

Week Gone by

- ⇒ Titan Company said it witnessed a tough macro-economic environment in April-June quarter with consumption being hit. The company said very high gold prices particularly in June also impacted growth in the jewellery industry.
- ⇒ Finance Minister Nirmala Sitharaman in her maiden Budget speech on Friday, 5 July 2019, urged Sebi to consider increasing the minimum public shareholding in listed firms to 35% from 25%.
- ⇒ On the macro front, Fitch Ratings reported that India's new budget outlined some economic reforms that could support the economy, but its fiscal stance was left broadly unchanged, with no plans for meaningful consolidation.
- ⇒ The National Federation of Independent Business released its small business optimism index, which fell to 103.3 in June, from 105 in May .

Week ahead

- ⇒ Wholesale price inflation rate for June 2019 will be announced on Monday, 15 July 2019. Balance of Trade data for the month of June 2019 will also be announced on the same day.
- ⇒ Wipro and Yes Bank will declare their Q1 results on 17 July 2019 .
- ⇒ On the macro front, India's industrial production data for May 2019 and retail price inflation rate for June 2019 will be announced after market hours on Friday, 12 July 2019
- ⇒ Overseas, China's second-quarter gross domestic product (GDP) data and industrial production data for June will be declared on Monday, 15 July 2019.

Technical Overview

Index closed with loss of 2.19% at 11553. Index opened the week with gap down and traded with negative bias. However, index has managed to protect 11500-11480 support area which is 61.8% retracement level of its previous rally from 11100 to 12100 which also coincides with Gap area formed earlier. Till index hold above mentioned support area index can move higher towards 11620-111680-11740 levels while failing to do so will witness selling pressure and can test lower levels till 11430-11380-11330

1-Nifty 50 - 12/07/19

F7



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	12-Jul-19	05-Jul-19	Weekly % Chg
Nifty	11,553	11,811	-2.2
Nifty Next 50	26,984	27,378	-1.4
Nifty 100	11,655	11,904	-2.1
Nifty 500	9,458	9,658	-2.1
Nifty Midcap 100	17,146	17,530	-2.2
Sensex	38,736	39,513	-2.0
BSE 100 Index	11,678	11,926	-2.1
BSE 200 Index	4,827	4,930	-2.1
BSE 500 Index	14,972	15,292	-2.1
BSE Mid-Cap	14,554	14,726	-1.2
BSE Small Cap	13,777	14,142	-2.6

WORLD INDICES

Index	12-Jul-19	05-Jul-19	Weekly % Chg
Nikkei Index	21,686	21,276	1.9
Hang Sang Index	28,472	28,543	-0.2
Kospi Index	2,087	2,131	-2.1
Shanghai SE Composite	2,931	2,979	-1.6
Strait Times Index	3,357	3,322	1.1
Dow Jones	27,088	26,527	2.1
NASDAQ	8,196	7,968	2.9
FTSE	7,517	7,418	1.3

FOREX

Currency	12-Jul-19	05-Jul-19	Weekly % Chg
US\$ (Rs.)	68.7	68.5	0.3
GBP (Rs.)	86.1	85.9	0.2
Euro (Rs.)	77.2	77.1	0.1
Yen (Rs.) 100 Units	63.4	63.3	0.1

NIFTY TOP GAINERS (WEEKLY)

Scrip	12-Jul-19	05-Jul-19	Weekly % Chg
Sun Pharma	407.7	375.3	8.7
YES Bank	94.2	88.2	6.9
Adani Ports	415.3	402.5	3.2
Vedanta	167.7	163.7	2.4
Hero MotoCorp	2,569.8	2,512.3	2.3

NIFTY TOP LOSERS (WEEKLY)

Scrip	12-Jul-19	05-Jul-19	Weekly % Chg
Titan	1,101.2	1,278.1	-13.8
Bajaj Finance	3,377.5	3,719.2	-9.2
Indiabulls Housing	666.0	727.4	-8.4
Bajaj Finserv	7,725.7	8,435.4	-8.4
ONGC	149.7	161.5	-7.3

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
11-Jul-19	3,177.8	3,494.7	-316.9
10-Jul-19	3,853.7	4,458.7	-604.9
09-Jul-19	4,334.2	5,008.5	-674.3
08-Jul-19	3,625.5	4,027.5	-402.0
05-Jul-19	3,628.4	3,717.8	-89.4
MTD	86,569.0	89,769.8	-3,200.8

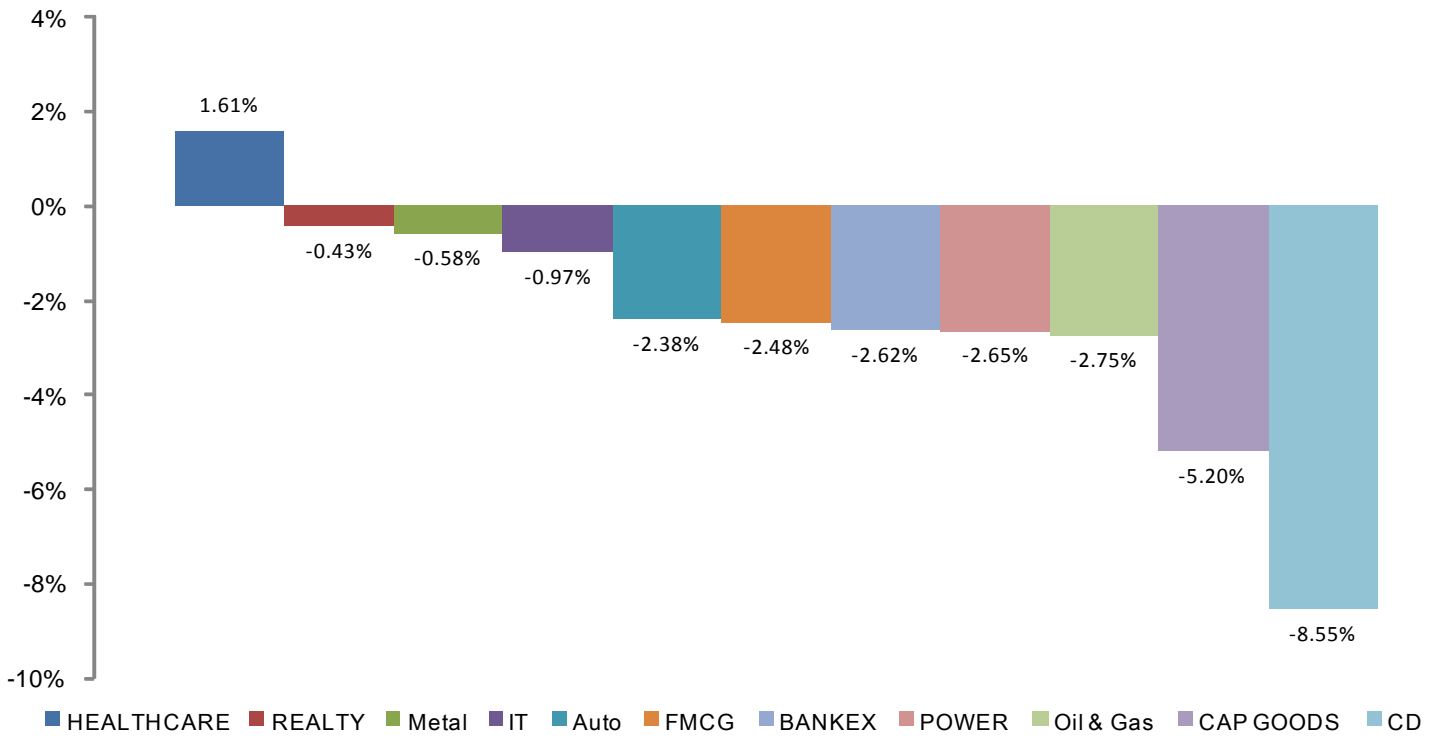
DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
11-Jul-19	3,594.0	2,874.2	719.7
10-Jul-19	3,499.6	2,832.2	667.4
09-Jul-19	4,545.3	3,834.4	710.9
08-Jul-19	4,054.9	3,733.8	321.1
05-Jul-19	4,178.9	3,903.3	275.6
MTD	65,734.8	57,893.6	7,841.2

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



(Source: BSE, BP Equities Research)

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	12-Jul-19 Share Price (Rs.)	05-Jul-19 Share Price (Rs.)	Weekly Change (%)	12-Jul-19 Open Interest	05-Jul-19 Open Interest	Weekly Change (%)
SUNPHARMA	408.8	376.6	8.5	6,24,90,000	3,04,08,000	71.1
YESBANK	94.7	88.6	6.8	44,56,800	25,62,600	54.9
BIOCON	253.7	240.6	5.4	1,57,00,500	1,03,91,000	53.4
GLENMARK	451.1	431.7	4.5	8,27,600	5,51,200	37.8
APOLLOHOSP	1,363.5	1,314.1	3.8	21,65,900	14,97,100	24.9

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	12-Jul-19 Share Price (Rs.)	05-Jul-19 Share Price (Rs.)	Weekly Change (%)	12-Jul-19 Open Interest	05-Jul-19 Open Interest	Weekly Change (%)
BSOFT	74.9	89.15	-18.9	38,50,000	58,54,750	-34.2
TITAN	1,102.2	1,281.9	-7.8	65,49,000	82,31,000	-20.4
INDIGO	1,353.8	1,567.8	-7.0	24,04,600	29,50,400	-18.5
MINDTREE	752.1	859.45	-6.7	8,51,200	10,30,400	-17.4
RECLTD	149.3	166.95	-6.6	25,970	30,080	-13.7



Weekly Wealth

BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
05.07.2019	Natco Pharma	EAST BRIDGE CAPITAL MASTER FUND LTD	BSE	Buy	15,77,761	528
09.07.2019	RPP Infra	HSQUARE GLOBETRADE LLP	NSE	Sell	1,47,000	110
09.07.2019	Vadilal Enterprise	SPS FINQUEST PRIVATE LIMITED	BSE	Buy	6,001	950
10.07.2019	RPP Infra	PRARAMBH SECURITIES PVT. LTD.	NSE	Buy	1,14,500	104
10.07.2019	ALLSEC Tech	C MACKERTICH PRIVATE LIMITED	BSE	Buy	5,38,000	303

(Source: NSE,BSE, BP Equities Research)



SBI waives off charges on NEFT, RTGS and IMPS

After Reserve Bank of India (RBI) announced the waiver of charges levied on NEFT, RTGS transaction, the country's largest bank, State Bank of India (SBI) announced that it has waived off charges on these services.

As per a press release issued by the bank, with effect from July 1, 2019, no RTGS, NEFT charges will be levied on customers for transactions done via YONO app, Internet banking and mobile banking. Further, with effect from August 1, 2019, the bank will waive-off IMPS charges as well. P.K. Gupta, MD (Retail & Digital Banking), SBI said, "One of our bank's core strategies is to provide convenience to customers and encourage them to take the digital route for transferring funds. In sync with our strategy and Government of India's vision to create a digital economy, SBI has taken this step to promote use of YONO, internet banking and mobile banking for doing NEFT and RTGS transactions without incurring any cost." According to the press release, SBI has reduced NEFT and RTGS charges by 20 percent for customers transacting through a bank branch. As for IMPS transactions, there will be no charge for fund transfers up to Rs 1,000 done via a bank branch. In the last monetary policy held in June, the central bank said, "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."

(Source: Economic times)

Information Technology

Company Overview

Mindtree Limited (ML), incorporated in 1999 is an Indian multinational Information technology company that provides business solutions through global software development. It is diversified into five key verticals –Retail ,Technology Media and Services (TMS),CPG and Manufacturing (RCM), Banking Financial Services and Insurance (BFSI) and Travel and Hospitality (TH). It provides business solutions in the areas of agile, analytics and information management, application development and maintenance, business process management, business technology consulting, cloud, digital business, independent testing, infrastructure management services, mobility, product engineering and SAP services. With 349 active clients, company has its presence in more than 43 offices across 18 countries such as India, United States, United Kingdom, Japan, Singapore, Malaysia etc.

Investment Rationale

New strategies/development would enable to exceed beyond traditional digital platform

Mindtree has a strong position in digital segment which are well developed around the corner of digital marketing, content management, ecommerce, analytics. Management stated that new strategies align in digital space will be on building next generation platform which offers AI, IOT, virtual reality, quantum computing and integrating proposition will cater the needs of its clients business. With an efficient team of 45-50 resources for industrial IOT, Company is set to make a competitive edge leading to overall significant growth in digital mainstream space.

Acquisition by L&T would offer synergy benefits in long run

Recently ,Larsen & Toubro (L&T) acquired 60% stake in the company ,with a view to accelerate its business portfolio such as digital footprints, increase its presence in IMS & cloud and scale up in Hi-Tech, CPG, Retail and Travel verticals to L&T group. Mindtree with its high client database, marquee clients, proven delivery track record and high cultural compatibility will add up an incremental base to the efficiency of L&T's operational businesses. This acquisition is set to get benefited to the acquiring entity with various complementary service offerings. However company would remain an independent listed entity.

Strong revenue growth and margin expansion from higher operational efficiency and effectiveness

We believe there would be moderation in revenue contribution by top 10 clients but we expect the contribution from ex top 10 clients to be robust. We forecast 10.2% and 11.5% top line revenue growth in FY20 and FY21 respectively. The EBITDA margins were subdued in FY19 at 15.2%, while management is confident in improving margins by bringing greater efficiency and effectiveness into business operations. They are focusing to lower the cost by local hiring and improving digital sales contribution to overall sales. We estimate EPS to move up to 52.8 and 61.3 in FY20E and FY21E respectively on account of stronger revenue growth outlook and improvement in margin profile.

Valuation Outlook

Mindtree is a major player in IT services and has strong credible management. It has consistent track record of outperforming industry on back of its niche strengths in digital application development. Going forward, with stability in top clients, digital development and the acquisition of stake by L&T is expected to be a crucial beneficiary to the company. Taking all into consideration, we estimate Revenue and PAT to grow at a CAGR of 11% and 16% over FY19 – FY21E. We have valued the stock by assigning PE multiple of 14x (which is lower end of last 5 years range) to FY21E EPS. We recommend **BUY** rating on the stock for target of INR 880 (upside of 17% from CMP) for 12-15 months.

Stock Rating

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

Sector Outlook

Positive

Stock

CMP (INR)	752
Target Price (INR)	880
BSE code	532819
NSE Symbol	MINDTREE
Bloomberg	MTCL IN
Reuters	MINT.BO

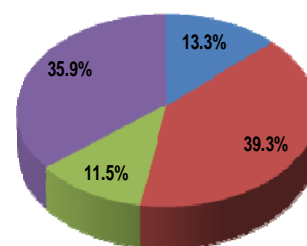
Key Data

Nifty	11552
52WeekH/L(INR)	1181/735
O/s Shares (Mn)	164.2
Market Cap (INR bn)	123
Face Value (INR)	10

Average volume

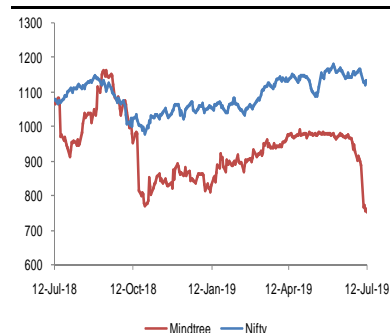
3 months	14,01,800
6 months	16,90,470
1 year	17,01,210

Share Holding Pattern (%)



■ Promoters ■ FI ■ DII ■ Others

Relative Price Chart





Weekly Wealth

Key Financials

YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
Revenue	52,364	54,628	70,215	77,377	86,275
<i>Revenue Growth (Y-o-Y)</i>	12.1%	4.3%	28.5%	10.2%	11.5%
EBIDTA	7,045	7,405	10,645	12,327	14,324
<i>EBIDTA Growth (Y-o-Y)</i>	(14.2%)	5.1%	43.8%	15.8%	16.2%
Net Profit	4,186	5,701	7,541	8,687	10,086
<i>Net Profit Growth (Y-o-Y)</i>	(24.2%)	36.2%	32.3%	15.2%	16.1%
Diluted EPS	24.9	34.8	45.9	52.8	61.3
<i>Diluted EPS Growth (Y-o-Y)</i>	(24.3%)	39.6%	32.0%	15.0%	16.1%

Key Ratios

EBIDTA (%)	13.5%	13.6%	15.2%	15.9%	16.6%
NPM (%)	8.0%	10.4%	10.7%	11.2%	11.7%
RoE (%)	16.2%	20.8%	22.8%	21.7%	20.8%
RoCE (%)	26.3%	24.3%	32.2%	30.7%	29.5%

Valuation Ratios

P/E (x)	30.1x	21.6x	16.3x	14.2x	12.2x
EV/EBITDA	17.3x	16.6x	6.2x	5.3x	4.6x
P/BV (x)	4.8x	4.5x	3.7x	3.1x	2.5x
Market Cap. / Sales (x)	2.4x	2.3x	1.8x	1.6x	1.4x

(Source: Company, BP Equities Research)



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

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