

## Week Gone by

- ⇒ Jet Airways (India) slumped 16.67% after The National Stock Exchange of India (NSE) said on Wednesday that shares of Jet Airways (India) will be removed from daily trading of futures and options effective 28 June 2019, citing the air carrier's failure to respond to queries about persisting rumours in the market.
- ⇒ Crude oil prices rebounded Thursday amid reports of tanker explosions in the Gulf of Oman near the Iranian coastline. In the commodities market, Brent crude for August 2019 settlement jumped \$2.02 at \$61.99 a barrel. The contract tumbled \$2.32 or 3.72% to settle at \$59.97 a barrel during the previous trading session.
- ⇒ NTPC was down 0.92%. The company said that investment approval has been accorded for 100 MW Ramagundam Floating Solar PV Project, Phase-I in District Peddapelli, Telangana.
- ⇒ Most Asian stock markets ended lower. US stocks gained on Wednesday on expectations that trade officials from the US and China will clinch a deal on the sidelines of a G-20.

## Week ahead

- ⇒ The minutes of the Reserve Bank of India Monetary Policy Committee (MPC's) meeting will be published on 20 June 2019.
- ⇒ The Bank of Japan will announce its policy decision on Thursday, 20 June 2019. The Bank of England will announce its policy decision on Thursday, 20 June 2019.
- ⇒ On the global front, the Federal Open Market Committee is set to meet Tuesday, culminating with a decision on Wednesday, 19 June 2019. As per reports, the Fed is likely to keep the fed funds rate unchanged at the target range of 2.25-2.50
- ⇒ In US, Investors are closely following developments in the race to succeed Theresa May, who formally resigned as prime minister on Friday after failing to get her Brexit deal passed. The next prime minister will be responsible for overseeing the UK's delayed departure from the EU.

## Technical Overview

Index closed with a loss of 0.40% at 11823. Index started the week on a flat note and remained volatile throughout the week. Index failed to sustain 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 see selling pressure to emerge and take index lower to test 11780-11730-11650 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 - 14/06/19



Source: Falcon, BP Equities Research



## Weekly Wealth

## DOMESTIC INDICES

Index	14-Jun-19	07-Jun-19	Weekly % Chg
Nifty	11,823	11,844	-0.2
Nifty Next 50	27,093	27,573	-1.7
Nifty 100	11,899	11,945	-0.4
Nifty 500	9,670	9,722	-0.5
Nifty Midcap 100	17,565	17,700	-0.8
Sensex	39,452	39,435	0.0
BSE 100 Index	11,921	11,957	-0.3
BSE 200 Index	4,927	4,948	-0.4
BSE 500 Index	15,305	15,392	-0.6
BSE Mid-Cap	14,721	14,945	-1.5
BSE Small Cap	14,366	14,700	-2.3

## WORLD INDICES

Index	14-Jun-19	07-Jun-19	Weekly % Chg
Nikkei Index	21,102	20,885	1.0
Hang Sang Index	27,118	26,965	0.6
Kospi Index	2,095	2,072	1.1
Shanghai SE Composite	2,882	2,828	1.9
Strait Times Index	3,223	3,166	1.8
Dow Jones	26,107	25,721	1.5
NASDAQ	7,837	7,616	2.9
FTSE	7,335	7,304	0.4

## FOREX

Currency	14-Jun-19	07-Jun-19	Weekly % Chg
US\$ (Rs.)	69.8	69.6	0.2
GBP (Rs.)	88.2	87.9	0.3
Euro (Rs.)	78.5	77.7	1.0
Yen (Rs.) 100 Units	64.4	64.1	0.5

## NIFTY TOP GAINERS (WEEKLY)

Scrip	14-Jun-19	07-Jun-19	Weekly % Chg
Tata Steel	501.8	482.1	4.1
JSW Steel	271.3	262.4	3.4
TCS	2,254.5	2,181.8	3.3
Vedanta	169.6	164.2	3.3
Grasim	899.0	871.5	3.2

## NIFTY TOP LOSERS (WEEKLY)

Scrip	14-Jun-19	07-Jun-19	Weekly % Chg
YES Bank Ltd	115.1	139.9	-17.8
IndusInd Bank	1,426.8	1,552.2	-8.1
Indiabulls Housing	672.3	731.1	-8.1
BPCL	386.5	403.0	-4.1
Coal India	255.2	265.6	-3.9

## FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
14-Jun-19	5,163.6	5,402.3	-238.6
13-Jun-19	5,023.5	4,851.2	172.4
12-Jun-19	3,545.9	4,596.4	-1,050.4
11-Jun-19	4,317.7	4,221.9	95.8
10-Jun-19	3,738.7	3,522.5	216.2
MTD	1,09,917.5	1,04,832.9	5,084.6

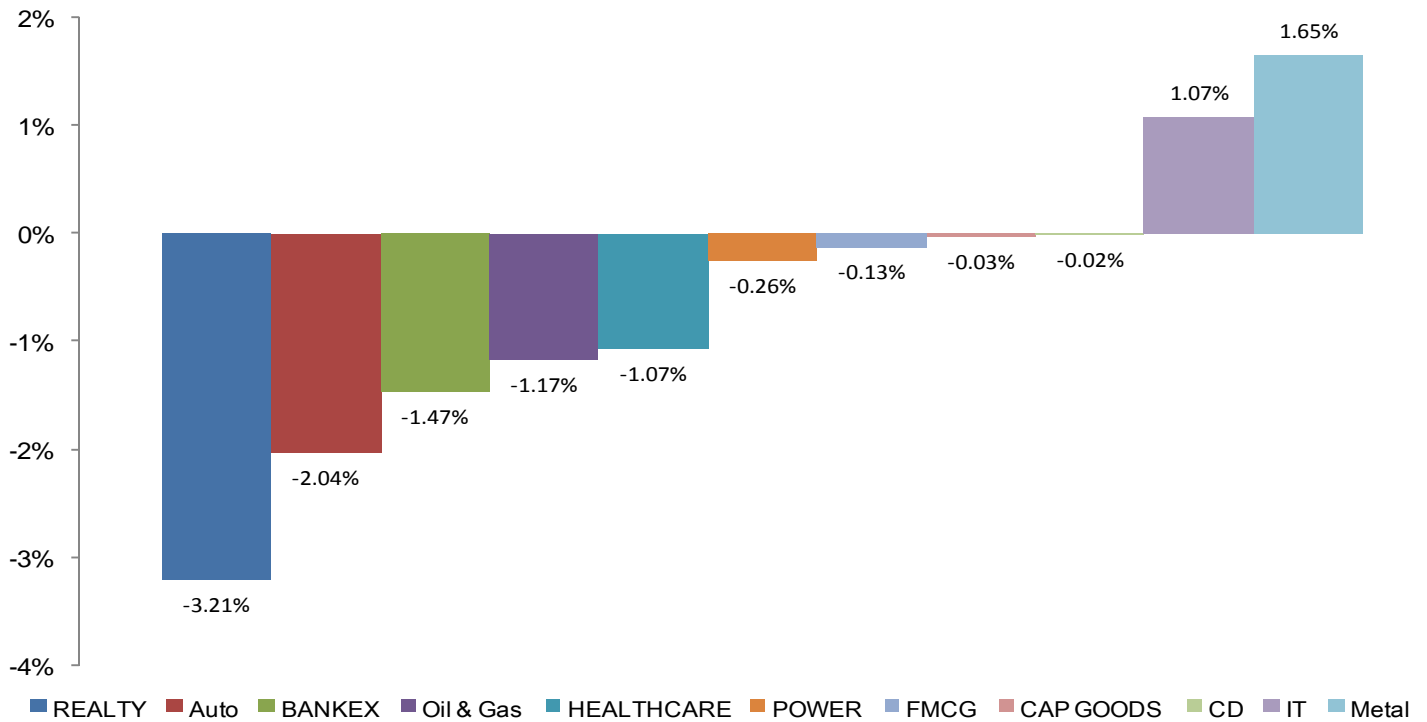
## DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
14-Jun-19	2,169.5	1,793.0	376.5
13-Jun-19	2,241.2	2,686.0	-444.9
12-Jun-19	2,216.9	1,945.7	271.2
11-Jun-19	2,224.1	2,375.2	-151.0
10-Jun-19	2,245.4	2,074.8	170.6
MTD	55,455.9	58,446.1	-2,990.2

# Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



(Source: BSE, BP Equities Research)

### TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	14-Jun-19	07-Jun-19	Weekly Change (%)	14-Jun-19	07-Jun-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
MANAPPURAM	142.2	132.3	13.2	29,42,500	5,87,500	400.9
MOTHERSUMI	123.2	114.7	7.9	1,58,92,200	72,59,400	118.9
PCJEWELLER	55.1	52.1	6.5	54,21,000	38,94,000	39.2
SYNDIBANK	34.9	33.1	6.1	42,27,200	33,88,800	24.7
JINDALSTEEL	164.7	157.3	5.4	19,22,800	15,59,250	23.3

### TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	14-Jun-19	07-Jun-19	Weekly Change (%)	14-Jun-19	07-Jun-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
BIOCON	248.8	529	-53.0	8,83,400	12,25,700	-27.9
JETAIRWAYS	66.9	101.2	-33.9	7,93,800	10,78,200	-26.4
RELCAPITAL	70.8	91.9	-22.9	31,06,000	40,78,000	-23.8
SUZLON	4.1	5.2	-21.9	3,07,11,750	4,03,20,450	-23.8
RELINFRA	58.2	73.1	-20.3	13,55,200	17,37,400	-22.0



## Weekly Wealth

## BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
07.06.2019	Mangalam Cement	LTS INVESTMENT FUND LTD	NSE	Sell	1,50,000	260.8
07.06.2019	AAVAS Financer	AU SMALL FINANCE BANK LTD	NSE	Sell	5,85,000	1,380.2
10.06.2019	Vaibhav Global	MOTILAL OSWAL MOST FOCUSED MULTICAP 35 FUND	NSE	Buy	3,23,377	770.9
12.06.2019	Neogen	SOLIDARITY ADVISORS PVT LTD	NSE	Buy	1,26,297	329.6
12.06.2019	Hinduja Global	FIDELITY FUNDS ASIAN SMALLER COMPANIES POOL	BSE	Buy	1,29,583	635
13.06.2019	Arfin India	KALPVUKSHA ESTATE AND FINANCE PVT LTD	BSE	Sell	1,39,692	114

(Source: NSE,BSE, BP Equities Research)

## **RBI repo rate cut and debt mutual fund downgrades: What should MF investors do now?**

Even as bond funds reel under defaults and rating downgrades, the bond market is witnessing a significant change in trajectory. Last week, the central bank cut the repo rate by 25 basis points (bps)—the third straight cut takes the total to 75 bps this year. More significantly, the Reserve Bank of India (RBI) changed the monetary policy stance to ‘accommodative’ from ‘neutral’. Due to the rate cut and shift in stance, the bond market has rallied sharply. What does this mean for investors and how should they position their fixed income portfolios now?

The rate cut by the central bank was along expected lines, but the shift in policy stance is of greater significance. “Cutting repo rate below 6% and changing the stance to accommodative has happened only twice in the past 20 years,” says Arvind Chari, Head, Fixed Income & Alternatives, Quantum Advisors.

The RBI has also lowered the projected GDP growth for 2019-20 by 20 bps to 7%. This, along with the shift in stance, means that RBI is more concerned about the slowing economic growth than the inflation trajectory, and is more amenable to lowering rates further to aid growth. “The shift from neutral to accommodative removes ambiguity about the direction of rates,” says Lakshmi Iyer, CIO, Debt, and Head, Products, Kotak Mahindra Mutual Fund. Some global factors also bode well for the domestic bond market. The US Federal Reserve has adopted a dovish stance, which will ensure continued foreign investments in Indian bonds. Crude oil prices have crashed to below \$60 per barrel, which will keep the current account deficit in check and inflation muted. With these positives in place, analysts expect at least 50 bps additional cut over the course of this year. A falling interest rate scenario is rewarding for bond fund investors. When rates fall, bond prices rise. Debt funds have already benefited from the fall in rates in recent months. Long-term debt funds have clocked 13% return over the past year, while gilt funds generated 11.5%. With rates expected to come down further, these funds may continue to reward investors. The problem facing the investors now is that heavy redemptions are altering the risk profile of the fund. Fund managers have been forced to sell some of the more liquid, better quality instruments in the portfolio to cater to large-ticket redemptions. This has saddled the portfolios with low quality bonds. So, the impact of any more credit defaults on funds’ NAVs will be much more severe.

While some fund houses will tide over the problems by merging affected schemes with larger funds, the entire episode presents a moment of truth for investors. It is time to get back to the drawing board and re-assess one’s debt fund portfolio. Avoid any bond fund whose portfolio now stands over-exposed to a single issuer owing to redemptions. Stick to funds with well-diversified portfolios, with a tilt towards AAA or similarly rated securities. “It is imperative that investors not only stick to high quality, but also stay away from concentrated portfolios,” says Sivakumar. Also, this cannot be a one-time exercise. Monitoring the portfolio quality and concentration should be made a regular exercise.

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(Source: Economic times)

## Consumer Appliances

### Company Background

Bajaj Electricals Ltd (BEL) incorporated in 1960 is a consumer electrical equipment manufacturing company. Their products are spread across major verticals namely Consumer products ,engineering and projects which includes Appliances, fans and lightning, Illumination, Transmission Towers and Power Distribution. BEL also has presence in hi-end range of appliances with other brands such as Platini and Morphy Richards etc. Company has a PAN India presence with 20 branch offices backed by distribution network , dealers,retail outlets and exclusive showrooms known as “Bajaj World” along with 462 customer services centers. BEL currently caters the demand of nearly 500 districts through more than 1.44 Lac retailers .Their manufacturing units are located in villages of Maharashtra known as Ranjangaon and Chakan.

### Investment Rationale

#### Diversified product portfolio with lower dependence on single product

Over the decades, BEL has been an established player with its diversified portfolio in consumer segment which includes lightning (bulbs, leds, torches, lamps etc) ,fans (ceiling fans, exhaust fans, pedestal fans, wall fans, table fans) ,appliances (mixer, grinder, microwave ovens, steam irons, water heaters etc.) and in Engineering and project segment (E&P) wherein they execute projects under spectrum of transmission towers, distribution and illumination. Company is also into premium segment with other brands such as Platini and Morphy Richards. Such diversified portfolio enables the company to access untapped opportunities via catering the demand from different segments which indirectly enables them of being less dependent on a single particular product and less exposed to its demand cycle.

#### Efficient after sales service to provides competitive edge over peers

BEL being a leadership brand, over the years it has built a strong presence in Indian market through its after sales service network that ensures the service within 72 hrs, irrespective of any retail shop. This service facility has been backed by strong PAN India network of about 462 service centers and over 2800 service technicians, Currently company spends over 3% of its revenue generated from consumer durable sales to after sales services. It has serviced several lakh pieces from its service centers within the given duration in past couple of years. Adding to it , minimal entry barriers and industrial competition helps to gain a competitive edge over peers which also indirectly attracts market share.

#### Superior performance In Consumer product segment to accelerate revenue growth going forward

BEL is well-entrenched in the market and has strong relationships vendors. It is a leader in several kitchen and domestic appliances with presence across all price points. In Q4FY19, BEL Consumer segment reported a 15% growth led by completion of Range & Reach Expansion Programme (RREP) which helps the company to reach out consumers through more than 2.05 lac retail outlets across the country and lower appliances penetration with rising rural household incomes along with that this segment is expected to be a direct beneficiary of governments initiatives”double farm income” and “Saubhagya scheme” which aims to provide electricity in every household by FY22. Therefore these initiatives will enable the overall revenue to grow at a surplus pace in near future.

### Valuation and Outlook

Bajaj Electricals Limited (BEL) being the robust player in consumer appliances drives the strength from diversified segments, large distribution network, strong PAN India presence. Going forward, this factors will help to gain market share from unorganised players post implementation of GST , resulting in increase in segment revenue Moreover, the ability to successfully implement the RREP and execution of Engineering projects backed by strong inflows in transmission line, towers and power distribution would augur well for the company. However, numerous foreign tie-ups for various products/ technology and solutions expect to help them to capture higher share of premium products/ Therefore, We expect earnings to grow at 24% CAGR for FY19-21E. We value the stock by assigning 26x PE to FY21E EPS and recommend **BUY** rating for a target of INR 600 for a period of 12-15 months.

### Stock Rating

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

### Sector Outlook

Positive

### Stock

CMP (INR)	509
Target Price (INR)	610
BSE code	500031
NSE Symbol	BAJAJELEC
Bloomberg	BJE IN
Reuters	BJEL.BO

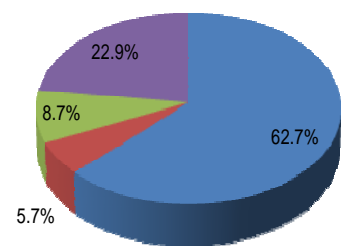
### Key Data

Nifty	11823
52WeekH/L(INR)	658/379
O/s Shares (Mn)	102.4
Market Cap (INR bn)	51.2
Face Value (INR)	2

### Average volume

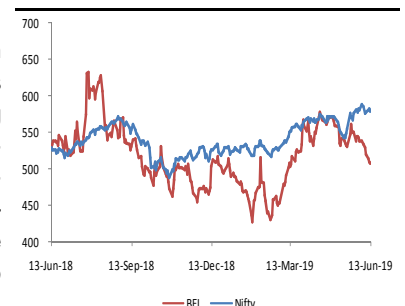
3 months	253400
6 months	254740
1 year	371300

### Share Holding Pattern (%)



■ Promoters ■ FII ■ DII ■ Others

### Relative Price Chart





## Weekly Wealth

## Key Financials

YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue</b>	<b>42,983</b>	<b>47,164</b>	<b>66,794</b>	<b>67,188</b>	<b>68,599</b>
<i>Revenue Growth (Y-o-Y)</i>	<i>(7.1%)</i>	<i>9.7%</i>	<i>41.6%</i>	<i>0.6%</i>	<i>2.1%</i>
<b>EBIDTA</b>	<b>2,428</b>	<b>2,934</b>	<b>3,401</b>	<b>4,429</b>	<b>5,345</b>
<i>EBIDTA Growth (Y-o-Y)</i>	<i>(8.1%)</i>	<i>20.9%</i>	<i>15.9%</i>	<i>30.2%</i>	<i>20.7%</i>
<b>Net Profit</b>	<b>1,022</b>	<b>836</b>	<b>1,564</b>	<b>1,948</b>	<b>2,401</b>
<i>Net Profit Growth (Y-o-Y)</i>	<i>(5.2%)</i>	<i>(18.1%)</i>	<i>87.0%</i>	<i>24.6%</i>	<i>23.2%</i>
<b>Diluted EPS</b>	<b>10.0</b>	<b>8.2</b>	<b>15.3</b>	<b>19.0</b>	<b>23.4</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>(5.2%)</i>	<i>(18.1%)</i>	<i>87.0%</i>	<i>24.6%</i>	<i>23.2%</i>

## Key Ratios

<b>EBIDTA (%)</b>	<b>5.6%</b>	<b>6.2%</b>	<b>5.1%</b>	<b>6.6%</b>	<b>7.8%</b>
<b>NPM (%)</b>	<b>2.4%</b>	<b>1.8%</b>	<b>2.3%</b>	<b>2.9%</b>	<b>3.5%</b>
<b>RoE (%)</b>	<b>11.8%</b>	<b>8.9%</b>	<b>15.7%</b>	<b>17.2%</b>	<b>18.3%</b>
<b>RoCE (%)</b>	<b>17.2%</b>	<b>17.7%</b>	<b>12.9%</b>	<b>17.4%</b>	<b>21.4%</b>

## Valuation Ratios

<b>P/E (x)</b>	<b>50.1x</b>	<b>61.2x</b>	<b>32.7x</b>	<b>26.3x</b>	<b>21.3x</b>
<b>EV/EBITDA</b>	<b>23.1x</b>	<b>19.8x</b>	<b>19.7x</b>	<b>138.1x</b>	<b>113.9x</b>
<b>P/BV (x)</b>	<b>5.9x</b>	<b>5.5x</b>	<b>4.8x</b>	<b>4.2x</b>	<b>3.6x</b>
<b>Market Cap. / Sales (x)</b>	<b>1.2x</b>	<b>1.1x</b>	<b>0.8x</b>	<b>8.9x</b>	<b>8.7x</b>





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