

Week Gone by

- ⇒ Housing Development Finance Corporation (HDFC) fell 1.90%. HDFC said it has entered into agreements for acquiring up to 51.2% of the equity share capital of Apollo Munich Health Insurance Company for a total consideration of Rs 1346.84 crore
- ⇒ Jet Airways India soared 93.35% to Rs 64. A consortium of 26 bankers led by the State Bank of India earlier this week took the airline to the National Company Law Tribunal (NCLT) for the speedy recovery of their dues .
- ⇒ Tata Motors lost 3.11%. Moody's Investors Service downgraded the company's corporate family rating (CFR) and the company's senior unsecured instruments rating to Ba3 from Ba2. The outlook remains negative. The announcement was made after market hours on 20 June 2019.
- ⇒ On the economic front, India imposed higher retaliatory tariffs on 28 US products including almonds, apples and walnuts from Sunday (16 June 2019), following Washington's withdrawal of key trade privileges for New Delhi.

Week ahead

- ⇒ India's infrastructure output data for May will be unveiled on Friday, 28 June 2019
- ⇒ Overseas, the G20 meeting will be in the spotlight. The situation in the global economy and trade and environment-related issues will be key topics of the forthcoming summit of the Group of Twenty (G20).
- ⇒ The Bank of Japan (BoJ) will publish monetary policy meeting minutes on 25 June 2019. The Bank of Japan left its key short-term interest rate unchanged at -0.1% at its June meeting, as widely expected.
- ⇒ The G20 summit for the year 2019 will be held on 28-29 June 2019 at the International Exhibition Center in Osaka, Japan

Technical Overview

Index closed with a loss of 0.84% at 11724. Index started the week on a flat note and remained under pressure, giving a breakdown from the consolidation range of 12050-11750 which continued for more than 3 weeks. Going ahead index has an immediate support at 11630 mark which is 50% retracement of its previous advance from 11108 to 12103. If index failed to hold on this support we can witness selling pressure emerging and taking index lower towards 11550-11500 zone. Till index manages to above the support mentioned index can move higher and resistance is placed at 11780-11840-11900.



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	21-Jun-19	14-Jul-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	21-Jun-19	14-Jun-19	Weekly % Chg
Nikkei Index	21,244	20,885	1.7
Hang Sang Index	28,474	26,965	5.6
Kospi Index	2,126	2,072	2.6
Shanghai SE Composite	3,002	2,828	6.2
Strait Times Index	3,321	3,166	4.9
Dow Jones	26,753	25,721	4.0
NASDAQ	8,051	7,616	5.7
FTSE	7,432	7,304	1.8

FOREX

Currency	21-Jun-19	14-Jun-19	Weekly % Chg
US\$ (Rs.)	69.6	69.8	-0.3
GBP (Rs.)	88.2	88.2	0.0
Euro (Rs.)	78.7	78.5	0.3
Yen (Rs.) 100 Units	64.7	64.4	0.5

NIFTY TOP GAINERS (WEEKLY)

Scrip	21-Jun-19	14-Jun-19	Weekly % Chg
ICICI Bank	430.8	417.8	3.1
Power Grid Corp	199.9	194.6	2.7
Zee Entertainment	345.7	336.5	2.7
UltraTech Cement	4,595.2	4,501.8	2.1
Bajaj Finserv	8,392.5	8,235.2	1.9

NIFTY TOP LOSERS (WEEKLY)

Scrip	21-Jun-19	14-Jun-19	Weekly % Chg
UPL	890.1	1,006.0	-11.5
Indiabulls Housing	612.0	672.3	-9.0
Adani Ports	402.0	426.4	-5.7
Maruti Suzuki	6,417.3	6,747.4	-4.9
HPCL	291.9	306.5	-4.8

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
20-Jun-19	4,463.9	4,902.3	-438.4
19-Jun-19	4,603.6	4,700.6	-97.1
18-Jun-19	4,653.2	4,621.5	31.7
17-Jun-19	4,718.8	5,050.1	-331.3
14-Jun-19	5,163.6	5,402.3	-238.6
MTD	62,911.9	63,826.7	-914.8

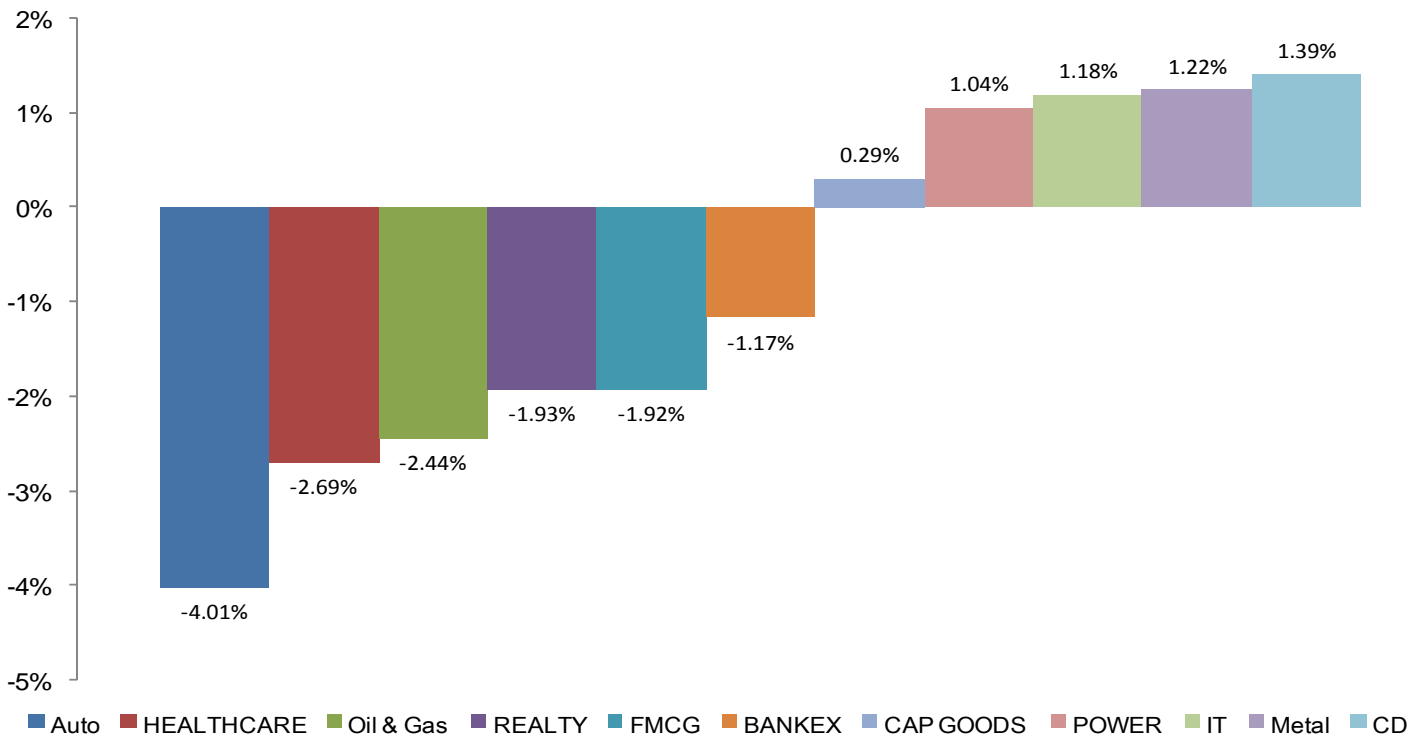
DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
20-Jun-19	3,455.6	2,214.3	1,241.2
19-Jun-19	2,770.2	2,875.1	-104.9
18-Jun-19	2,855.9	2,674.9	181.0
17-Jun-19	4,073.9	2,816.0	1,257.9
14-Jun-19	2,169.5	1,793.0	376.5
MTD	35,720.0	34,211.6	1,508.4

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



(Source: BSE, BP Equities Research)

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	21-Jun-19	14-Jun-19	Weekly Change (%)	21-Jun-19	14-Jun-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
HEXAWARE	397.8	345.6	15.1	71,88,800	42,27,200	70.1
SUZLON	4.5	4.1	9.8	26,98,500	17,91,000	50.7
SYNDIBANK	37.3	34.9	6.7	72,30,500	53,19,700	35.9
ICICIPRULI	381.8	360.3	6.0	36,66,884	27,74,776	32.2
APOLLOTYRE	196.2	185.3	5.9	2,75,50,400	2,08,71,600	32.0

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	21-Jun-19	14-Jun-19	Weekly Change (%)	21-Jun-19	14-Jun-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
JETAIRWAYS	53.8	66.9	-19.6	2,65,300	4,49,400	-41.0
IRB	97.8	112.8	-13.3	3,39,000	5,33,500	-36.5
ARVIND	63.7	73.1	-12.8	2,83,800	4,31,200	-34.2
UJJIVAN	296.1	336.0	-11.9	20,44,000	30,66,000	-33.3
UPL	892.9	1,008.3	-11.4	66,72,000	96,20,000	-30.6



Weekly Wealth

BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
14.06.2019	GRUH Finance	HDFC LTD	NSE	Sell	26000000	290.0
14.06.2019	GRUH Finance	HDFC LTD	NSE	Sell	5000000	290.3
17.06.2019	Vishal Fabrics	VEENA INVESTMENTS PRIVATE LTD	BSE	Buy	330000	330
17.06.2019	Shriram Transport	PIRAMAL ENTERPRISES LTD	NSE	Sell	22600000	1000.7
19.06.2019	Ajmera Realty	ARIIL TRUST	NSE	Buy	590000	159.6
20.06.2019	Jubilant Life	MILLER HOLDINGS PTE LTD	BSE	Buy	975000	470.0
20.06.2019	Astron Paper	EURO PLUS CAPITAL LTD	NSE	Buy	242045	119.8

(Source: NSE,BSE, BP Equities Research)

Budget 2019: Hopes of tax exemption limit hike

With the NDA government's successful re-election, expectations are building up and all eyes are now on the Union Budget 2019. There is a lot of hope among different sections that progressive economic reforms will be proposed by this government, which has a good five-year period to execute them.

Here are some of the expectations of the common man that the government could consider in the upcoming budget:

1) Revision in tax rates - The basic exemption limit of Rs 2.5 lakh has not been revised since 2014. The present slab rates, even though recently reduced from 10 percent to 5 percent for income from Rs 2.5 lakh up to Rs 5 lakh, jumps to 20 percent for the next income slab of Rs 5 lakh plus up to Rs 10 lakh. The government could consider rationalising the slabs for this category of income earners and increase the basic exemption limit.

2) Raising the cap on tax benefit for investments - The limit for deduction under section 80C for tax saving investments was last enhanced in 2014 to Rs 1.5 lakh and covers mostly debt instruments. It is hoped that this limit will be raised to at least Rs 2 lakh to encourage individual income earners to channelise maximum savings into investments, thus promoting economic growth in their own small way.

3) Impractical allowances - Two years ago, the government did away with medical and transport allowances provided by the employer. It is time that the government also does a reality check of children education allowance and hostel allowance, which are meagre amounts of Rs 100 and Rs 300 per month, which have never been revised since introduction. The government could also consider granting an annual exemption for Leave Travel Allowance, instead of the current two exemptions in two exemptions in a block of four years with a view to promote travel and recreation for the hardworking salaried class.

4) House Rent Allowance (HRA) - As per the current provisions, an employee staying in the four metropolitan cities of Delhi, Mumbai, Kolkata and Chennai can claim higher deduction for HRA. In reality, the rentals in other cities like Hyderabad, Bengaluru, Pune, Ahmedabad, Noida and Gurgaon are equally high, if not higher, due to the fact that there has been a massive movement of population to these cities in response to employment opportunities in the past few years. The government could consider providing a higher HRA exemption to individuals staying in these cities also in view of high rentals.

5) Deduction for home loan interest - The deduction for home loan interest was last raised to Rs 2 lakh in 2014. In order to boost the housing sector and move towards the government's objective of 'Housing for all' by 2022, this limit could be raised to at least Rs 2.5 lakh.

6) Deduction for savings interest - Currently, deduction is available for savings bank account interest income up to Rs 10,000. Interest income from fixed deposits is not eligible for deduction. However, for senior citizens (aged 60 years and above), the limit is Rs 50,000 and includes interest income from fixed deposits. It is the ask of small savers, to increase the deduction of Rs 10,000 from savings accounts to at least Rs 25,000 and include fixed deposit interest in its scope. ..

As the common man anxiously awaits good news from the Finance Minister, this may be the right time for the government to thank its people by granting them with some tax sops.

(Source: Economic times)

Capital Goods

Company Background

Voltas Ltd, incorporated in 1954 is a part of Tata group specialized in air conditioning and cooling technology. Company operates its business in main divisions namely Electronic mechanical projects and services (EMPS) ,Engineering products business group (EPBG) and Unitary products business group (UPBG). The EMPS business provides engineering solutions for centralised airconditioning and refrigeration, MEP projects, HVAC applications and water management services in domestic and international markets. The EPBG business markets and trades products in mining and construction equipment and textile machinery segments, as well as provides after sales services. The UPBG business manufactures products namely air-conditioners, air coolers, water coolers and other commercial refrigeration products. Last year, Company entered into a Joint Venture with Arcelik A.s to cater the demand for wider consumer durables and white goods market.

Investment Rationale

Strong RAC growth outlook in FY20

RAC has seen a significant demand pickup in 1QFY20, the management expects this segment to deliver strong growth in FY20. This is well supported by erratic summer season and lower base of FY19. The company has able to hike the prices due to competition. The new AC & related products unit at Tirupati (cost of Rs5bn) is on track (commissioning by end FY20) and will enable better & quicker reach to western & southern markets. Further it has ~10% market share in the e-commerce segment for room ACs.

Voltas-Beko JV to do well in long run

The Voltas-Beko (Voltbek) JV set up at an initial investment of \$100mn envisages to leverage on Voltas's brand presence and sales & distribution network. Arcelik will contribute in technology, R&D, global sourcing capabilities and wide product range. It was launched in H2FY19 with new range of refrigerators, washing machines, microwaves & dish washers Voltbek but reported a loss of ~Rs1bn in FY19. Currently, Voltbek has covered 50-55% of Voltas's distribution network. Voltbek products are available through almost all large modern retail stores (Croma, Vijay Sales, Vivek, Great Eastern Retail) & in tier II/III towns through ~100 franchisee based EBO's. The JV is banking on starting production (Dec 2019) of direct cool refrigerators and twin tub semiautomatic washing machine to fully exploit the distribution reach of Voltas in next season.

EMPS segment to witness increase in orders from government initiatives

With the return of NDA government, we are optimistic on resumption of government spending on rural electrification and urban infrastructure. Voltas have been selective in taking new orders, while its current order book stands at INR 30bn (40% from rural, 30% from urban infrastructure and rest from other segments). The company expects huge opportunities in rural electrification, metro projects, airport infrastructure and water management. On the international front, project business is going through difficult phase therefore it intends to be selective for new orders with clear focus on Oman, Abu Dhabi and Dubai.

Valuation and Outlook

We believe lowest penetration of AC in India (among other white goods items) suggests the long-term growth story of Voltas will remain intact. It has leadership position in room AC segment while foraying into other consumer durables would also augur well going ahead. Taking all the above into consideration we estimate Revenue and PAT to grow at a CAGR of 11% over FY19 – FY21E, with EBITDA margin of 9.6% in FY21E. We have valued the stock by assigning 16x PE multiple to FY20E EPS. We recommend investors can BUY the stock for target of Rs.717 (upside of 16% from CMP) for 12-15 months.

Stock Rating

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

Sector Outlook

Positive

Stock

CMP (INR)	623
Target Price (INR)	717
BSE code	500575
NSE Symbol	VOLTAS
Bloomberg	VOLT IN
Reuters	VOLT.BO

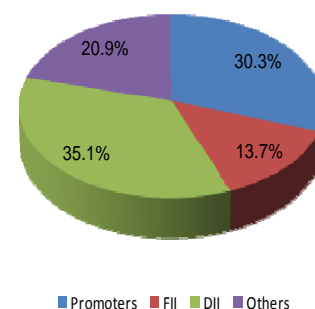
Key Data

Nifty	11724
52WeekH/L(INR)	641/471
O/s Shares (Mn)	330.8
Market Cap (INR bn)	20.5
Face Value (INR)	1

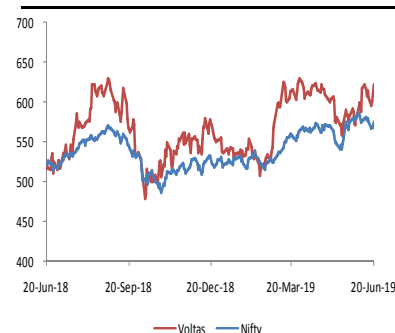
Average volume

3 months	1731210
6 months	1539460
1 year	1505860

Share Holding Pattern (%)



Relative Price Chart





Weekly Wealth

Key Financials

YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
Revenue	60,328	63,803	70,846	77,930	87,282
<i>Revenue Growth (Y-o-Y)</i>	5.5%	5.8%	11.0%	10.0%	12.0%
EBIDTA	5,669	6,626	6,117	7,014	8,379
<i>EBIDTA Growth (Y-o-Y)</i>	30.9%	16.9%	(7.7%)	14.7%	19.5%
Net Profit	5,391	5,741	5,657	5,845	6,983
<i>Net Profit Growth (Y-o-Y)</i>	39.3%	6.5%	(1.5%)	3.3%	19.5%
Diluted EPS	16	17	15	17.7	21.1
<i>Diluted EPS Growth (Y-o-Y)</i>	33.7%	10.6%	(11.3%)	15.0%	19.5%

Key Ratios

EBIDTA (%)	9.4%	10.4%	8.6%	9.0%	9.6%
NPM (%)	8.9%	9.0%	8.0%	7.5%	8.0%
RoE (%)	16.3%	14.7%	14.1%	13.5%	14.4%
RoCE (%)	15.6%	15.8%	13.8%	14.2%	15.2%

Valuation Ratios

P/E (x)	39.6x	35.8x	40.4x	35.1x	29.4x
EV/EBITDA	36.2x	31.0x	33.5x	29.2x	24.4x
P/BV (x)	6.2x	5.3x	5.0x	4.5x	4.0x
Market Cap. / Sales (x)	3.4x	3.2x	2.9x	2.6x	2.4x



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