

## Week Gone by

- ⇒ Reliance Industries slipped 1.87%. The company said that its wholly-owned subsidiary, Reliance Industrial Investments and Holdings (RIIHL), has entered into an agreement for acquisition of equity shares of Shopsy Retail Technologies for a cash consideration not exceeding Rs 295.25 crore.
- ⇒ On domestic front, the Union Government on Monday 5 August 2019 moved a resolution in Rajya Sabha to scrap Article 370 of the Constitution that gives special status to Jammu and Kashmir. President Ram Nath Kovind issued a notification.
- ⇒ China's consumer price index in July rose 2.8% on-year, according to data from the National Bureau of Statistics. In particular, food prices soared in July to 9.1% from a year ago, amid surging prices of pork as the country battles African swine fever.
- ⇒ Japan's economy saw its third straight quarterly expansion in April-June, growing at an annualized rate of 1.8% in the period, according to Japanese government data released on Friday, 9 August 2019.

## Week ahead

- ⇒ Finance minister Nirmala Sitharaman is reportedly meeting financial sector representatives on Friday, 9 August 2019 as she seeks to put together a package that will boost investor sentiment and arrest an economic downturn. s per reports, there are expectations of rollback of higher surcharge on foreign investors.
- ⇒ Among corporate earnings, NTPC will announce its Q1 June 2019 result on 10 August 2019. Coal India, ONGC and Sun Pharmaceutical Industries will announce their Q1 June 2019 results on 13 August 2019. Grasim Industries will announce its quarterly result on 14 August 2019.
- ⇒ Overseas, the US inflation rate for July will be announced on Tuesday, 13 August 2019. The US Core inflation rate for July will also be announced on the same day. The US Retail Sales data for July will be announced on 15 August 2019.

## Technical Overview

Index closed with gain of 1.02% at 11110. After 5 weeks of consecutive decline this week index has managed to close on a positive note. Index opened the week on a flat note and recovered sharply in last two sessions of the week. Going ahead index to continue to its upmove will have to surpass above 11200-11250 zone, if index successfully surpasses above the resistance zone will upmove the gate for 11340-11400 while failure to do so will again attract selling pressure and take index lower towards 11000-10940-10850.



Source: Falcon, BP Equities Research



## Weekly Wealth

## DOMESTIC INDICES

Index	09-Aug-19	02-Aug-19	Weekly % Chg
Nifty	11,110	10,997	1.0
Nifty Next 50	26,237	25,811	1.6
Nifty 100	11,222	11,100	1.1
Nifty 500	9,047	8,944	1.1
Nifty Midcap 100	15,947	15,709	1.5
Sensex	37,582	37,118	1.2
BSE 100 Index	11,220	11,095	1.1
BSE 200 Index	4,639	4,585	1.2
BSE 500 Index	14,334	14,165	1.2
BSE Mid-Cap	13,670	13,547	0.9
BSE Small Cap	12,700	12,496	1.6

## WORLD INDICES

Index	09-Aug-19	02-Aug-19	Weekly % Chg
Nikkei Index	20,685	21,068	-1.8
Hang Sang Index	25,939	26,919	-3.6
Kospi Index	1,938	1,998	-3.0
Shanghai SE Composite	2,775	2,868	-3.2
Strait Times Index	3,169	3,261	-2.8
Dow Jones	26,369	26,583	-0.8
NASDAQ	8,018	8,111	-1.1
FTSE	7,294	7,461	-2.2

## FOREX

Currency	09-Aug-19	02-Aug-19	Weekly % Chg
US\$ (Rs.)	70.8	68.9	2.8
GBP (Rs.)	85.5	85.6	-0.1
Euro (Rs.)	79.3	76.7	3.4
Yen (Rs.) 100 Units	67.0	63.4	5.6

## NIFTY TOP GAINERS (WEEKLY)

Scrip	09-Aug-19	02-Aug-19	Weekly % Chg
Hero MotoCorp	2,622.3	2,402.0	9.2
Bharti Airtel	371.2	343.6	8.0
HCL Technologies	1,086.3	1,010.5	7.5
Maruti Suzuki India	6,099.9	5,689.4	7.2
Bajaj Finserv Ltd.	7,504.0	7,063.7	6.2

## FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
08-Aug-19	5,428.6	5,866.0	-437.4
07-Aug-19	5,240.3	5,623.9	-383.7
06-Aug-19	5,109.9	7,217.8	-2,107.9
05-Aug-19	4,778.5	6,795.2	-2,016.7
02-Aug-19	4,792.8	7,680.9	-2,888.1
MTD	82,011.6	1,04,113.4	-22,101.9

## NIFTY TOP LOSERS (WEEKLY)

Scrip	09-Aug-19	02-Aug-19	Weekly % Chg
Tata Steel	362.4	409.1	-11.4
UPL	533.5	573.5	-6.0
YES Bank Ltd.	82.2	88.3	-5.9
Tata Motors Ltd.	122.1	130.7	-5.8
Cipla	484.5	516.1	-5.1

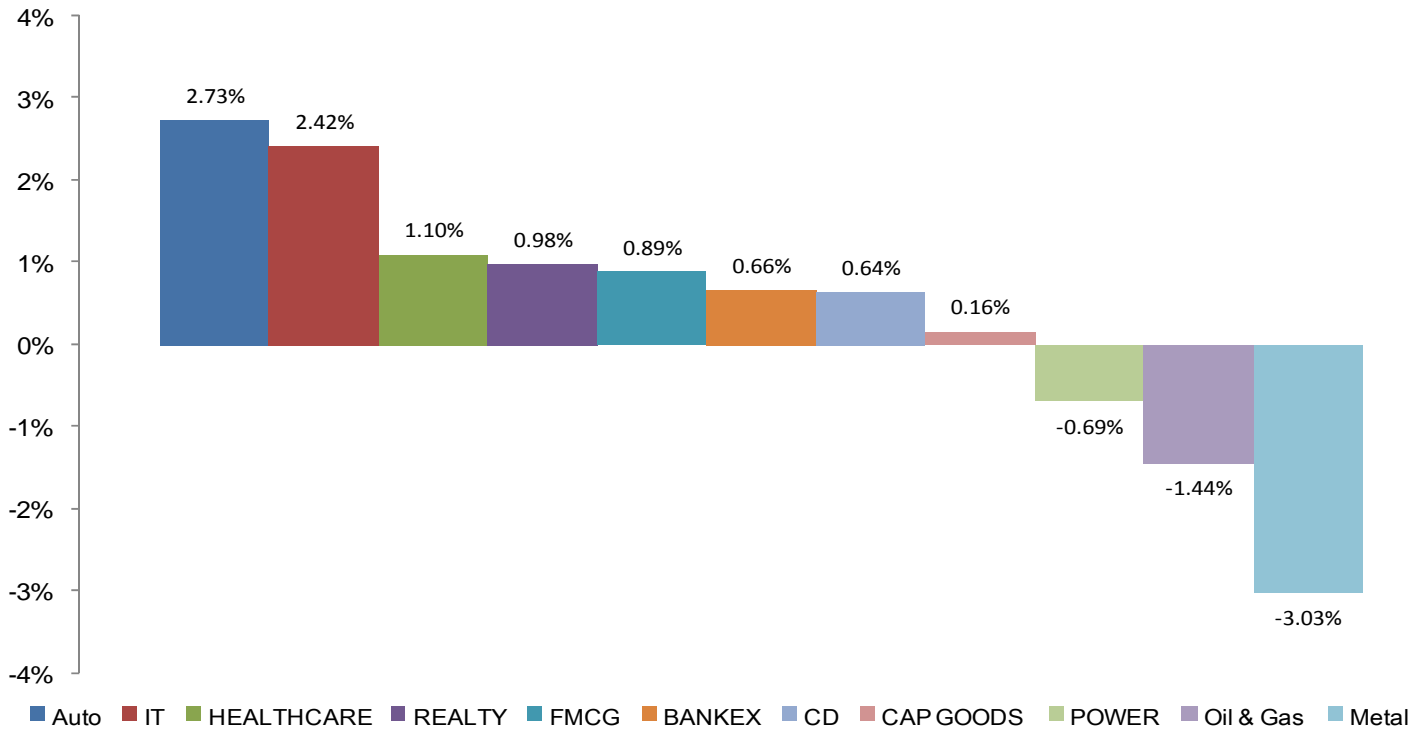
## DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
08-Aug-19	4,192.6	3,901.3	291.3
07-Aug-19	3,991.0	3,459.4	531.6
06-Aug-19	5,481.8	3,192.7	2,289.1
05-Aug-19	4,950.9	3,079.7	1,871.3
02-Aug-19	5,646.2	2,833.5	2,812.7
MTD	84,603.8	60,515.0	24,088.7

# Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

## TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	09-Aug-19 Share Price (Rs.)	02-Aug-19 Share Price (Rs.)	Weekly Change (%)	09-Aug-19 Open Interest	02-Aug-19 Open Interest	Weekly Change (%)
SRF	2,903.4	2,635.2	10.2	29,48,000	19,18,400	53.7
BATAINDIA	1,431.3	1310.1	9.3	4,79,06,000	3,43,23,000	39.6
HEROMOTOCO	2,632.6	2,413.6	9.1	24,86,400	18,29,600	35.9
L&TFH	104.3	95.75	8.9	47,31,000	35,22,000	34.3
MANAPPURAM	123.25	113.25	8.8	26,21,151	19,64,691	33.4

## TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	09-Aug-19 Share Price (Rs.)	02-Aug-19 Share Price (Rs.)	Weekly Change (%)	09-Aug-19 Open Interest	02-Aug-19 Open Interest	Weekly Change (%)
NBCC	34.7	43.05	-19.4	1,16,52,000	1,47,96,000	-21.2
JINDALSTEL	99.8	120.2	-17.0	73,80,000	88,38,000	-16.5
IDEA	5.4	6.3	-15.0	5,62,500	6,70,000	-16.0
BSOFT	63.0	72.6	-13.2	14,74,200	17,24,800	-14.5
TATASTEEL	363.6	411.1	-11.6	15,93,800	18,51,200	-13.9



## Weekly Wealth

## BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
03.07.2019	CARE Ratings	VIRTUS EMERGING MARKETS	NSE	Buy	270903	496.7
03.08.2019	Ritco Logistics	BARCLAYS SECURITIES	BSE	Buy	139200	60
05.08.2019	Indian Terrain	LIMIAR FUND (MASTER) LLP	NSE	Sell	555729	77.4
05.08.2019	GFL	AADI FINANCIAL ADVISORS	NSE	Sell	1255468	850
06.07.2019	PVR	ARTISAN DEVELOPING WORLD FUND	BSE	Sell	530647	1428.7
06.08.2019	Essel Propack	CLAREVILLE CAPITAL	NSE	Buy	6250000	125.4
07.08.2019	Santosh Industries	IVORY CONSULTANTS PVT LTD	BSE	Buy	44895	287.7
08.08.2019	Affle India	RELIANCE MUTUAL FUND	NSE	Sell	950000	918

(Source: NSE,BSE, BP Equities Research)

## **RBI rate cut: How it impacts borrowers' EMIs and investors' income from deposits?**

The Reserve Bank of India's (RBI) rate cut yesterday brings cheer to borrowers but may well reduce fixed income earners to tears in the future. While a reduction in lending rates in the economy will clearly benefit loan takers, it also hits those living off income from fixed deposits when the rates on these go down. RBI has cut the repo rate and reserve repo rate by 35 basis points (bps), respectively. This is fourth time in a row that the central bank has cut the key rate this calendar year, starting from February, 2019. (One basis point is equal to one hundredth part of one per cent.) In the three previous monetary policy reviews, RBI reduced the key policy rates by 25 bps each time. By adding this rate cut, in total, the central bank has reduced key policy rates by 110 bps. Post the policy announcement, the repo rate stands at 5.40 per cent down from 5.75 per cent. Similarly, reverse repo rate has also been reduced to 5.15 per cent from 5.50 per cent.

### **Reduction in fixed income returns**

In line with the reduction in key rates, recently, the State Bank of India (SBI) reduced interest rates on fixed deposits (FD). The interest rate cut has been sharper for short-term tenures, i.e., up to 179 days by 50-75 bps. However, for longer tenures the bank cut rates by 20 bps. The new rates came into effect from August 1.

### **Reduction in interest rates on home loans**

The Central Bank in its policy statement said, "The transmission of policy repo rate cuts to the weighted average lending rates (WALRs) on fresh rupee loans of banks has improved marginally since the last meeting of the MPC. Overall, banks reduced their WALR on fresh rupee loans by 29 bps during the current easing phase so far (February-June 2019)." With regards to interest rates on loans, post the June Monetary Policy Review, SBI reduced its MCLR (marginal cost of funds based lending rate) by 5 bps across all tenors with effect from July 10, 2019. However, there has been no change in the base rate at 9.95 per cent and benchmark prime lending rate at 13.80 since March, 2019.

### **Impact of the rate cut**

#### **Existing borrowers**

##### **A) With loans linked to MCLR**

For existing borrowers, four consecutive repo rates is good news, however, this rate cut will see a reduction in your EMI outgo only when your bank lowers its MCLR. Further the reduction in MCLR will translate in lower EMIs outgo only when the reset date of your home loan arrives. Usually, a bank offers loan with reset period of six months or one year. On the reset date, your future EMIs will be calculated on the basis of the interest rate (bank's MCLR plus margin of the bank) prevailing on that date.

##### **B) With loans linked to base rate or BPLR**

If your home loan is still linked to the base rate or BPLR, then you should consider switching to an MCLR-linked loan. This is because MCLR offers better transparency and transmission of policy rates in comparison with base rate and BPLR rates, as per industry experts. As per RBI guidelines, all the loans disbursed on or after April 1, 2016 are to be linked with MCLR. Borrowers who took loans prior to April 1, 2016 can either switch to MCLR with the same bank or transfer their loan to another bank for this purpose.

#### **For new borrowers**

As a new borrower, you have the option to choose to take your home loan linked with either MCLR or repo rate. However, do check and compare the terms and conditions and before taking a loan. Currently, SBI is offering home loans at interest rates directly linked to the repo rate as per a pre-set formula. Also check if you can avail the benefit of credit subsidy available under the Pradhan Mantri Awas Yojana (PMAY) along with a loan linked to MCLR or repo rate. Middle income group - I (MIG -I) with household income between Rs 6 lakh and Rs 12 lakh can avail interest subsidy of 4 per cent whereas middle income group - II (MIG -II) with household income between Rs 12 lakh and 18 lakh can get interest subsidy of 3 per cent under the scheme. The benefit of interest subsidy for both the available till March 31, 2020. (Source: Economic times)

### Company Overview

Zydu Wellness Ltd, incorporated in 1994 is an integrated consumer company based in Gujarat. The company is well engaged in personal care sector such as development, production, marketing, distribution of health and wellness products. Company provides various range of skincare products which includes face washes, facial masks, scrubs, sun blocks, winter care body lotions and creams, cleansers, and toners, as well as men skin care products comprising sun blocks, moisturizers, and scrubs under their brand name EverYuth Naturals along with these, they are into sugar alternatives and substitutes under the Sugar Free Gold, Sugar Free Natura .In addition, Zydu Wellness provides Nutralite, a table margarine that comprise cholesterol fighters, and acts as an alternative to butter.

### Investment Rationale

#### Acquisition of brands along with wide distribution network to drive revenue growth in long run

Zydu wellness being a market player in personal care products acquired Heinz India's Private Ltd (HIPL) consumers which includes acquisition of global intellectual property rights for Glucon-D, Nycil, Sampriti Ghee and complan in major countries such as India, Bangladesh, Nepal and certain other countries with two manufacturing plants (Aligarh and Sitargani) and distribution network of over 800 and over 20,000 wholesalers covering 29 states . All brands of HIPL have strong recall value. Further, "Glucon-D" and "Nycil" are the market leaders in their respective categories .Therefore, these factors provide an opportunity to ZWL to cater the demand beyond geographical boundaries and augur revenue growth in coming quarters.

#### Dominant player in niche segment enables to gain market share

In FY19, Company's various brands such as sugar free (sugar substitute) gained market share of 93.8% due to various promotional techniques, Everyuth peel-off mask and Everyuth scrub under the brand Everyuth natural continued to lead their categories with market shares of 84.9% and 32.4% respectively driven by strong growth in e commerce business and higher traction to new launches. Nycil made a leading position with a market share of 32.1% backed by its two new variants Cool Aloe and cool lime. Despite higher selling expenses, their operating efficiency and pricing flexibility enables them to create an edge over its competitors.

### Valuation & Outlook

Zydu Wellness being a leading player in FMCG market has got access to strong brand portfolio with double digit segment growth in their pillar brands & leadership position in niche segments like Sugar substitute. It has the ability to scale up the operations of acquisition brands while expanding market for its existing products and the timely integration of operations helps them to reap anticipated benefits. Taking all into consideration, we estimate Revenue and PAT to grow at a CAGR of 68% / 51% over FY19- FY21E. We have valued the stock by assigning PE multiple of 27x to FY21E EPS. We recommend **BUY** rating on the stock for target of INR 1814 (upside of 19% from CMP) for 12-15 months.

### Stock Rating

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

### Sector Outlook

Positive

### Stock

CMP (INR)	1530
Target Price (INR)	1814
BSE code	531335
NSE Symbol	ZYDUSWELL
Bloomberg	ZYWL IN
Reuters	ZYDS.BO

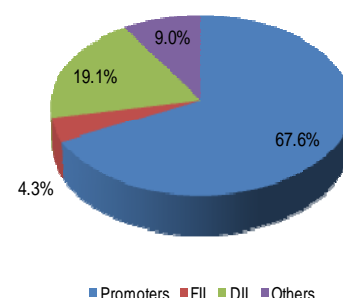
### Key Data

Nifty	11109
52WeekH/L(INR)	1830/1085
O/s Shares (Mn)	57.7
Market Cap (INR bn)	88
Face Value (INR)	10

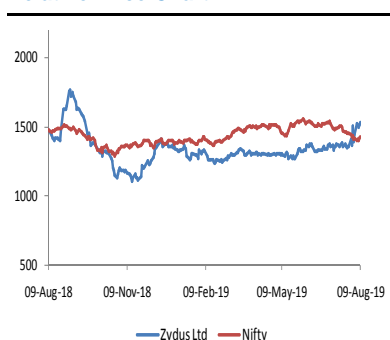
### Average volume

3 months	17,370
6 months	16,740
1 year	20,770

### Share Holding Pattern (%)



### Relative Price Chart





## Weekly Wealth

## Key Financials

YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue</b>	<b>4,306</b>	<b>5,126</b>	<b>8,428</b>	<b>20,717</b>	<b>23,762</b>
<i>Revenue Growth (Y-o-Y)</i>	8.5%	19.1%	64.4%	145.8%	14.7%
<b>EBIDTA</b>	<b>991</b>	<b>1,253</b>	<b>1,744</b>	<b>4,534</b>	<b>5,409</b>
<i>EBIDTA Growth (Y-o-Y)</i>	8.5%	26.4%	39.2%	160.1%	19.3%
<b>Net Profit</b>	<b>1,090</b>	<b>1,339</b>	<b>1,691</b>	<b>3,273</b>	<b>3,873</b>
<i>Net Profit Growth (Y-o-Y)</i>	5.5%	22.9%	26.3%	93.5%	18.3%
<b>Diluted EPS</b>	<b>18.9</b>	<b>23.2</b>	<b>29.3</b>	<b>56.8</b>	<b>67.2</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	5.5%	22.9%	26.3%	93.5%	18.3%

## Key Ratios

<b>EBIDTA (%)</b>	<b>23.0%</b>	<b>24.4%</b>	<b>20.7%</b>	<b>21.9%</b>	<b>22.8%</b>
<b>NPM (%)</b>	25.3%	26.1%	20.1%	15.8%	16.3%
<b>RoE (%)</b>	<b>19.6%</b>	<b>19.4%</b>	<b>5.0%</b>	<b>8.9%</b>	<b>9.6%</b>
<b>RoCE (%)</b>	17.0%	17.5%	3.5%	8.6%	9.6%

## Valuation Ratios

<b>P/E (x)</b>	<b>81.0x</b>	<b>65.9x</b>	<b>52.2x</b>	<b>27.0x</b>	<b>22.8x</b>
<b>EV/EBITDA</b>	84.9x	67.3x	58.7x	22.2x	18.1x
<b>P/BV (x)</b>	<b>15.8x</b>	<b>12.8x</b>	<b>2.6x</b>	<b>2.4x</b>	<b>2.2x</b>
<b>Market Cap. / Sales (x)</b>	20.5x	17.2x	10.5x	4.3x	3.7x

Source: Company, BP Equities Research



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Disclaimer Appendix

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

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