

Week Gone by

- ⇒ Domestic stocks dropped sharply as investors booked profits after the Reserve Bank of India (RBI) cut repo rate by 25 basis points on Thursday
- ⇒ State-run bank stocks rose after media reports suggested that the government may infuse around Rs 40000 crore into state-run lenders in 2019-2020.
- ⇒ Overseas, European shares reversed early losses. In Europe, Trump and first lady Melania Trump will be continuing their state visit in Britain on Tuesday
- ⇒ Most Asian shares ended lower Tuesday as an intensifying US-China trade war inflamed concerns about global growth.

Week ahead

- ⇒ The market will focus on domestic macroeconomic data and the progress of monsoon next week. The southwest monsoon is likely to get delayed further and hit the Kerala coast on 8 June 2019, the weather office said.
- ⇒ India's inflation based on consumer price index (CPI) for May 2019 will be unveiled on Wednesday, 12 June 2019.
- ⇒ China will unveil balance of trade data for May 2019 on Monday, 10 June 2019. China's trade surplus plunged to \$13.84 billion in April 2019 from \$26.21 billion in the same month a year earlier.
- ⇒ In the US, inflation data for May 2019 will be announced on Wednesday, 12 June 2019. The US annual inflation rate rose to 2% in April 2019 from 1.9% in the previous month.

Technical Overview

Index closed with a loss of 0.44% at 11871. Index started the week on a flat note and remained volatile throughout the week. Index failed to sustained above 12000 mark and saw sharp correction from thereon. The decline has brought back index to its previous resistance zone 11800-11750 which should now act as key support zone. Till index sustains above the mentioned zone short term trend remains bullish and opens the way for 11950-12050-12130. If index failed to hold the support area we may selling pressure to emerge and take index lower to test 11650 levels. However. MACD had earlier given bullish crossover and has reversed converging its moving average which is bullish signal for short term trend

1-Nifty 50 - 07/06/19



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	07-Jun-19	31-May-19	Weekly % Chg
Nifty	11,923	11,844	0.7
Nifty Next 50	27,840	27,573	1.0
Nifty 100	12,028	11,945	0.7
Nifty 500	9,805	9,722	0.9
Nifty Midcap 100	17,959	17,700	1.5
Sensex	39,714	39,435	0.7
BSE 100 Index	12,044	11,957	0.7
BSE 200 Index	4,987	4,948	0.8
BSE 500 Index	15,518	15,392	0.8
BSE Mid-Cap	15,096	14,945	1.0
BSE Small Cap	14,867	14,700	1.1

WORLD INDICES

Index	07-Jun-19	31-May-19	Weekly % Chg
Nikkei Index	20,885	20,601	1.4
Hang Sang Index	26,965	26,901	0.2
Kospi Index	2,072	2,042	1.5
Shanghai SE Composite	2,828	2,899	-2.4
Strait Times Index	3,166	3,118	1.6
Dow Jones	25,721	24,929	3.2
NASDAQ	7,616	7,497	1.6
FTSE	7,304	7,159	2.0

FOREX

Currency	07-Jun-19	31-May-19	Weekly % Chg
US\$ (Rs.)	69.4	69.6	-0.3
GBP (Rs.)	88.5	87.9	0.7
Euro (Rs.)	78.6	77.7	1.1
Yen (Rs.) 100 Units	64.3	64.1	0.4

NIFTY TOP GAINERS (WEEKLY)

Scrip	07-Jun-19	31-May-19	Weekly % Chg
Coal India	265.6	253.5	4.8
Bharti Infratel Ltd.	279.7	269.0	4.0
Hero MotoCorp	2762.8	2680.3	3.1
Wipro Ltd	295.1	286.4	3.0
Titan Company	1269.0	1235.8	2.7

NIFTY TOP LOSERS (WEEKLY)

Scrip	07-Jun-19	31-May-19	Weekly % Chg
GAIL (India) Ltd.	313.9	361.0	-13.1
Indiabulls Housing F	731.1	786.6	-7.1
YES Bank Ltd.	139.9	147.8	-5.4
Zee Entertainment En	340.2	357.5	-4.8
Hind. Petrol	311.4	324.3	-4.0

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
06-Jun-19	6,977.4	8,426.4	-1,449.0
04-Jun-19	4,921.3	5,337.4	-416.1
03-Jun-19	7,752.6	4,683.7	3,068.9
MTD	116090.5	111967.7	4122.7

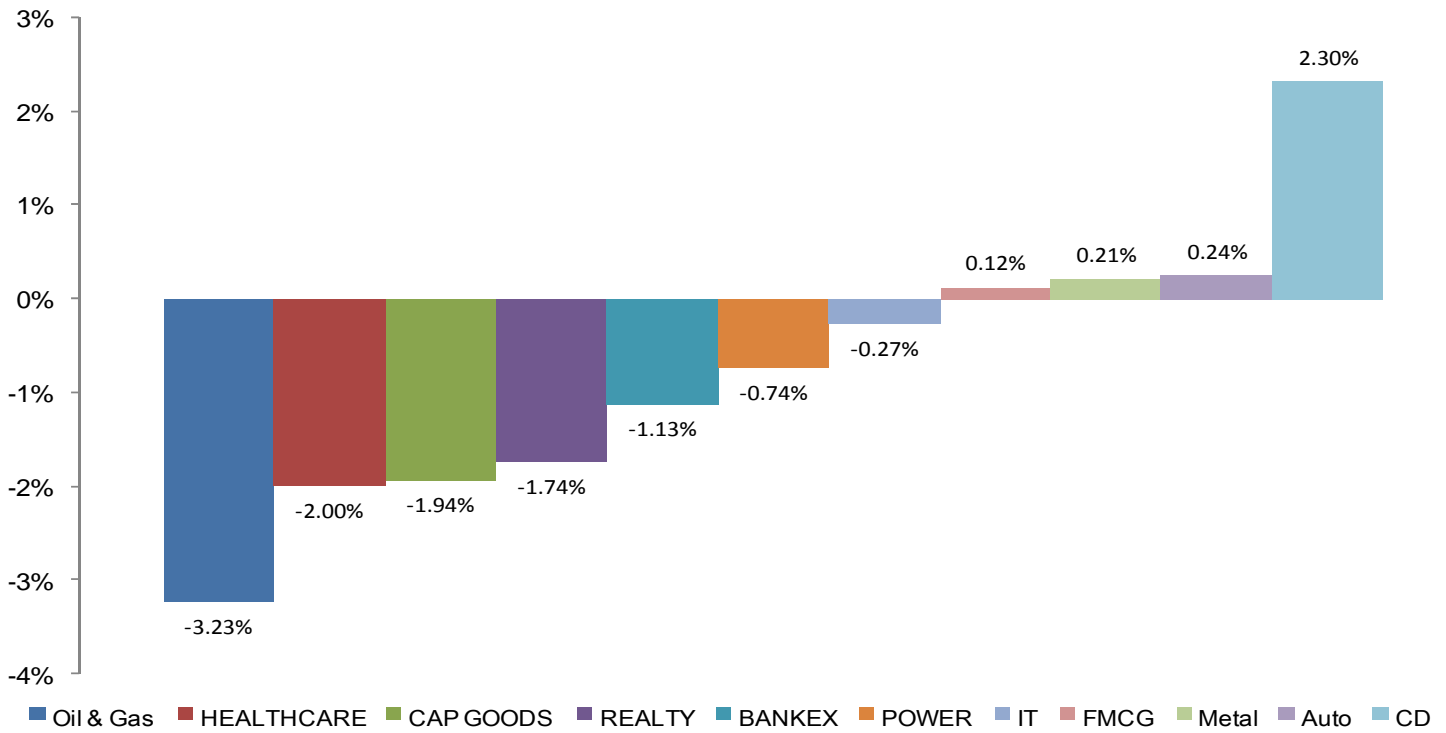
DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
06-Jun-19	4,051.0	4,701.8	-650.8
04-Jun-19	2,338.9	2,694.3	-355.4
03-Jun-19	2,587.6	3,050.3	-462.7
MTD	67296.1	66649.0	647.1

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



(Source: BSE, BP Equities Research)

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	07-Jun-19	31-May-19	Weekly Change (%)	07-Jun-19	31-May-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
APOLLOHOSP	1395.4	1233.1	13.2	1,62,87,369	97,50,552	67.0
PFC	134.6	124.8	7.9	16,04,400	10,78,200	48.8
VOLTAS	619.3	581.5	6.5	1,49,23,500	109,72,500	36.0
HAVELLS	789.9	744.6	6.1	12,85,000	9,52,000	35.0
TATAGLOBAL	257.2	244.0	5.4	6,72,36,500	5,15,62,500	30.4

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	07-Jun-19	31-May-19	Weekly Change (%)	07-Jun-19	31-May-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
RELINFRA	73.1	104.1	-29.7	30,33,800	40,34,800	-24.8
DHFL	82.8	110.3	-25.0	11,27,500	13,97,400	-19.3
RELCAPITAL	92.0	120.9	-23.9	32,41,000	38,85,000	-16.6
PCJEWELLER	52.1	64.2	-18.8	42,41,000	50,82,000	-16.5
RPOWER	6.2	7.5	-18.0	1,17,96,000	1,37,88,000	-14.4



Weekly Wealth

BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
31.05.2019	Just Dial	A.P.T. PORTFOLIO PRIVATE	NSE	Sell	691767	761.3
03.06.2019	ALLSEC Tech	CONNEQT BUSINESS SOLUTIONS LTD	NSE	Buy	5387155	319
03.06.2019	Mahindra & Mahindra	CAISSE DE DEPOT ET PLACEMENT DU QUE BEC	BSE	Buy	21984000	648
04.06.2019	NCL Industries	NCL HOLDINGS (A&S) LTD	NSE	Sell	256400	147
04.05.2019	Mahindra Logistics	NORMANDY HOLDINGS LTD	BSE	Sell	6415083	490.2
06.05.2019	Just Dial	GOLDMAN SACHS FD EQ PORTFOLIO	NSE	Sell	693443	739.6
06.05.2019	GRP	BELLWETHER CAPITAL PVT LTD	BSE	Sell	8050	1025

(Source: NSE,BSE, BP Equities Research)

RBI removes NEFT, RTGS payment charges to push digital transactions

RBI has removed charges for payments via NEFT and RTGS and asked banks to pass on the benefits to customers. This means that payments via NEFT and RTGS would become either free or charges would be drastically reduced. This was announced in the Statement on Developmental and Regulatory Policies, which was released today by the central bank as part of its monetary policy review.

The Reserve Bank levies minimum charges on banks for transactions routed through its Real Time Gross Settlement System (RTGS) meant for large-value instantaneous fund transfers and the National Electronic Funds Transfer (NEFT) System for other fund transfers. Banks, in turn, levy charges on their customers. In order to provide an impetus to digital funds movement, it has been decided to do away with the charges levied by the Reserve Bank for transactions processed in the RTGS and NEFT systems. Banks will be required, in turn, to pass these benefits to their customers. Instructions to banks in this regard will be issued within a week.

Mandar Agashe, Founder and VP, Sarvatra Technologies said that with the waiver of charges on payment modes like RTGS and NEFT, RBI is clearly nudging the banks towards increasing digital payments. This move will specially benefit the small traders who deal in small value transactions and operates on small margins and for whom every penny counts. "So this is actually a great move for the masses and will go a long way in encouraging digitization of payments and enhancing financial inclusion. Moreover, RTGS and NEFT are much cheaper modes than other payment mechanisms like Cheques in terms of the cost involved in managing end to end transactions until settlement," said Agashe.

1. National Electronic Fund Transfer (NEFT)

NEFT is a payment system facilitating funds transfers from one bank account to another. One can access this service either by using Internet banking or by visiting the bank branch. (Not all bank branches are enabled with this service.)

2. Real Time Gross Settlement (RTGS)

This is a facility used for transferring high value amounts. In RTGS, the minimum amount that can be currently transferred is Rs 2 lakh.

(Source: Economic times)

Iron and Steel

Company Background

Tata steel Limited(TSL) a frontrunner company of Tata group is an Indian Multinational steel manufacturing company. Currently ,it is the world's second-most geographically diversified steel producer with a fully integrated business solutions from mining , manufacturing and marketing of finished products. Company's key products include hot rolled coils/sheets, cold rolled coils/sheets, mild steel galvanised plain/corrugated/colour-coated coils/sheets, steel billets, bars and rods, among others. Company has its presence in 26 countries with over 74000 employees and the major operations are in India, Netherlands and UK with the largest manufacturing units located in Jamshedpur and Jharkhand .

Investment Rationale

Dominant player in steel production strengthened through merger with Bhushan Steel limited and well positioned to ride uptick in domestic demand

Tata steel with its large scale of operations is a dominant player in production of high-quality steel with significant vertical integration. Company has made robust progress in past two years.However it has been able to increase operations at its Kalinganagar plant from a capacity utilisation of 56% to 84% , helping the company lower its operating leverage. Further,they are planning to increase its domestic capacity to 30MTPA by 2025 .InFY19, Tata steel Indian operations achieved the highest ever crude steel production through better plant availability across locations including ramp-up at Bhushan steel limited (BSL) (post merger) .The production volume stood at 16.81 Million tonnes and sales volume 16.26 million tonnes. Going forward,company will grow revenues driven by domestic demand in steel and infrastructure sector.

Captive iron ore and coking coal mines ensure cost efficiency despite volatility in raw material prices

The Indian operation procures 100% of its iron ore requirement and 30% of its coking coal requirement from its captive mines respectively. Since raw materials account for major share from the total cost of steel production, the domestic profitability has helped to offset volatility in raw material prices. This has resulted in cost efficiency which enables to give a competitive edge over its peers.

Commitment to deleveraging enables stronger balance sheet

Tata steel has been trying to lower its debt aided its earnings. Recently, few measures have been taken to reduce the size of the debt, Tata steel signed an agreement with a Chinese entity to sell 70% stake of its Southeast Asia business for Rs 3500 crore . The company also repaid Rs 3000 crore of debt after the amalgamation process with Bhushan steel, Recently proposal of joint venture with European entity known as Thyssenkrupp AG is expected to reduce the debt by Rs 19500 crore. Thus, the efforts of taken by company will enable to drive the growth at with a stronger balance sheet.

Outlook and valuation

Tata steel Limited (TSL) is the largest listed steel manufacturing player in India with interests in a variety of verticals. The linkages between dollar movements and steel prices provides a natural hedge to TSL, partly mitigating forex risks. Going forward, an increase in Indian operations from the core business and acquired facilities, as well as completion of the European JV formalities would remain key factors to monitor .we recommend **BUY** rating on the stock with a target price of INR 572/share valuing at 7x EV/EBITDA to FY21E

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	485
Target Price (INR)	572
BSE code	500470
NSE Symbol	TATASTEEL
Bloomberg	TATA IN
Reuters	TISC.BO

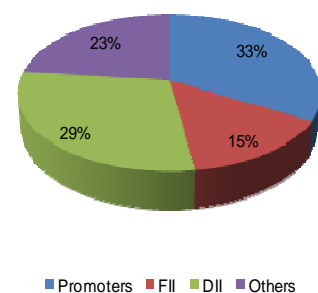
Key Data

Nifty	11870
52WeekH/L(INR)	646/442
O/s Shares (Mn)	1204.1
Market Cap (INR bn)	59.8
Face Value (INR)	10

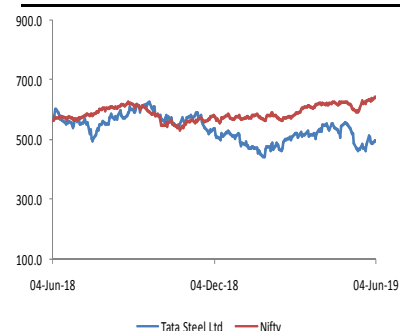
Average volume

3 months	14764130
6 months	29779800
1 year	50257260

Share Holding Pattern (%)



Relative Price Chart





Weekly Wealth

Key Financials

YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
Revenue	1,122,994	1,321,558	1,576,690	1,585,992	1,636,744
<i>Revenue Growth (Y-o-Y)</i>	<i>(4.1%)</i>	<i>17.7%</i>	<i>19.3%</i>	<i>0.6%</i>	<i>3.2%</i>
EBIDTA	170,078	214,332	293,833	266,447	273,336
<i>EBIDTA Growth (Y-o-Y)</i>	<i>124.2%</i>	<i>26.0%</i>	<i>37.1%</i>	<i>(9.3%)</i>	<i>2.6%</i>
Net Profit	(3,766)	132,371	103,873	77,714	90,021
<i>Net Profit Growth (Y-o-Y)</i>	<i>(88.3%)</i>	<i>(3614.9%)</i>	<i>(21.5%)</i>	<i>(25.2%)</i>	<i>15.8%</i>
Diluted EPS	(3.1)	109.9	86.3	64.5	74.8
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>(88.3%)</i>	<i>(3614.9%)</i>	<i>(21.5%)</i>	<i>(25.2%)</i>	<i>15.8%</i>

Key Ratios

EBIDTA (%)	15.1%	16.2%	18.6%	16.8%	16.7%
NPM (%)	-0.3%	10.0%	6.6%	4.9%	5.5%
RoE (%)	-1.0%	21.7%	15.9%	10.6%	11.2%
RoCE (%)	13.8%	13.9%	17.0%	15.2%	14.9%

Valuation Ratios

P/E (x)	-15.1x	4.4x	5.6x	7.5x	6.5x
EV/EBITDA	8.2x	6.8x	5.4x	5.7x	5.4x
P/BV (x)	1.5x	1.0x	0.8x	0.8x	0.7x
Market Cap. / Sales (x)	0.5x	0.5x	0.4x	0.4x	0.4x



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