

Week Gone by

- ⇒ Tata Teleservices (TTSL) and its unit completed the merger of their consumer business with that of Bharti Airtel and unit Bharti Hexacom
- ⇒ After three successive months of above Rs 1 lakh crore plus collection, the revenue from the Goods & Services Tax (GST) eased just below Rs 1 lakh crore in last month.
- ⇒ OPEC agreed to extend oil supply cuts until March 2020 as the group's members overcame their differences in order to prop up the price of crude amid a weakening global economy and soaring US production
- ⇒ US President Donald Trump and Chinese President Xi Jinping agreed to hold off on slapping additional tariffs in an effort to resume trade talks. The moves came after Trump and Xi emerged from a meeting on the sidelines of the Group of 20 summit in Osaka, Japan. Both sides confirmed in separate comments that they did not plan to levy any new tariffs against each other's products at the present time.

Week ahead

- ⇒ Inflation rate for June 2019 will be announced on Friday, 12 July 2019. Retail price inflation rate rose to 3.05% year-on-year in May 2019 from an upwardly revised 2.99% in the previous month.
- ⇒ Federal Open Market Committee (FOMC) minutes of the Fed's June policy meeting will be announced on Wednesday, 10 July 2019. The Federal Reserve held the target range for the federal funds rate at 2.25-2.5% but dropped a promise to be "patient" in adjusting rates and signaled possible rate cuts of as much as half a percentage point later this year.
- ⇒ The US inflation data for June 2019 will be unveiled on Thursday, 11 July 2019. The US annual inflation rate fell to 1.8% in May 2019 from a five-month high in the previous month of April 2019.
- ⇒ On the global front, investors are awaiting the release of the nonfarm payrolls report for June on Friday, 5 July 2019 which could provide clues as to whether the U.S. Federal Reserve would cut interest rates at its monetary policy meeting later in July.

Technical Overview

Index closed with a gain of 0.19% at 11811. Index started the week on a flat note and witnessed steady up move before budget and on budget day index saw sharp selloff and erased all early gains. Index has managed to hold the support of 11630 levels which is key support level and 50% retracement level of its previous advance from 11103 to 12103 and coincides with the gap support. However the immediate support is placed at 11730-11680 and while on the higher side resistance is placed at 11850-11900-11960.

1-Nifty 50 - 05/07/19

F7



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	05-Jul-19	28-Jun-19	Weekly % Chg
Nifty	11,811	11,789	0.2
Nifty Next 50	27,378	27,333	0.2
Nifty 100	11,904	11,882	0.2
Nifty 500	9,658	9,658	0.0
Nifty Midcap 100	17,530	17,654	-0.7
Sensex	39,513	39,395	0.3
BSE 100 Index	11,926	11,910	0.1
BSE 200 Index	4,930	4,927	0.1
BSE 500 Index	15,292	15,292	0.0
BSE Mid-Cap	14,726	14,808	-0.6
BSE Small Cap	14,142	14,239	-0.7

WORLD INDICES

Index	05-Jul-19	28-Jun-19	Weekly % Chg
Nikkei Index	21,746	21,276	2.2
Hang Sang Index	28,775	28,543	0.8
Kospi Index	2,111	2,131	-0.9
Shanghai SE Composite	3,011	2,979	1.1
Strait Times Index	3,367	3,322	1.4
Dow Jones	26,966	26,527	1.7
NASDAQ	8,170	7,968	2.5
FTSE	7,575	7,418	2.1

FOREX

Currency	05-Jul-19	28-Jun-19	Weekly % Chg
US\$ (Rs.)	68.5	69.0	-0.8
GBP (Rs.)	85.9	87.6	-1.9
Euro (Rs.)	77.1	78.6	-1.9
Yen (Rs.) 100 Units	63.3	64.1	-1.2

NIFTY TOP GAINERS (WEEKLY)

Scrip	05-Jul-19	28-Jun-19	Weekly % Chg
Indiabulls Housing	727.4	607.7	19.7
IndusInd Bank	1,532.6	1,410.5	8.7
Bharti Airtel	364.8	346.7	5.2
HDFC Ltd	2,278.9	2,192.1	4.0
Britannia	2,824.9	2,743.7	3.0

NIFTY TOP LOSERS (WEEKLY)

Scrip	05-Jul-19	28-Jun-19	Weekly % Chg
YES Bank Ltd.	88.2	108.8	-18.9
Sun Pharma.	375.3	401.0	-6.4
Vedanta	163.7	174.4	-6.1
BPCL	370.1	392.5	-5.7
Tata Steel	478.4	504.4	-5.2

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
05-Jul-19	3,628.4	3,717.8	-89.4
04-Jul-19	3,037.7	3,066.7	-29.0
03-Jul-19	3,330.9	3,721.0	-390.2
02-Jul-19	4,093.7	4,605.7	-512.0
01-Jul-19	3,247.5	2,821.0	426.5
MTD	89,628.6	91,852.2	-2,223.7

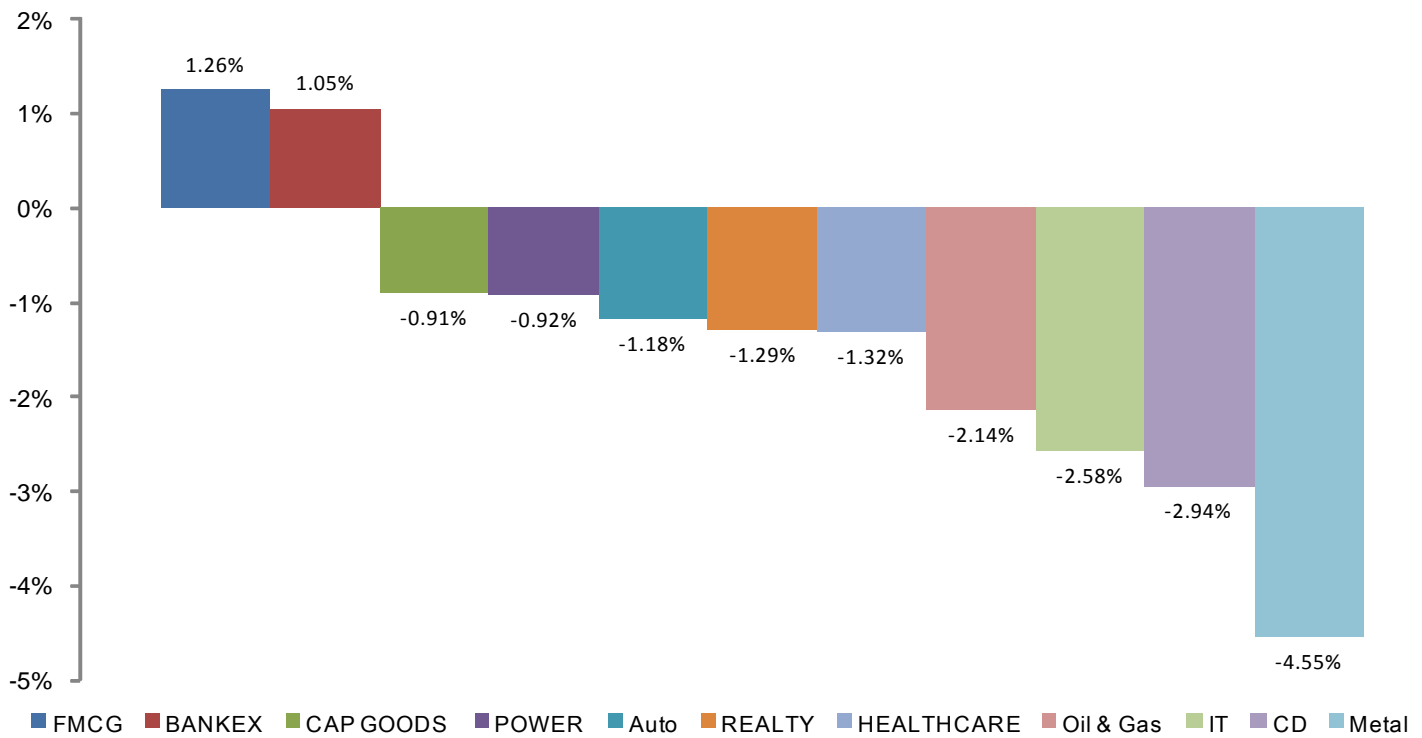
DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
05-Jul-19	4,178.9	3,903.3	275.6
04-Jul-19	2,811.3	2,752.7	58.6
03-Jul-19	2,777.5	2,489.9	287.6
02-Jul-19	1,871.9	1,730.8	141.1
01-Jul-19	2,328.0	2,379.0	-51.0
MTD	58,892.7	53,418.9	5,473.7

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



(Source: BSE, BP Equities Research)

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	05-Jul-19	28-Jun-19	Weekly Change (%)	05-Jul-19	28-Jun-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
ADANIPOWER	64	51.6	24.0	1,58,40,000	92,58,600	71.1
IBULHSGFIN	731.3	611.1	19.7	11,94,000	7,71,000	54.9
DHFL	70.8	62.7	12.9	58,54,750	38,17,000	53.4
DISHTV	30.5	27.2	12.1	33,66,000	24,43,200	37.8
INDUSINDBK	1,526.7	1,411	8.2	23,82,000	19,06,800	24.9

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	05-Jul-19	28-Jun-19	Weekly Change (%)	05-Jul-19	28-Jun-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
YESBANK	88.6	109.2	-18.9	1,92,32,000	2,39,04,000	-19.5
RELCAPITAL	52.1	56.5	-7.8	5,31,63,000	6,53,53,500	-18.7
RELINFRA	48.2	51.8	-7.0	20,71,300	24,83,600	-16.6
ENGINEERSIN	114.0	122.15	-6.7	3,86,34,400	4,63,03,600	-16.6
SUNPHARMA	376.7	403.3	-6.6	4,93,50,000	5,66,62,500	-12.9



Weekly Wealth

BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
28.06.2019	Vishal Fabrics	VEENA INVESTMENTS PRIVATE LTD	BSE	Buy	3,30,000	340
02.07.2019	Bharat Fin	INTEGRATED CORE STRATEGIES(ASIA) PTE LTD	NSE	Buy	1806983	898.2
02.07.2019	Vishal Fabrics	VEENA INVESTMENTS PRIVATE LTD	BSE	Buy	330005	340
03.07.2019	Ashapuri Gold	JHAVERI TRADING AND INVESTMENT PVT LTD	NSE	Buy	128000	49.6
04.07.2019	Indiamart Intermesh	JMP SECURITIES PVT LTD	NSE	Buy	3,30,000	1,289.2
04.07.2019	Medico Remedies	GOODPOINT COMMODEAL PVT LTD	BSE	Buy	54000	83.1

(Source: NSE,BSE, BP Equities Research)

Budget 2019: Are you richer or poorer? Here's the bottomline

For taxpayers with a taxable income of up to Rs 2 crore, there is no significant change (except for certain additional deductions now available, such as for buying an electric car). For such taxpayers, the tax rates remain largely unchanged. However, the rich and super-rich will have to pay out quite a bit more, owing to a steep increase in surcharge. Here's how it pans out: For those with taxable income of Rs 2-5 crore, the surcharge stands increased from 15% to 25%, which means an effective tax rate of 39% as opposed to 35.9%. An increase of close to 3 percentage points means a taxpayer with taxable income of Rs 2.50 crore will now have to pay tax of Rs 95.06 lakh as against a tax of Rs 87.45 lakh earlier. This means a higher outgo of Rs 7.60 lakh. Contribution towards nation-building will be even higher for those with taxable income above Rs 5 crore. The increase in surcharge from 15% to 37% — a whopping 22 percentage points — translates into a 7% higher effective tax rate of 42.7%. To illustrate, with a taxable income of Rs 5.50 crore, a taxpayer will now pay Rs 2.32 crore as opposed to Rs 1.95 crore earlier. This means a higher outgo of Rs 37.32 lakh. When buying luxury flats, the sale consideration typically included payments for amenities like car parking and club membership. For tax deduction purposes, the budget now specifies that 1% TDS will apply on the gross consideration, including such amenities, and not just the price of the flat. Failure to disclose the entire amount could invite penalties. Those buying affordable housing can save some tax. Interest on a loan taken by a first-time buyer to purchase a house valued up to Rs 45 lakh will qualify for additional deduction of up to Rs 1.5 lakh, raising the total deduction available from Rs 2 lakh to Rs 3.5 lakh, for a self-occupied house. What about indirect taxes? Do they pinch your pocket less? Largely no. With an emphasis on "Make in India", customs duties have been increased across a wide spectrum. If you wish to beat the heat by installing an imported air-conditioner, a 2-tonne split AC will now cost about Rs 82,500 — a hike of Rs 7,500. Spreading festive cheer with gold coins will be more expensive. Cost of a 10gm Swiss-imported gold coin is likely to jump Rs 900, with a price tag of about Rs 37,300. Increase in duty on gold, silver and platinum bars will also make jewellery purchases costlier.

(Source: Economic times)

Infrastructure

Company Background

Rites Limited (RL), incorporated in 1974 is a Public Sector enterprise and a leading player in engineering and transport consultancy services. It provides overall services from concept to commissioning across all areas of transport infrastructure. Within infra and energy sectors, it has executed many projects such as building urban transport, roads and highways, ports, inland waterways, airports, institutional buildings and renewable energy. However, consultancy service in railway sector contributes a major part of its business. With an experience of more than 44 years, Rites has undertaken several projects in many countries which includes Asia, Africa, Latin America, South America and Middle East

Investment Rationale

Strong order inflows in consultancy, turnkey and export segment would usher revenue growth

Rites has received various contracts from government of India to a large extent. In FY19, Company has secured more than 300 projects led by foraying into railway's low margin turnkey construction projects such as infrastructure projects in railways, metros, airports, exports and loco leasing segments and the projects from consultancy segments which includes station redevelopment, railway network for UP power, quality audit service for 13 AIIMS, works in SAIL and Tata Steel. Turnkey segment contributes a major share of 42% while consultancy has a 38% share from the total order book of Rs 6,097 crores. Going forward we expect a strong revenue growth backed by ongoing projects from these segments, with the near term growth of 19% in FY20

Niche player in export arm to augur untapped opportunities

Rites, being a sole entity of the Indian Railways for the export of consultancy services, railway locomotives, coaches and other equipment which are manufactured by the Indian Railways (other than exports to Malaysia, Indonesia and Thailand). It contributes a share of 11% from total revenue. Recently, company has expanded its offerings in infrastructure sector to cater the new market opportunities. However, company has generated a total revenue of Rs 4,000 crores in exports segment over the past 3 years.

Gained prominence in major infrastructure projects

Rites, plays a key position in the plans of Government of India with respect to infrastructure and energy sector. Several assignments on nomination and single tender basis from various government ministries, organizations and departments including Indian Railways has been successfully bagged by them primarily due to sheer ability to execute business in compliance with regards to various policies and procedures of government departments. This helps them to increase its visibility in the market space leading to a competitive edge over other players.

Valuation and Outlook

Rites, an engineering consultancy company have experience of over 4 decades in major transport infrastructure projects. It is set to benefit from various infrastructure development initiatives in Railways, metro, airports etc and strong order inflows in various development projects. This provides ample potential business opportunity to grow going forward. Better execution of orders to drive higher revenue growth coupled with stable ROE and ROCE of around 20% augurs well for investment. Owing to above reasons, We expect Revenue/EBITDA/Pat to grow at 19%/14%/14% CAGR for FY19-21E. We value the stock by assigning 12x PE to FY21E EPS and recommend **BUY** rating for a target of INR 360 for a period of 12-15 months.

Stock Rating

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

Sector Outlook

Positive

Stock

CMP (INR)	305
Target Price (INR)	360
BSE code	541556
NSE Symbol	RITES
Bloomberg	RITE IN
Reuters	RITS.BO

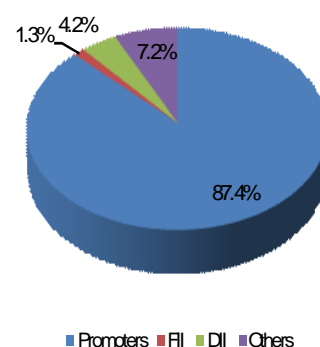
Key Data

Nifty	11811
52WeekH/L(INR)	326/192
O/s Shares (Mn)	200
Market Cap (INR bn)	61
Face Value (INR)	10

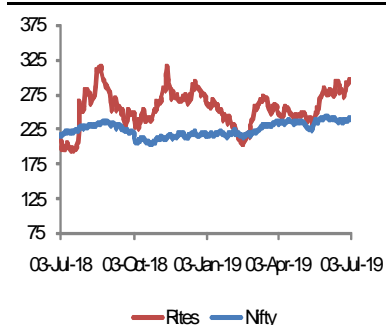
Average volume

3 months	4,39,790
6 months	4,53,710
1 year	11,54,600

Share Holding Pattern (%)



Relative Price Chart





Weekly Wealth

Key Financials

YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
Revenue	13,515	14,975	20,475	24,406	28,969
<i>Revenue Growth (Y-o-Y)</i>	NA	10.8%	36.7%	19.2%	18.7%
EBIDTA	3,561	4,149	5,755	6,664	7,497
<i>EBIDTA Growth (Y-o-Y)</i>	NA	16.5%	38.7%	15.8%	12.5%
Net Profit	3,485	3,587	4,816	5,562	6,240
<i>Net Profit Growth (Y-o-Y)</i>	NA	2.9%	34.3%	15.5%	12.2%
Diluted EPS	17.4	17.9	24.1	27.8	31.2
<i>Diluted EPS Growth (Y-o-Y)</i>	NA	2.9%	34.3%	15.5%	12.2%

Key Ratios

EBIDTA (%)	26.4%	27.7%	28.1%	27.3%	25.9%
NPM (%)	25.8%	24.0%	23.5%	22.8%	21.5%
RoE (%)	19.0%	17.8%	21.7%	20.8%	19.5%
RoCE (%)	18.6%	20.1%	25.4%	24.5%	23.1%

Valuation Ratios

P/E (x)	17.5x	17.0x	12.7x	11.0x	9.8x
EV/EBITDA	9.2x	6.2x	11.4x	9.9x	8.8x
P/BV (x)	3.3x	3.0x	2.7x	2.3x	1.9x
Market Cap. / Sales (x)	4.5x	4.1x	3.0x	2.5x	2.1x

(Source: Company, BP Equities Research)



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Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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