

Week Gone by

- ⇒ Invesco Developing Markets Fund has agreed to buy upto an 11% stake in Zee Entertainment Enterprises (ZEEL) from its promoters, for a total consideration value of up to Rs 4,224 crore.
- ⇒ Power Grid Corporation of India said that the electric utilities company has been declared as the successful bidder under Tariff based competitive bidding to establish transmission system for two projects at Bhuj in Gujarat and Rajasthan SEZ.
- ⇒ US President Donald Trump's decision to impose new tariffs on Chinese goods triggered fresh tension among investors over the trade battle between the two largest economies.
- ⇒ Bank of Japan policy board, on Tuesday, voted 7-2 to maintain interest rate at -0.1% on current accounts that financial institutions maintain at the bank.

Week ahead

- ⇒ The third bi-monthly monetary policy review meeting will be held by the Reserve Bank of India (RBI) on 7 August 2019. The RBI cut policy rates for the 3rd consecutive time in June by a cumulative 75 basis points.
- ⇒ On the macro front, the IHS Markit India Services PMI for July 2019 will be announced on 5 August 2019
- ⇒ Overseas, the China Caixin Services PMI for July 2019 will be announced on 5 August 2019. The China Caixin Composite PMI for July 2019 will also be announced on the same day.
- ⇒ In Japan, the Cabinet Office will publish the April-June second quarter GDP data on 9 August 2019.

Technical Overview

Index closed with loss of 2.54% at 10997. Index opened the week on a flat note and remained under pressure throughout the week. The selling pressure witnessed in last couple of weeks has led index to drop towards its multi week consolidation area which was witnessed earlier this year. Going ahead index has immediate support at 10930 failing to hold this support we may see lower levels till 10850-10780 while on higher side intermediate resistance is seen at 11070-11150-11250

1-Nifty 50 - 02/08/19



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	02-Aug-19	26-Jul-19	Weekly % Chg
Nifty	10,997	11,419	-3.7
Nifty Next 50	25,811	26,656	-3.2
Nifty 100	11,100	11,519	-3.6
Nifty 500	8,944	9,305	-3.9
Nifty Midcap 100	15,709	16,430	-4.4
Sensex	37,118	38,337	-3.2
BSE 100 Index	11,095	11,525	-3.7
BSE 200 Index	4,585	4,758	-3.6
BSE 500 Index	14,165	14,736	-3.9
BSE Mid-Cap	13,547	14,078	-3.8
BSE Small Cap	12,496	13,310	-6.1

WORLD INDICES

Index	02-Aug-19	26-Jul-19	Weekly % Chg
Nikkei Index	21,068	21,658	-2.7
Hang Sang Index	26,919	28,398	-5.2
Kospi Index	1,998	2,066	-3.3
Shanghai SE Composite	2,868	2,945	-2.6
Strait Times Index	3,261	3,364	-3.1
Dow Jones	26,583	27,141	-2.1
NASDAQ	8,111	8,239	-1.5
FTSE	7,461	7,534	-1.0

FOREX

Currency	02-Aug-19	26-Jul-19	Weekly % Chg
US\$ (Rs.)	69.6	68.9	1.1
GBP (Rs.)	84.5	85.6	-1.3
Euro (Rs.)	77.2	76.7	0.7
Yen (Rs.) 100 Units	65.1	63.4	2.7

NIFTY TOP GAINERS (WEEKLY)

Scrip	02-Aug-19	26-Jul-19	Weekly % Chg
Tata Consultancy	83.3	96.1	15.4
Bharti Airtel	353.0	403.9	14.4
Asian Paints Ltd.	1369.1	1526.5	11.5
HCL Technologies	421.4	440.0	4.4
HUL	259.5	270.2	4.1

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
02-Aug-19	4,792.8	7,680.9	-2,888.1
01-Aug-19	5,161.3	6,217.8	-1,056.6
31-Jul-19	5,935.2	7,432.3	-1,497.1
30-Jul-19	4,523.1	5,167.7	-644.6
29-Jul-19	3,439.7	4,144.2	-704.4
MTD	81,237.2	101,055.9	-19,818.8

NIFTY TOP LOSERS (WEEKLY)

Scrip	02-Aug-19	26-Jul-19	Weekly % Chg
Indiabulls Housing	643.5	601.6	-6.5
Zee Entertainment En	2303.6	2165.8	-6.0
Vedanta	405.5	381.7	-5.9
Tata Motors Ltd.	292.3	275.4	-5.8
Grasim	221.9	210.7	-5.1

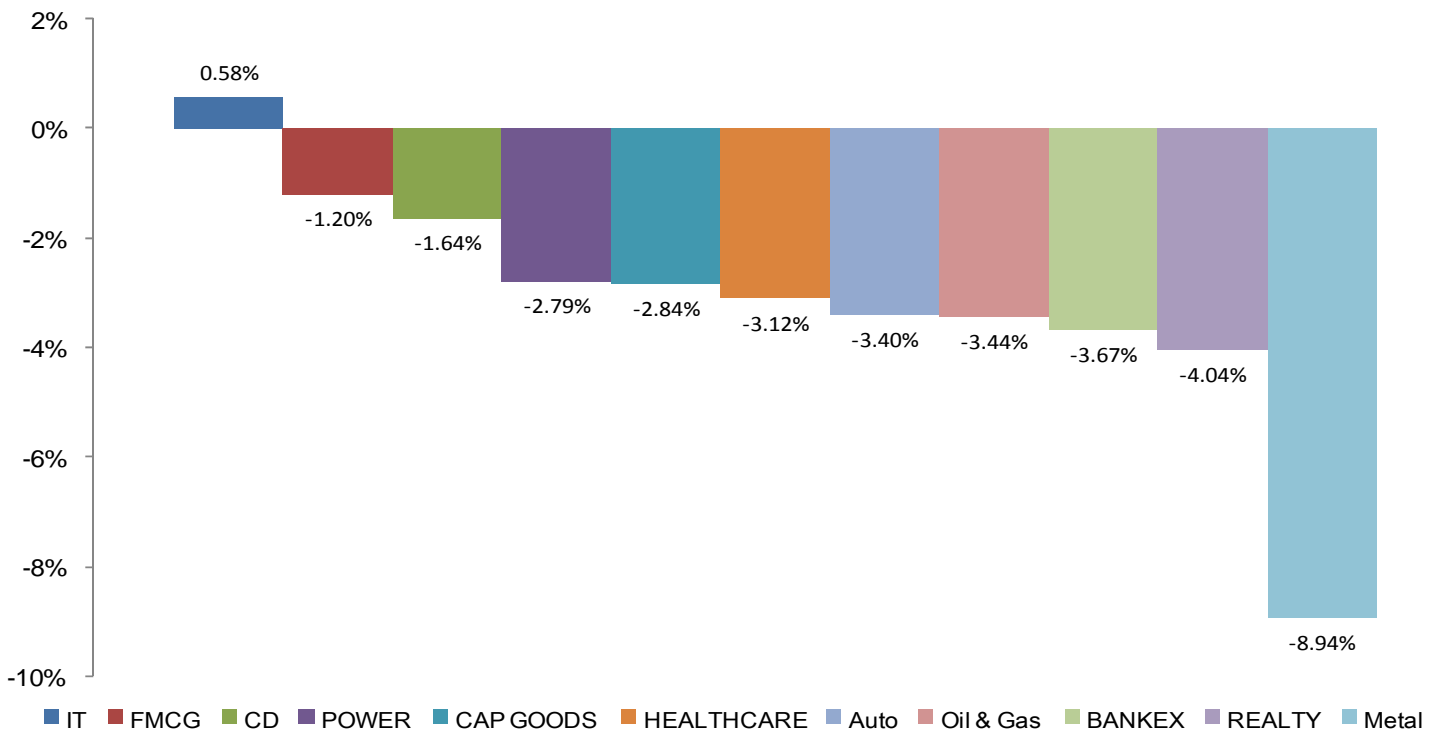
DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
02-Aug-19	5,646.2	2,833.5	2,812.7
01-Aug-19	4,591.2	4,029.9	561.3
31-Jul-19	6,486.1	4,006.7	2,479.4
30-Jul-19	5,423.7	4,344.0	1,079.7
29-Jul-19	4,644.0	3,292.4	1,351.6
MTD	84,865.0	62,129.6	22,735.4

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	02-Aug-19	26-Jul-19	Weekly Change (%)	02-Aug-19	26-Jul-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
TCS	2211.4	2117.5	4.4	47,54,000	31,32,000	51.8
STAR	380.3	352.8	7.8	13,91,500	9,97,700	39.5
MUTHOOTFIN	621.0	595	4.4	37,32,500	27,32,500	36.6
VOLTAS	608.5	585.2	4.0	78,19,900	59,76,300	30.8
CHOLAFIN	265.0	245.7	7.8	26,92,800	20,96,100	28.5

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	02-Aug-19	26-Jul-19	Weekly Change (%)	02-Aug-19	26-Jul-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
IDEA	6.35	9.35	-32.1	10,08,000	13,41,000	-24.8
IBULHSGFIN	477.6	620.3	-23.0	11,15,000	14,14,000	-21.1
DISHTV	24.7	31.6	-21.8	23,92,500	28,74,000	-16.8
DHFL	42.5	52.3	-18.7	9,19,000	10,91,750	-15.8
ZEEL	342.8	404.7	-15.3	19,18,400	22,55,000	-14.9



Weekly Wealth

BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
26.07.2019	Tejas Networks	HDFC MUTUAL FUND-HDFC GROWTH FUND	NSE	Buy	3000000	84
26.07.2019	Prime Customer	KRISMA INVESTMENTS PRIVATE LIMITED	NSE	Buy	19000	111
29.07.2019	Future Life	RYKA COMMERCIAL VENTURES PRIVATE LIMITED	BSE	Sell	11684716	466.2
30.07.2019	Jubilant Life	RARE ENTERPRISES	NSE	Buy	2013626	436.2
31.07.2019	Vaibhav Global	MOTILAL OSWAL MUTUAL FUND	NSE	Buy	298553	872
01.08.2019	Strides Pharma	R.B.A.FINANCE & INVT. CO	NSE	Buy	610700	393

(Source: NSE,BSE, BP Equities Research)

How to put money into your NPS account ?

Pension accounts maintained under the National Pension System (NPS) allow regular contributions from subscribers. This creates a retirement corpus while providing tax benefits during the contributing tenure. There are several ways in which one can make contributions to NPS Tier I and Tier II accounts.

Minimum contribution

During account opening, subscribers have to contribute Rs 500 for Tier I (pension) account and Rs 1,000 for Tier II (investment) account. Each fiscal, the subscriber has to contribute a minimum of Rs 1,000 for Tier I and Rs 250 for a Tier II account.

Modes of contribution

The subscriber can contribute either using physical mode or online mode through eNPS.

Form

To use the physical mode, the subscriber must fill up a NPS contribution instruction slip. This can be obtained from the nearest POP-SP or the NPS website. Details such as subscriber's PRAN, name, contribution and payment mode need to be provided.

Visit to POP-SP

Duly filled up contribution slip must be submitted to any POP-SP. The subscriber can find the nearest POP-SP by clicking on <https://npscra.nsdl.co.in/pop-sp.php>.

Using eNPS

Subscribers can register on <https://enps.nsdl.com>. One needs to submit PRAN and date of birth for authentication. An OTP will be sent to the subscriber's registered number. Contribution can be made using Net banking, debit and credit card.

Charges

At the time of opening the account, the charges applicable are Rs 200. For all subsequent transactions, the charges are 0.25% of the contribution amount, subject to a minimum of Rs 25 and a maximum of Rs 25,000. In case contribution is made using eNPS, the charges would be 0.10% of the contribution amount, subject to a minimum of Rs 10 and a maximum of Rs 10,000.

(Source: Economic times)

Pharmaceutical

Company Overview

Granules India Limited (GIL) is an Indian pharmaceutical manufacturing company based in Hyderabad, India. It manufactures several off-patent drugs. The Company's business operations include three areas: core business, emerging business, and contract research and manufacturing services (CRAMS). Its products in Core business include Paracetamol, Ibuprofen, Guaifenesin and Metformin. The Company operates a healthcare division, Granules Consumer Healthcare (GCH) also through an acquisition, it has access to over 10 APIs, as well as intermediates in therapeutic categories, such as anti-histaminic, antihypertensive and anti-convulsants. Their PFI products include Compresso PAP 97 S, Compresso PAP 90 CPC and Paracetamol Caffeine Combo 77.4. Company's FDs include Paracetamol /Acetaminophen, and Acetaminophen and Methocarbamol.

Investment Rationale

Better operational performance with higher earnings from JVs: Maintain buy

Granules (GIL) posted revenues of INR 5,953mn with 31.3% YoY increase, which was slightly below our estimate of INR 6,235mn. Revenue growth was mainly driven by the Formulation (FD) (57.6% YoY growth) segments, led by gMethergine along with new product launches and better pricing in existing products in the regulated market. FD revenue contribution stood at 48% vs 40% in Q1FY19. EBITDA margin expanded by 391bps to 19.9% level, was 323bps higher than our estimate due to 490 bps improvement in gross margin led by improved product mix and easing RM costs. Adj. PAT came above our estimate at INR832mn (est INR650mn) supported by higher profits from the JVs (INR 255mn vs INR 146mn(YoY) vs INR 190mn (QoQ) due to cyclical nature of the business. Tax expense for the quarter stands at 32.9% compared to 34% same quarter last year.

Formulation contribution to increase on the back of acceleration in product approvals and launches

Formulation segment contribution accelerated from 40% to 48% (YoY) in Q1FY20. APIs and PFIs contributed 36% and 16% respectively vs 40% and 20% a year ago. Geography-wise the regulated market contributed 72% to the revenue. The management maintains its revenue guidance of 18-20% growth for next three years. We believe FY20/21 to be much better on revenue front, on the back of commissioning and ramping up of fresh capacities and expected 3-5 products launch in next 12 months. We modeled ~19.7% top-line growth for GIL over FY19-21E as we believe most of the benefits from capacity addition and ANDA approval would be seen in FY20-21E. The company plans to file 20-22 ANDA filings from India and Virginia facility put together over the next two years.

Valuation & Outlook

For FY19-21E we expect the company's earnings deliver CAGR of 29% with 200bps improvement in EBITDA margin over FY19-21E. Improvement in EBITDA margins to be led by operational efficiency, moving up the value chain towards high margin business, improved capacity utilization, commitment to reduction in debt and gaining traction in JVs. At CMP of INR 91 stock trades at 7.9x FY20EEPS. We give a Buy rating on the stock with target price of INR115@10x (10% discount to 5 yr average P/E) FY20E EPS.

Stock Rating

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

Sector Outlook

Positive

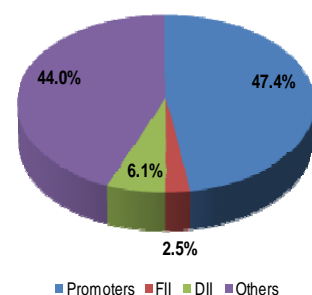
Stock

CMP (INR)	91
Target Price (INR)	115
BSE code	532482
NSE Symbol	GRANULES
Bloomberg	GRAN IN
Reuters	GRAN.BO

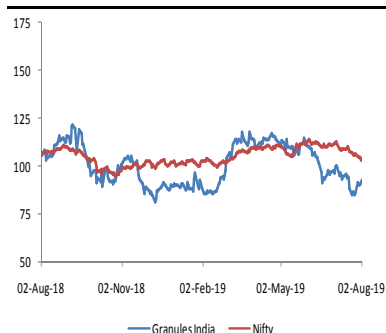
Key Data

Nifty	11,085
52WeekH/L(INR)	123/79
O/s Shares (Mn)	254
Market Cap (INR bn)	23.1
Face Value (INR)	1
Average volume	
3 months	5,49,712
6 months	9,75,436
1 year	22,35,445

Share Holding Pattern (%)



Relative Price Chart





Weekly Wealth

Key Financials

YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
Revenue	3,054	10,671	17,866	21,189	24,728
<i>Revenue Growth (Y-o-Y)</i>	62.4%	249.4%	67.4%	18.6%	16.7%
EBIDTA	(298)	801	1,929	2,352	2,794
<i>EBIDTA Growth (Y-o-Y)</i>	NA	NA	140.7%	21.9%	18.8%
Net Profit	50	694	1,267	1,547	1,879
<i>Net Profit Growth (Y-o-Y)</i>	NA	NA	82.5%	22.1%	21.5%
Diluted EPS	0.3	4.7	8.6	10.4	12.7
<i>Diluted EPS Growth (Y-o-Y)</i>	NA	NA	82.5%	22.1%	21.5%

Key Ratios

EBIDTA (%)	-9.7%	7.5%	10.8%	11.1%	11.3%
NPM (%)	1.6%	6.5%	7.1%	7.3%	7.6%
RoE (%)	0.4%	5.2%	8.7%	9.6%	10.5%
RoCE (%)	-2%	5%	10%	11%	12%

Valuation Ratios

P/E (x)	331.4x	23.7x	13.0x	10.6x	8.7x
EV/EBITDA	-49.8x	24.9x	10.7x	8.4x	6.9x
P/BV (x)	1.3x	1.2x	1.1x	1.0x	0.9x
Market Cap. / Sales (x)	5.4x	1.5x	0.9x	0.8x	0.7x

Source: Company, BP Equities Research



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