin (%)	19.38%	19.41%	19.50%	19.50%	19.50%
ROE (%)	19.66%	17.82%	18.59%	17.82%	17.20%
P/E	22.72	24.20	11.10	9.66	8.40
P/BV	4.47	4.31	1.89	1.58	1.33

Source: Company, IndiaNivesh Research

RESEARCH

Exhibit 5: PE band



Source: Company, IndiaNivesh Research

About the Company: Bharat Electronics is a PSU Navratna company. BEL produces a wide range of state-of-the-art equipment in fields such as Defence Communication, Radars, Naval Systems, C4I Systems, Weapon Systems, Homeland Security, Telecom & Broadcast Systems, Electronic Warfare, Tank Electronics, Electro Optics, Professional Electronic Components and Solar Photovoltaic Systems, BEL also provides turnkey system solutions. Civilian products from BEL include Electronic Voting Machines, Tablet PC, solar-powered traffic signal systems and Access Control Systems.

RESEARCH

STOCK INFO

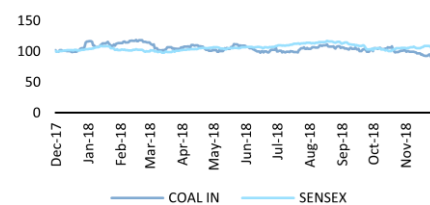
BSE	533278
NSE	COALINDIA
Bloomberg	COAL IN
Reuters	COAL.NS
Face Value (Rs)	10
Equity Capital (Rs mn)	62,074
Mkt Cap (Rs mn)	1,478,294
52wk High/Low	317 / 228
Avg Daily Vol (BSE+NSE)	5,599,436

SHAREHOLDING PATTERN (%)

Promoters	78.32
DII / FII	13.02 / 5.68
Public & others	2.98

(as on Sep, 2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
Coal India	(14.8)	(17.9)	(10.1)
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

Coal India

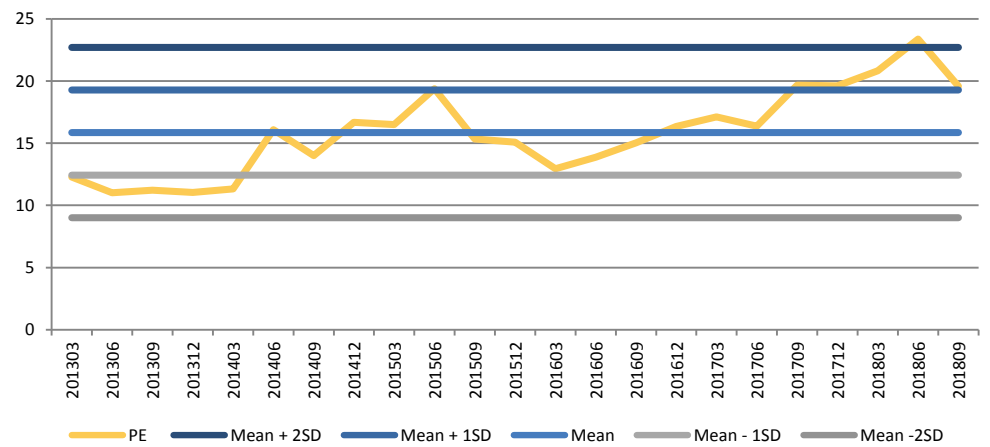
CMP 238 TGT 348

- **Operations Streamlined:** Coal India seems to have sorted out most of its niggling issues. E-auction route is gaining momentum and fetching far better price realizations. Operating efficiencies, economies of scale, levying higher charges on other services has helped it to more than offset higher employee cost.
- **Improved Earnings:** The company reported healthy set of Q1FY19 numbers where topline growth came at around 27% led by higher volume offtake and blended realization. We expect the momentum to continue going forward. Volume growth for Q2FY19 has been in excess of 10% reported by the company.
- **Power Sector Reforms positive boost:** Revival of power sector is big boon for Coal India. Various policy reforms, resolution of shut down power plants and higher power tariffs augurs well for the company.
- **Electricity for all key volume driver:** Government of India's initiative to provide electricity to every nook & corner of country will drive volume growth extensively. 3rd and 4th quarter are usually good ones as all mines are operational post monsoons.
- **Share Supply Overhang Through:** Recent OFS by Government has brought down the promoter holding below 75% which now removes the mandatory share supply overhang on the company.
- **High Dividend Yield:** Strong net debt free balance sheet. Cash per share in excess of INR 50 as on 31st March 2018, dividend yield track of over 6%, high return ratios warrants an investment buy.
- **Services Primary commercial energy needs:** Coal based installed capacity forms 57% of the total installed capacity. In terms of electricity generation, the share of coal-based capacity is still the highest (around 70%). Coal remains the predominant indigenous energy source and fulfills 55% of primary commercial energy needs in India.
- **Financials:** FY18 PAT was reduced by INR7384.37 crores on account of gratuity where ceiling was increased from INR 10 lakhs to INR 20 Lakhs which has been fully provided for. Stripping this out adjusted PAT stands at INR 11894 crores translating into an adjusted EPS of INR 19.16.
- **Valuation:** Given the pace of rural electrification and implementation of reforms related to power sector we expect the company to deliver PAT CAGR of 15% over next couple of years, which translates into an EPS of INR 29 for FY21e. Valuing the company at a PER of 12x FY21e per share target price comes at INR 348. We recommend accumulating COAL INDIA.

Exhibit 6: Financial summary

Rs mn	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	839,987	872,686	1,221,760	1,466,112	1,759,334
EBITDA	124,381	95,663	183,264	205,256	246,307
Adj.PAT	92,798	70,202	136,781	157,298	180,893
Adj.EPS (Rs)	14.95	11.31	22.04	25.34	29.14
EBITDA Margin	15%	11%	15%	14%	14%
RoE(%)	37%	35%	51%	38%	31%
Adj.P/E(x)	19.59	25.07	10.89	9.47	8.24
EV / EBITDA (x)	7.31	8.71	4.40	3.00	2.20

Source: Company, IndiaNivesh Research

Exhibit 7: PE band


Source: Company, IndiaNivesh Research

About the Company: Coal India Limited (CIL) is the single largest coal producing company in the world, with a total production of 567.36 million tonnes during the fiscal 2017-18. It accounted for 84% of total coal produced in India during the year. It is a Maharatna Company. The geological reserves of coal in India are in excess of 315 Billion Tonnes. At the current rate of production, the reserves are adequate to meet the demand in the foreseeable future. Even considering only the proved reserves and incremental growth in the coal production (from the current level), the reserves will be adequate to meet coal demand for over a century.

RESEARCH

STOCK INFO

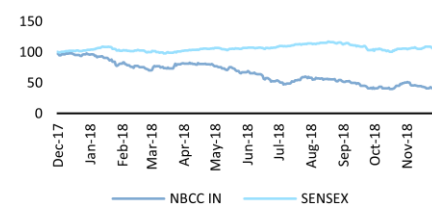
BSE	534309
NSE	NBCC
Bloomberg	NBCC IN
Reuters	NBCC.NS
Face Value (Rs)	1
Equity Capital (Rs mn)	1,800
Mkt Cap (Rs mn)	87,750
52wk High/Low	132 / 48
Avg Daily Vol (BSE+NSE)	7,508,246

SHAREHOLDING PATTERN (%)

Promoters	73.75
DII / FII	9.94 / 4.48
Public & others	11.83

(as on Sep, 2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
NBCC IN Equity	(29.3)	(44.1)	(62.4)
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

NBCC

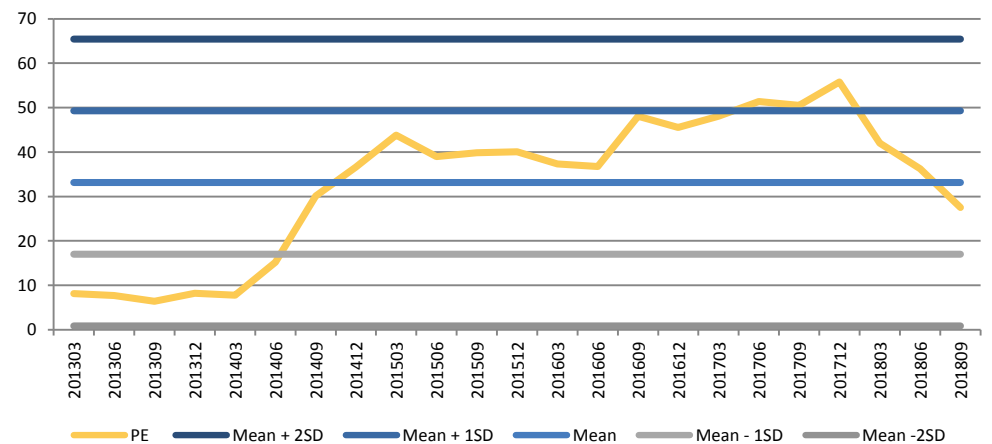
CMP 49 TGT 71.50

- **Niche Infrastructure Play:** NBCC is a big beneficiary of Infrastructure and housing for all (affordable housing) thrust by government in concurrence with improving rural and semi-urban economy.
- **Strong Order Book:** Its standing order book has swollen above INR 80,000 crore at a healthy annual run rate. For FY19 so far it has received INR 6,000 crore, worth of orders.
- **Strong Revenue visibility & Earnings Profile:** In FY18 it registered a top line of around INR 7100 crore, net profit of INR 372 crore & cash profit of around INR 550 crore. Book to bill ratio stands at 11.5x and order book to sales at 8.5x which gives revenue visibility for next 10 years at constant top line based on FY18. Topline CAGR stands at 15% and PAT at 10% for last five years.
- **Asset Light Business Model:** It is insulated largely from rising input costs as primary business is Project Management Consultancy (PMC) driven by asset light business model. PMC contributes around 90% to top line & almost 100% to bottom after covering costs of other business forays.
- **Foray into Real Estate:** It has recently forayed into Real Estate with an eye on affordable housing, housing re-development projects and building of new townships and smart cities.
- **Execution:** We expect execution to pick up steam on existing order book, delivering revenue CAGR of over 20% in next two years; which translates into an EPS of Rs.3.57 for FY21e. The stock is currently trading at a PER of 13.72x based on EPS estimate for FY21e.
- **Valuation:** Valuing the company at a PER of 20x based on FY21e, per share price comes at Rs 71.50. We recommend accumulating NBCC.

Exhibit 8: Financial summary

Rs mn	FY17	FY18	FY19E	FY20E	FY21E
NET SALES	74,247	69,416	83,299	99,959	119,951
EBIDTA	4,050	4,223	4,998	5,998	7,197
PAT	3,255	3,721	4,466	5,359	6,431
EPS (Rs)	1.81	2.07	2.48	2.98	3.57
EBIDTA Margin (%)	5.45%	6.08%	6%	6%	6%
ROE (%)	16.85%	17.57%	19.08%	18.92%	18.79%
P/E	47.59	46.04	19.75	16.46	13.72
P/BV	8.02	8.09	3.44	2.84	2.36

Source: Company, IndiaNivesh Research

Exhibit 9: PE band


Source: Company, IndiaNivesh Research

About the Company: NBCC is into Project Management Consultancy (PMC), Engineering Procurement & Construction (EPC) and Real Estate (RE). PMC being is chief revenue contributor. Company's PMC business segment includes management and consultancy services for a range of Civil Construction Projects including Residential and Commercial Complexes, Re-development of Colonies, Hospitals, Educational Institutions, Infrastructure Works for Security Personnel, Border Fencing as well as Infrastructure Projects such as Roads, Water Supply Systems, Storm Water Drainage Systems, Water Storage Solutions and Solid Waste Management Schemes at different towns all over India. Majorly orders come from various ministries of Central & State Governments. Some of the mega projects done by NBCC are World Trade Centre at New Delhi and International Exhibition-cum Convention Centre at Pragati Maidan.

RESEARCH

STOCK INFO

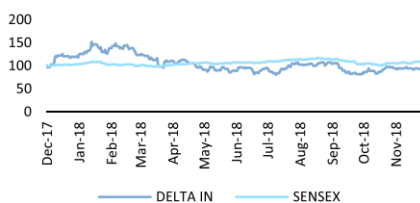
BSE	532848
NSE	DELTACORP
Bloomberg	DELTA IN EQUITY
Reuters	DELT.BO
Face Value (Rs)	1
Equity Capital (Rs mn)	271
Mkt Cap (Rs mn)	61,977
52wk High/Low	402 / 198
Avg Daily Vol (BSE+NSE)	1,633,613

SHAREHOLDING PATTERN (%)

Promoters	32.77
DII / FII	3.18 / 23.04
Public & others	41.01

(as on Sep, 2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
DELTA CORP	(15.2)	0.7	(10.1)
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

Delta Corp

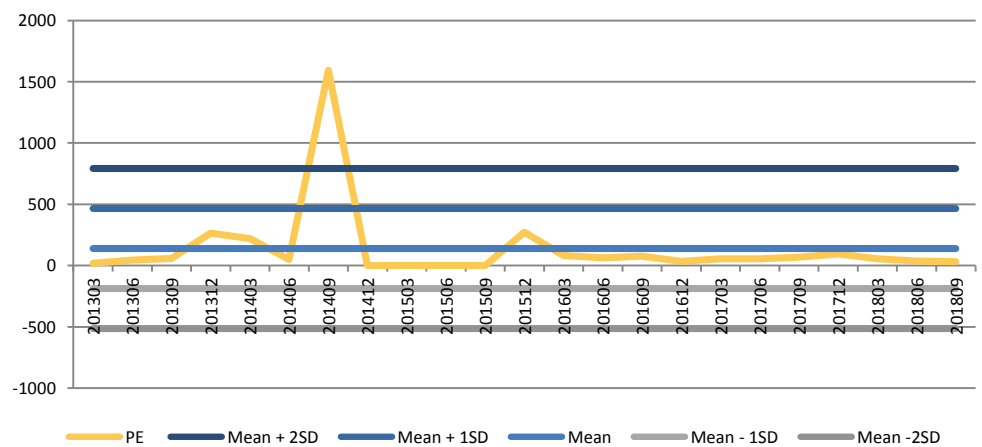
CMP 229 TGT 286

- **Best play available in country for companies operating in casino business.** It owns world class asset offering offshore and onshore casino's.
- **It dominates offshore casino's on Mandovi riverfront in GOA owing 3 of them.** They have high cash flows which helps generate healthy FCF for the company.
- Theme play on online gaming/betting which is gaining fast traction in India. Delta has made meaning in roots in this space. Their acquisition of Adda52 is expected to complement its offline stronghold with an online presence.
- Present cash flows and **profitability is likely to more than double on Daman asset** being fully operational post grant of its casino licence.
- **Strong Financials:** For FY18 the company delivered Rs. 247 crores of operating profit and Rs. 155 crores of PAT. It has clocked around 90 crores of PAT for 1HFY19. Healthy debt free balance and strong cash flows from existing productive assets are sufficient to take care of future expansion plans.
- **Opportunity:** Regulated Casino business has hardly scratched the surface in India. Even online gaming/betting business has to pick up on the fancy of upwardly growing Indians. According to Newzoo, the global games market is expected to grow from \$137.9 billion in 2018 to more than \$180.1 billion in 2021. About 91% of the global market is digital, meaning that \$125.3 billion worth of games flow through digitally connected channels, as opposed to physical retail. It is here, where acquisition of Adda52 will play a pivotal role.
- **Concern:** Presently around 1/3rd of capital employed is stuck in Daman property where license for casino operation is awaited and Adda52 is in development/evolution stage. Congenial political environment and grant of Daman casino license a key trigger for re-rating.
- **Indian online gaming scenario:** According to Frost & Sullivan, the Indian gaming market, estimated at \$338.4 million in revenue in 2017, is expected to grow threefold in four years. The growth is driven by internet penetration, sustained local development, higher smart phone usage, improved digital payment infrastructure and preference towards subscription models. The Indian gaming market is forecast to grow to \$1.1 billion in 2021, almost entirely driven by growth in mobile gaming revenue.
- **Transformation & Adaptability:** Company has been transforming itself fast adapting to Indian socio environment. **From a pure-play casino company to one that provides entertainment options for the entire family.** They are making gaming and recreation accessible by bringing properties onshore and expanding footprint to the newer and favourable environments of Sikkim and Kathmandu. The strategy augurs well to Indian palate where rising disposable income and constant look out for newer ways to unwind.
- **High entry barrier to business:** Moat of casino business is getting a licence for business operation. Delta is still awaiting its licence for Daman casino.
- **Earnings Update:** For 1HFY19 Delta has delivered strong set of numbers driven by offshore gaming business. EPS registered a growth of around 31% while revenue grew by over 40%.
- **Valuation:** Based on FY20E numbers and **using SOTP valuation model, we value per share price at 286 for Delta Corp. We recommend accumulate on it.**

Exhibit 10: Financial summary

Rs mn	FY16	FY17	FY18	FY19E	FY20E
Net Sales	3,752	4,547	6,077	8,622	10,529
EBITDA	1,206	1,640	2,470	2,825	4,072
Adj.PAT	277	695	1,545	2,088	2,933
Adj.EPS (Rs)	1.2	3.0	5.8	7.7	10.8
EBITDA Margin	32.2	36.1	40.7	32.8	38.7
RoE(%)	3.5	7.9	11.9	11.3	13.6
Adj.P/E(x)	198.9	79.7	41.4	31.0	22.1
EV / EBITDA (x)	47.2	34.6	24.6	21.0	14.2

Source: Company, IndiaNivesh Research

Exhibit 11: PE band


Source: Company, IndiaNivesh Research

About the Company: Delta Corp Limited (Delta) is the largest gaming company in India. The Company along with its subsidiaries operates in Goa, Sikkim and Daman in the gaming and hospitality segments. A majority of its revenues are derived from the gaming segment which comprises offshore casinos in the form of ships. Entering the gaming business in 2008, the Company has captured a lion's share of the Indian gaming market through its five casinos in Goa and Sikkim. It owns three of the six offshore and one onshore gaming licence in the state of Goa. The Company currently offers approximately ~1,800+ gaming positions in Goa and Sikkim. The hospitality segment is represented by hotel operations and stakes in other hotels. A combination of gaming and hospitality helps provide a holistic experience that attracts not only serious gamers, but also tourists and families. After the acquisition of Adda52, the largest poker company in India, the Company plans to expand offerings in the online gaming segment to rummy and fantasy league as well.

RESEARCH

STOCK INFO

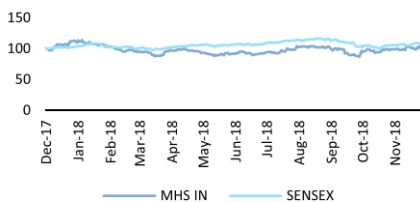
BSE	500265
NSE	MAHSEAMLES
Bloomberg	MHS IN
Reuters	MHSM.BO
Face Value (Rs)	5
Equity Capital (Rs mn)	335
Mkt Cap (Rs mn)	31,992
52wk High/Low	552 / 406
Avg Daily Vol (BSE+NSE)	71,949

SHAREHOLDING PATTERN (%)

Promoters	61.78
DII / FII	7.58 / 2.37
Public & others	28.27

(as on Sep,2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
MHS IN Equity	(1.4)	9.0	(0.1)
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

Maharashtra Seamless Ltd.

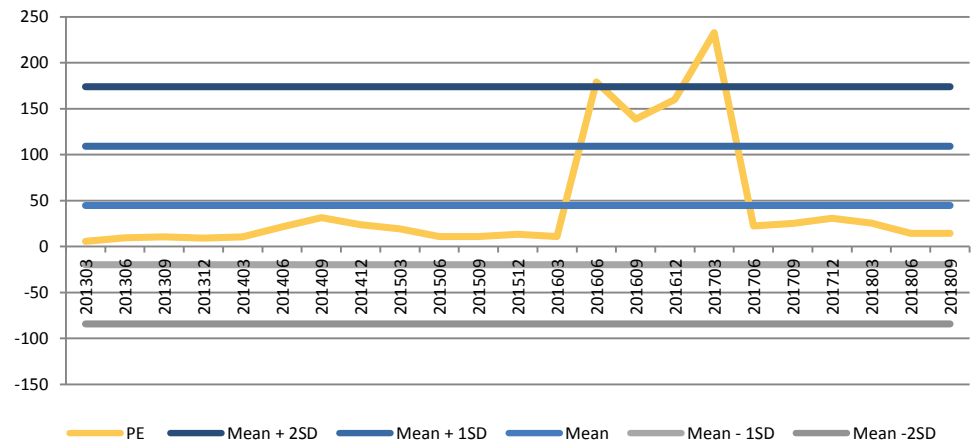
CMP 477 Target 680

- **Market Leader:** Maharashtra Seamless limited (MSL) has the largest domestic seamless pipes capacity (5,50,000 MT) and a large ERW capacity (2,00,000 MT).
- **Anti-dumping Duty:** It is one the biggest beneficiary of anti-dumping duty levied on Chinese pipes and significant improvement in Oil & Gas Capex.
- **Expansion of CGD network:** MSL is also focussed on produce API grade ERW pipes which are primarily used in City Gas Distribution (CGD), water and sewage sector. With government focussed on widening the CGD network to over 228 cities in next few years, we expect continuous demand for ERW pipes.
- **Strong order flows:** The Company is witnessing strong order inflow despite volatile crude oil prices, which has helped to substantially improve its utilization, realizations, and margins over the past year. The current order book for seamless and ERW pipes is ~Rs8bn and ~Rs1.4bn, respectively, which indicates a healthy demand environment. Domestic orders, especially from ONGC, remain strong and management expects growth to continue in H2FY19.
- **Guidance reiteration:** Management reiterated its guidance for FY19, for both seamless and ERW pipes. For FY19, the guidance for seamless pipes is production of 310,000MT and EBITDA/MT of Rs16,000, while that for ERW pipes is production of 72,000MT and EBITDA/MT of Rs6,000. In H1FY19, MSL's production was at 140,000MT and 34,000MT for seamless and ERW pipes, respectively, while EBITDA/MT was at Rs16,000 and Rs6,600.
- **Prospective Inorganic Growth Opportunities:** The Company is eyeing few acquisitions for inorganic growth and better synergies to help economies of scale. Legal hurdles continue to delay the completion of the UST acquisition, MSL expects a closure by the end of FY19, after which it will take 3–4 months to operationalize the facility, it will add 350,000MT of seamless pipes capacity and drive its growth beyond the next two years. MSL has bid for Adhunik Metaliks (Rs2.2bn), which has a billet capacity of 350,000MT at its integrated facility. This is driven by interest for securing its raw material supplies, mainly billets.
- **Financials & Valuation:** MSL's H1FY19 revenue and EBITDA grew 40% YoY and 125% YoY, respectively, driven by better capacity utilisation, blended realisations and margin improvement. We recommend accumulate on the stock for a per share target price of Rs.680 valuing the company at 8x FY20E EV/EBITDA.

Exhibit 12: Financial summary

Rs mn	FY16	FY17	FY18	FY19E	FY20E
Net Sales	10,187	14,342	21,497	29,461	33,952
EBITDA	384	2,249	3,248	5,426	6,235
Adj.PAT	(243)	1,158	2,139	3,645	4,005
Adj.EPS (Rs)	(3.6)	17.3	31.9	54.4	59.8
EBITDA Margin	3.8	15.7	15.1	18.4	18.4
RoE(%)	(0.9)	4.3	7.5	11.8	11.6
Adj.P/E(x)	(62.4)	22.6	13.6	9.1	8.2
EV / EBITDA (x)	43.9	12.8	10.3	6.9	6.0

Source: Company, IndiaNivesh Research

Exhibit 13: PE band


Source: Company, IndiaNivesh Research

About the Company: MSL is leading supplier of seamless steel and ERW pipes, including API grade line pipes, OCTG and Coated Pipes. Its products are used in Oil & Gas, Water & Sewage sector, Hydrocarbon, Automobiles, Railways, Boilers, Fire-fighting and general engineering. It also owns six oil rigs, a coal mine in India and an iron ore mine in Brazil. It sells its seamless and ERW pipes under the brand name of 'MAHA' and 'Jindal Star' respectively.

RESEARCH

STOCK INFO

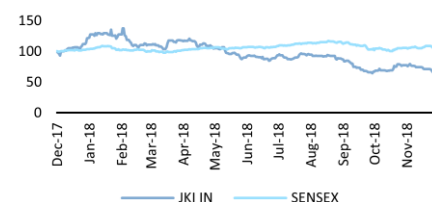
BSE	530007
NSE	JKTYRE
Bloomberg	JKI IN
Reuters	JKIN.BO
Face Value (Rs)	2
Equity Capital (Rs mn)	454
Mkt Cap (Rs mn)	19,994
52wk High/Low	193 / 87
Avg Daily Vol (BSE+NSE)	950,871

SHAREHOLDING PATTERN (%)

Promoters	52.48
DII / FII	2.26 / 7.63
Public & others	37.63

(as on Sep,2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
JKI IN Equity	(27.3)	(29.3)	(36.4)
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

JK TYRE

CMP 88 Target 175

- **Anti-dumping duty on Chinese tyres a Game Changer:** JK tyre delivered 21% YoY growth on top line in Q2FY19 driven by lower Chinese tyre imports on back of rising commercial vehicle and farm tyre sales. In TBR segment replacement market was flooded with Chinese tyres as they were 25% cheaper, commanded roughly 30% of the domestic replacement demand for TBRs. With the implementation of GST and introduction of anti-dumping duty on Chinese tyre imports, the Chinese tyre imports have slowed down significantly. (The Government of India imposed an anti dumping duty in the range of \$245 - \$452 per tonne on truck/bus radials in September 2017 for a period of 5 years which is likely to make Chinese Tyres costlier by 10-12%). The imports have come down to ~40,000 units/ month from an average of ~120,000 units/month. A significant market share to be captured.
- The margin was at 10.5%, down 280bps QoQ. Other income came in higher than expectation and exceptional loss to the tune of Rs420mn is primarily on account of forex loss. Adjusted PAT came in at Rs879mn.
- **Steady Rubber Prices:** International rubber prices have remained steady in the range of Rs110-Rs120/kg levels. The industry expects rubber prices to remain steady in the near term. Recent correction in crude oil prices augurs, well as crude extract raw material costs is softened.
- **Margins to improve:** We expect that with significant slowdown in Chinese imports of TBR, some price hikes are likely which will assist margins going forward. JK Tyres has considerably benefitted from the impact of GST on Chinese TBR imports. We believe that, with pricing action, better volumes and greater operating efficiency, the company would be able to improve its margins.
- **CV replacement tyres key growth driver:** In TBR and LCV segment size of replacement market is over 3x of OEM market. Demand for CV tyres and farm tyres continue to be very strong due to heightened activity in mining and infra. The company's recent foray into two-wheeler tyres has widened its range of products. With almost one-third of the market for truck and bus radials, JK Tyres leads in the sub segment. Its Mexican acquisition also reported a 28% YoY growth in its revenues.
- **Foray into Two wheeler & Three Wheeler:** With its latest acquisition, Cavendish, it has entered two- and three-wheeler tyres and further increased its TBR capacities.
- **Double digit volume CAGR going forward:** We expect the company's Indian volumes to register an 11% CAGR over FY18-20; its Mexican subsidiary would record a 6% volume CAGR. We expect its Cavendish acquisition to report higher utilization of its two/three wheeler capacity from 50% to 80% during FY18-20. Also, due to higher commercial vehicle and farm tyre demand, we expect Cavendish CV facility utilization to improve utilization from 45% to 80% during FY18-20.
- **Capacity Expansion Done:** The Company has completed its capacity expansion while others are in the process. From here on, incremental revenue will translate to operating leverage and better margins.
- **Competitive Pricing:** JK Tyre is the cheapest tyre in the replacement market, (and with additional capacity available through Cavendish acquisition), we believe it is best placed to take entire advantage of this slowdown in Chinese imports.

RESEARCH

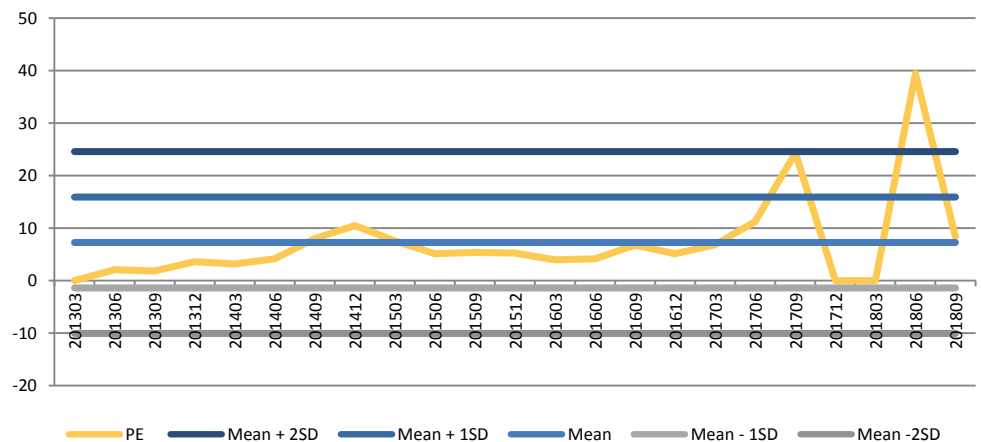
- **Valuation Comfort:** If we carefully analyse its performance with its peers and look at the steep discount in valuations, we clearly believe it's a likely candidate for a re-rating. While Apollo & Ceat have huge capex plans, MRF trades at a very heavy premium. We expect the company to make a EBITDA growth of 45% at ~13% margin rate, an RoE of 17%. While its peers trade in the range of 9x-18x one year forward earning, JK Tyre (because of its stretched balance sheet and management discount) trades at a PE of 4-5x one year forward PE. With similar or higher returns, we expect a re-rating which will add a significant upside from the current levels.
- **Valuation:** We recommend to accumulate JK Tyre for a per share target price of Rs. 175, valuing it at a PER of 7.5x FY20E.

Exhibit 14: Financial summary

Rs mn	FY16	FY17	FY18	FY19E	FY20E
Net Sales	68,982	76,894	82,721	100,375	113,797
EBITDA	11,038	10,934	7,256	12,426	14,747
Adj.PAT	4,568	3,798	629	3,526	4,928
Adj.EPS (Rs)	20.1	16.7	2.8	15.5	21.7
EBITDA Margin	16.0	14.2	8.8	12.4	13.0
RoE(%)	29.0	20.4	3.2	16.7	20.1
Adj.P/E(x)	5.3	6.3	38.2	6.8	4.9
EV / EBITDA (x)	4.6	7.0	11.0	6.2	4.9

Source: Company, IndiaNivesh Research

Exhibit 15: PE band



Source: Company, IndiaNivesh Research

About the Company: JK Tyre' is the flagship premium brand of tyres catering to the Truck Bus Radial (TBR), Truck Bus Bias (TBB), Small Commercial Vehicle (SCV), Light Commercial Vehicle (LCV), Farm Vehicle and Passenger Car Radial (PCR) segments, both in India and overseas. The brand also caters to Off the Road (OTR) and two- and three-wheeler segments in India.

RESEARCH

STOCK INFO

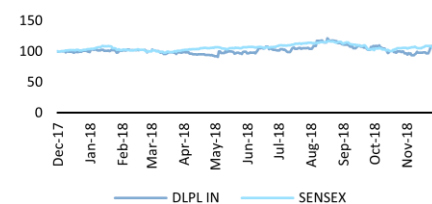
BSE	539524
NSE	LALPATHLAB
Bloomberg	DLPL IN
Reuters	DLPA.NS
Face Value (Rs)	10
Equity Capital (Rs mn)	833
Mkt Cap (Rs mn)	79,420
52wk High/Low	1,122 / 798
Avg Daily Vol (BSE+NSE)	99,334

SHAREHOLDING PATTERN (%)

Promoters	57.41
DII / FII	8.61 / 17.02
Public & others	16.96

(as on Sep,2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
DLPL IN Equity	(4.2)	8.1	7.3
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

Dr Lal Pathlabs

CMP 953 Target 1130

- **Niche Play in Medical Diagnostics:** Dr Lalpath Labs is one of India's first organised prime Diagnostic and Pathology service providers. It has a Pan India presence, though dominant in North India.
- **HUB & Spoke Model:** The company operates on a HUB and Spoke Model. Chain originates from collection centre to Satellite lab to Reference Lab. Satellite Labs, offers only limited test types such as X-ray and sonography while reference lab have state of art technology to conduct routine and specialised pathology /radiology tests.
- **Industry to grow Multifold:** According to Crisil report Indian Diagnostic Industry was around 37,700 crores in 2015 which is expected to reach around 70,000 to 75,000 crores by 2020. About 70% of the industry is controlled by small and regional players. Healthcare spending is majorly private in India.
- **Rising Income & Awareness to drive growth:** We expect routine and precautionary check-ups to be key growth drivers going forward. As people become more aware of better and preventive health care along with rising disposal incomes they will opt for regular periodic check-ups.
- **Strong Brand:** The Company has a strong Brand Equity, remarkable growth trajectory where Top line delivered a CAGR of over 24% in last 7 years while during the same period PAT CAGR came at 28%.
- **Migration from Unorganised to Organised:** Medical Diagnostic business is all set to see migration from unorganised to organised and bigger established names.
- **Financials:** A net free strong balance sheet, generating FCF to firm of around Rs 300 crores which is more than the gross block employed. It boasts of ROE in excess of 24% and operating margin of around 28% and Asset turnover ratio of 1.5x.
- **Valuation:** We expect earnings to compound at a CAGR of 30% for next couple of years, pencilling in an EPS of around Rs.45.28. We value the Company at a PER of 25x FY21E arriving at per share price target of Rs. 1130. We recommend accumulate on the stock.

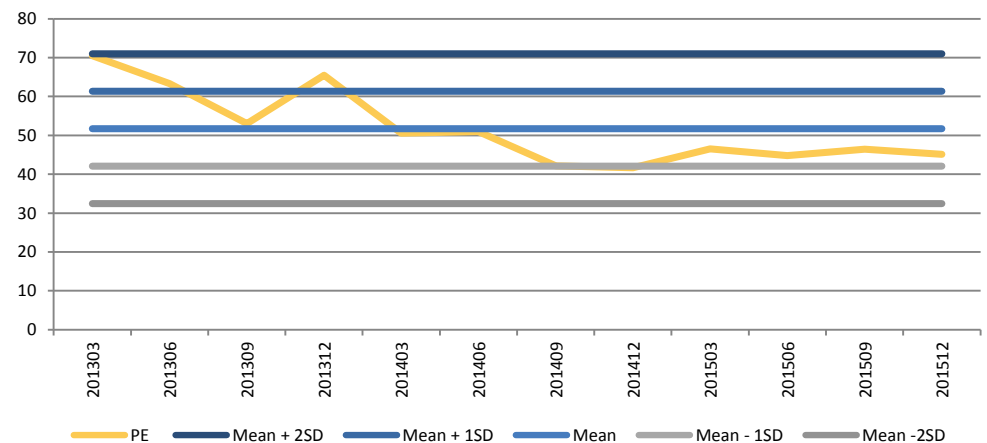
Exhibit 16: Financial summary

Rs mn	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	9,124	10,569	13,106	16,251	20,151
EBITDA	2,375	2,640	3,539	4,388	5,441
Adj.PAT	1,556	1,718	2,233	2,903	3,774
Adj.EPS (Rs)	18.67	20.61	26.80	34.83	45.28
EBITDA Margin	26%	25%	27%	27%	27%
RoE(%)	26%	22%	25%	25%	25%
Adj.P/E(x)	52	47	35	27	21
EV / EBITDA (x)	13	10	8	6	5

Source: Company, IndiaNivesh Research

RESEARCH

Exhibit 17: PE band



Source: Company, IndiaNivesh Research

About the Company: Dr Lal Path Labs is a quality diagnostic healthcare services in India. It offers over 3,368 diagnostic tests and related healthcare tests. Possess capability of performing almost all of the diagnostic healthcare tests and services currently prescribed by physicians in India. It has built a national network consisting of National Reference Laboratory in New Delhi along with 190+ other clinical / medical laboratories, 1700+ lab patient service centers and 5,000+ pickup points as of March 31, 2017 with the widest test menu of 4500 tests and panels. It's network has coverage across India, including metropolitan areas such as New Delhi, Mumbai, Bengaluru, Chennai, Hyderabad and Kolkata.

RESEARCH

STOCK INFO

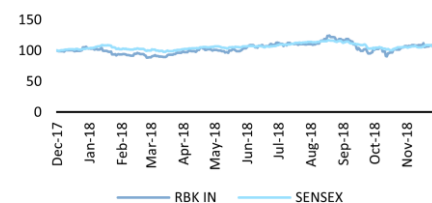
BSE	540065
NSE	RBLBANK
Bloomberg	RBK IN
Reuters	RATB.NS
Face Value (Rs)	10
Equity Capital (Rs mn)	4,253
Mkt Cap (Rs mn)	233,070
52wk High/Low	652 / 438
Avg Daily Vol (BSE+NSE)	2,011,493

SHAREHOLDING PATTERN (%)

Promoters	-
DII / FII	24.05 / 14.19
Public & others	61.76

(as on Sep, 2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
RBK IN Equity	(8.6)	2.9	6.6
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

RBL BANK

CMP 548 TGT 680

- **Niche Upcoming Private Sector Bank:** RBL has been on a robust growth trajectory consistently maintaining growth in advances & profit in excess of 30%.
- **High Pedigree Management:** Bank has demonstrated consistent improvement in operational efficiency and cost to income ratio while embarking on a high growth trajectory through capturing quality business. Healthy deposit to advances ratio has been a key enabler in improving NIM's to 4.08% in Q2FY19 up from 3.74% in Q2FY18.
- **Strong Financials:** Strong and improving financials amidst scenario of rising competition & higher cost of funds sets it apart from most of its peers. It reported ROA at 1.26% (1.19 Q2FY'8) and ROE of 11.58% (10.49 Q2FY18) having provision coverage ratio of 61.45% (58.27% in Q2FY18) respectively for Q2FY19.
- **Pause in Rate Hikes:** RBL's pause in hiking interest rates on back of benign inflation augurs well for upcoming banks like RBL.
- **Firm Asset Quality:** Sound asset quality which improved in Q2FY19 having GNPA at 1.40% (1.44% in Q2FY18) and net NPA at 0.74% (0.78% in Q2FY18). Going forward we expect RBL's asset quality to remain firm.
- **Prudent Business Mix:** It has well diversified business mix (advances break-up being CIB 41%, Retail 27%, CB 18% and DB&FI 13.8%) along with steadily increasing geographical footprint. Given, present size and aggression of management it has long way to go before its high growth trajectory tapers off.
- **Valuation:** The book value has compounded in excess of 27% for last three years. On a conservative basis, we expect 20% CAGR on book value for next couple of years, which for FY21e is likely to be Rs. 272, valuing it at 2.5x P/BV (FY21e) per shares target price comes at Rs. 680, we recommend accumulate on the stock.

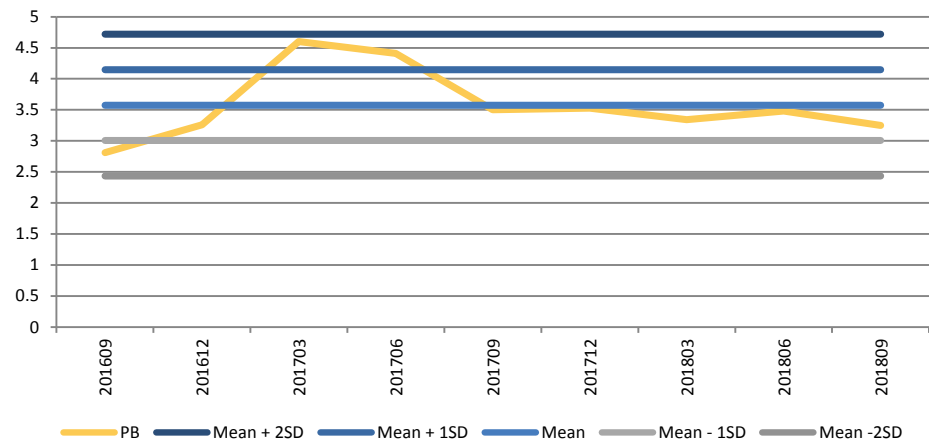
Exhibit 18: Financial summary

Rs mn	FY17	FY18	FY19E	FY20E	FY21E
NII	12,213	18,206	27,309	38,232	49,702
Operating Profit	9,204	13,413	20,482	28,674	37,276
PAT	4,507	7,205	13,361	16,033	19,240
EPS (Rs)	10.62	16.98	31.49	37.79	45.35
Operating Margin (%)	75.36%	73.67%	75%	75%	75%
ROE (%)	10.39%	10.78%	16.67%	16.67%	16.67%
P/E	46.52	28.08	17.47	14.55	12.13
P/BV	4.84	3.03	2.91	2.43	2.02

Source: Company, IndiaNivesh Research

RESEARCH

Exhibit 19: PE band



Source: Company, IndiaNivesh Research

About the Company: RBL Bank is one of India's fastest growing private sector banks with an expanding presence across the country. The Bank offers specialized services under six business verticals namely: Corporate & Institutional Banking, Commercial Banking, Branch & Business Banking, Retail Assets, Development Banking and Financial Inclusion, Treasury and Financial Markets Operations. It currently services over 4.9 million customers.

RESEARCH

STOCK INFO

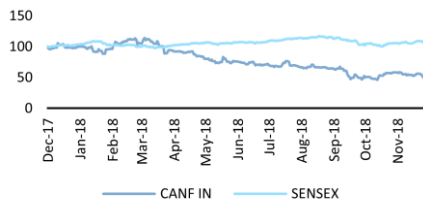
BSE	511196
NSE	CANFINHOME
Bloomberg	CANF IN
Reuters	CNFH.NS
Face Value (Rs)	2
Equity Capital (Rs mn)	266
Mkt Cap (Rs mn)	31,178
52wk High/Low	558 / 217
Avg Daily Vol (BSE+NSE)	1,778,055

SHAREHOLDING PATTERN (%)

Promoters	29.99
Public & others	70.01

(as on Sep, 2018)

PRICE PERFORMANCE



STOCK PERFORMANCE

	3m	6m	12m
CANF IN Equity	(25.1)	(35.8)	(51.4)
SENSEX	(7.8)	(1.4)	5.1

Source: Bloomberg, IndiaNivesh Research

CANFIN HOMES

CMP 234 TGT 440

- **Formidable HFC:** A strong HFC play, promoted by Canara Bank, has been in business for over 31 years. Pan Indian presence having 152 branches with 5 clusters at Bangalore, Chennai, Hyderabad, Delhi and Mumbai.
- **Primary Business:** Primarily provider of housing loans to individuals. As on September 2018, 90.10% of loan book is for housing while 9.9% is for Non-housing. Presently 72.10% of outstanding loan book which stands at Rs.16935 crore, comes from salaried & professionals. It has a clientele base of 1.35 lakh.
- **Decent Financials:** ROA of 1.88, ROE of 21.63, NIM stands at 3.17% and CAR at 19.07% is in line with that of peers.
- **Strong Growth Guidance by Management:** They have laid a vision to expand the loan book to Rs. 40,000 crore by FY 2022 implying a CAGR of 26%.
- **Earnings Update:** Posted decent set of Q2FY19 numbers. Loan book growth came at 17.20% and PAT at 8% on Y-o-Y basis while GNPA improved to 0.63% and NNPA at 0.42% (0.66% & 0.44% respectively at Q2FY18).
- **Valuation:** Post recent price correction HFC's valuations have become pretty attractive. We remain bullish on the sector while adopting company specific investment approach. Given the thrust on Housing for all by Government of India and management aggression, we expect the company to deliver 10% earnings CAGR for next two years, translating into a BV per share of Rs. 183.64 for FY21E. Valuing the company at 2.4x P/BV FY21E per share price comes at Rs 440. We recommend accumulate on the stock.

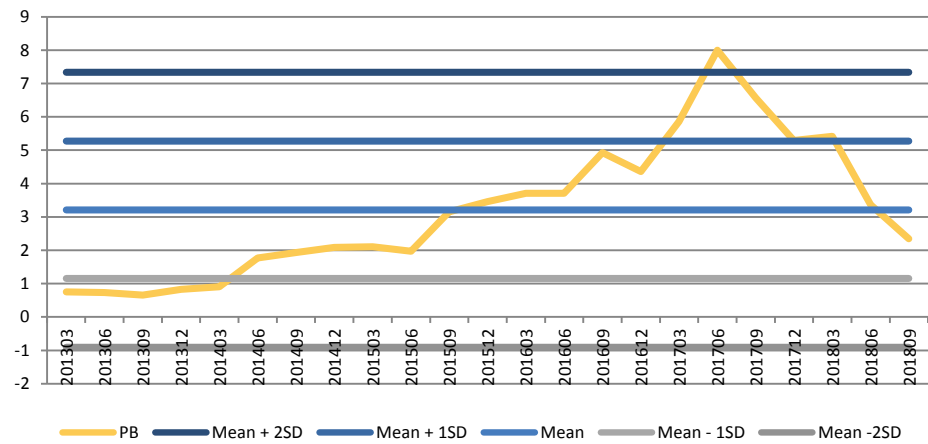
Exhibit 20: Financial summary

Rs mn	FY17	FY18	FY19E	FY20E	FY21E
NII	4,690	5,631	6,108	6,719	7,391
Operating Profit	3,921	4,801	5,311	5,842	6,427
PAT	2,353	3,018	3,320	3,651	4,017
EPS (Rs)	17.67	22.66	24.93	27.42	30.17
EBIDTA Margin (%)	84%	85%	85%	85%	85%
ROE (%)	22%	22%	22%	20%	18%
P/E	23.96	21.40	9.39	8.53	7.76
P/BV	5.24	4.80	1.86	1.52	1.27

Source: Company, IndiaNivesh Research

RESEARCH

Exhibit 21: PE band



Source: Company, IndiaNivesh Research

About the Company: CanFin Homes Ltd, was set up under the sponsorship of Canara Bank, incorporated in the year 1987. The company has around 150 Branches, 21 Affordable Housing Loan Centers (AHLCS) & 14 Satellite Offices, being a south based company, 70% of its branches are located in southern India and the remaining 30% in Northern India.

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Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Dharmesh Kant

Following table contains the disclosure of interest in order to adhere to utmost transparency in the matter:

Disclosure of Interest Statement		
1	Details of business activity of IndiaNivesh Securities Limited (INSL)	INSL is a Stock Broker registered with BSE, NSE and MCX - SX in all the major segments viz. Cash, F & O and CDS segments. INSL is also a Depository Participant and registered with both Depository viz. CDSL and NSDL. Further, INSL is a Registered Portfolio Manager and is registered with SEBI.
2	Details of Disciplinary History of INSL	No disciplinary action is / was running / initiated against INSL
3	Details of Associates of INSL	Please refer to the important 'Stock Holding Disclosure' report on the IndiaNivesh website (investment Research Section - http://www.indianivesh.in/Research/Holding_Disclosure.aspx?id=10 link). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. INSL and its affiliates may have investment positions in the stocks recommended in this report.
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