

## Week Gone by

- ⇒ Sebi has ordered a forensic audit against Sun Pharmaceutical Industries to look into allegations of financial irregularities and lapses in corporate governance standards.
- ⇒ Maruti Suzuki decided to shut down the passenger vehicle manufacturing operations in its Gurugram plant and Manesar plant located in Haryana for two days, i.e., on 7 and 9th September
- ⇒ Toyota is planning to acquire 4.9% stake in Suzuki worth 96 billion yen. Likewise, Suzuki plans to acquire a stake in Toyota worth 48 billion yen.
- ⇒ US stocks surged on Thursday on expectations of de-escalation in trade tensions after Washington and Beijing agreed to hold high-level talks next month, while strong US economic data eased fears of a domestic slowdown.

## Week ahead

- ⇒ On the macro front, inflation rate for August 2019 will be announced on Thursday, 12 September 2019. India's industrial production data for July 2019 will also be announced on the same day.
- ⇒ In the United States, the Retail Sales data for August 2019 will be released on Friday, 13 September 2019.
- ⇒ In China, the inflation rate data for August 2019 will be announced on Monday, 10 September 2019

## Technical Overview

Index closed with a loss of 0.70% at 10946. Index opened this week with a gap down and remained highly volatility throughout the week and ending week on flat note. Index has formed a Doji candlestick pattern which suggests indecisive behavior among the market participants. Going ahead index has immediate resistance at 11100-11150 and if index sustains above the mentioned resistance will open the way for 11250-11350 while on the lower side support is placed at 10880-10800-10740.



Source: Falcon, BP Equities Research



## Weekly Wealth

## DOMESTIC INDICES

Index	06-Sep-19	30-Aug-19	Weekly % Chg
Nifty	10,946	11,023	-0.7
Nifty Next 50	26,054	26,405	-1.3
Nifty 100	11,068	11,155	-0.8
Nifty 500	8,920	8,978	-0.6
Nifty Midcap 100	15,607	15,652	-0.3
Sensex	36,982	37,333	-0.9
BSE 100 Index	11,054	11,140	-0.8
BSE 200 Index	4,574	4,609	-0.8
BSE 500 Index	14,137	14,234	-0.7
BSE Mid-Cap	13,365	13,468	-0.8
BSE Small Cap	12,595	12,535	0.5

## WORLD INDICES

Index	06-Sep-19	30-Aug-19	Weekly % Chg
Nikkei Index	21,200	20,704	2.4
Hang Sang Index	26,691	25,725	3.8
Kospi Index	2,009	1,968	2.1
Shanghai SE Composite	3,000	2,886	3.9
Strait Times Index	3,144	3,107	1.2
Dow Jones	26,797	26,362	1.7
NASDAQ	8,103	7,973	1.6
FTSE	7,282	7,235	0.7

## FOREX

Currency	06-Sep-19	30-Aug-19	Weekly % Chg
US\$ (Rs.)	71.7	71.2	0.7
GBP (Rs.)	88.0	86.6	1.6
Euro (Rs.)	79.6	78.9	1.0
Yen (Rs.) 100 Units	67.0	67.0	0.1

## NIFTY TOP GAINERS (WEEKLY)

Scrip	06-Sep-19	30-Aug-19	Weekly % Chg
Coal India	198.6	184.8	7.5
Dr. Reddy's Labs	2,740.0	2,557.5	7.1
Bharat Petroleum	379.0	355.3	6.7
ONGC	128.0	121.2	5.6
NTPC	127.0	121.7	4.4

## FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
06-Sep-19	3,317.2	4,274.3	-957.1
05-Sep-19	3,637.7	4,198.8	-561.2
04-Sep-19	3,759.8	5,498.3	-1,738.5
03-Sep-19	3,515.3	5,531.5	-2,016.2
30-Aug-19	7,343.9	6,181.0	1,163.0
MTD	97,872.3	108,936.1	-11,063.9

## NIFTY TOP LOSERS (WEEKLY)

Scrip	06-Sep-19	30-Aug-19	Weekly % Chg
Indiabulls Housing	425.7	455.4	-6.5
HDFC	2,041.5	2,166.5	-6.0
Sun Pharma.	425.1	450.4	-5.9
Asian Paints Ltd.	1,532.4	1,616.2	-5.8
IndusInd Bank	1,331.1	1,395.8	-5.1

## DII - ACTIVITY

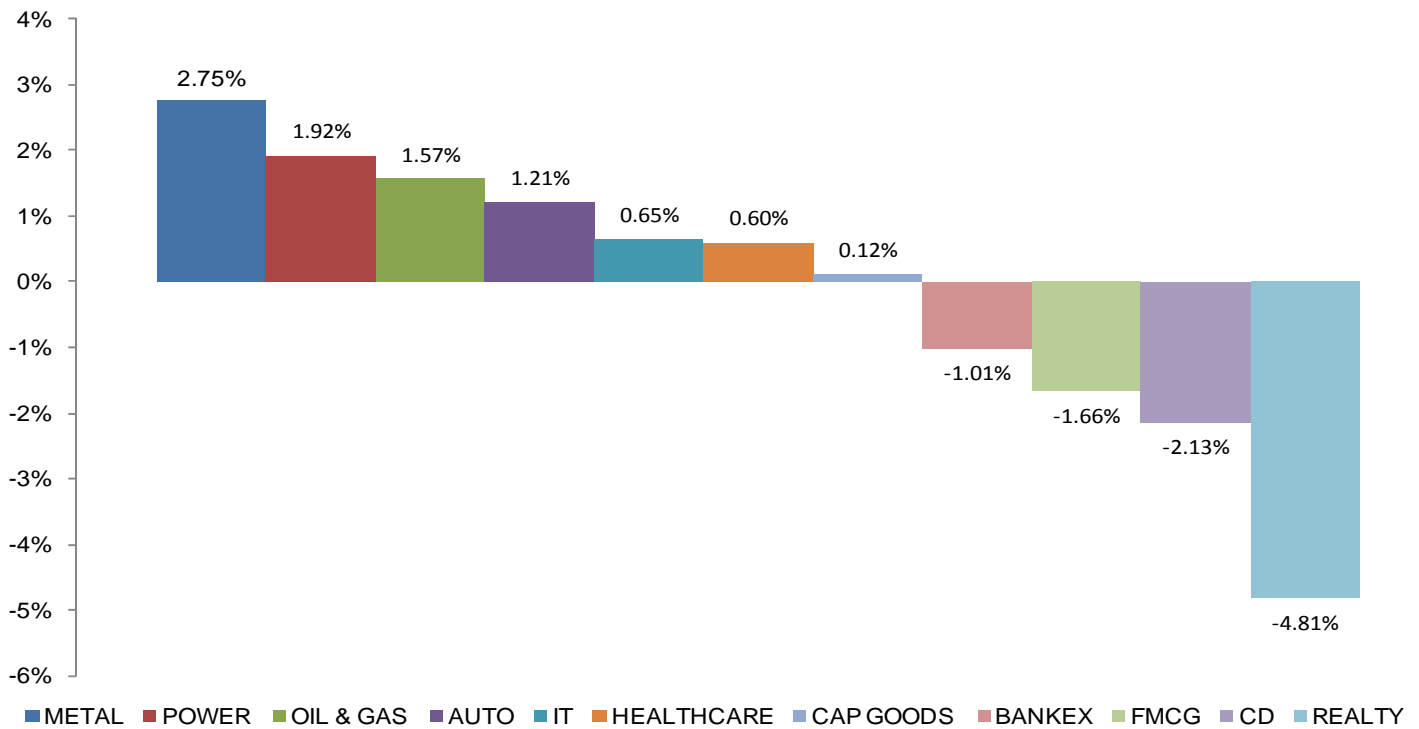
(Rs. Cr.)

Date	Purchases	Sales	Net
06-Sep-19	3,300.6	2,093.4	1,207.2
05-Sep-19	3,029.9	2,330.6	699.3
04-Sep-19	3,623.6	2,319.1	1,304.6
03-Sep-19	3,472.6	2,221.3	1,251.4
30-Aug-19	4,580.7	3,078.5	1,502.3
MTD	78,091.7	60,547.6	17,544.1



## Weekly Wealth

## BSE WEEKLY SECTORAL PERFORMANCE



Source: BSE, BP Equities Research

## TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	06-Sep-19	30-Aug-19	Weekly Change (%)	06-Sep-19	30-Aug-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
COALINDIA	198.8	184.8	7.5	11,46,600	82,3,900	39.2
BPCL	380.6	354.4	7.4	22,96,700	16,62,500	38.1
TVSMOTOR	378.8	353.7	7.1	1,33,92,000	99,44,000	34.7
DRREDDY	2,741.9	2,567.7	6.8	13,48,000	10,32,500	30.6
BSOFT	70.7	66.3	6.6	22,75,500	18,60,000	22.3

## TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	06-Sep-19	30-Aug-19	Weekly Change (%)	06-Sep-19	30-Aug-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
CANBK	220.1	192.7	-12.5	7,03,200	5,06,400	-28.0
IBULHSGFIN	433.6	390.4	-10.0	17,96,000	14,47,200	-19.4
MCX	963.6	868.9	-9.8	9,38,04,000	8,43,96,000	-10.0
DLF	168.5	155.1	-7.9	4,42,09,000	3,983,9,800	-9.9
PEL	2,037.8	1,888.1	-7.3	48,34,200	43,62,000	-9.8

## BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
30.08.2019	SBI Life Insura	VALUE LINE PTE LTD	NSE	Sell	53,00,000	810
30.08.2019	Redington	AUGUSTA INVESTMENTS PTE LTD	BSE	Buy	105,52,400	108
03.09.2019	MCX India	GRAVITON RESEARCH CAPITAL LLP	NSE	Buy	3,04,693	902.5
03.09.2019	Bombay Burmah	THE BOMBAY DYEING AND MFG CO. LTD	BSE	Sell	17,88,208	900.9
05.09.2019	MCX India	CROSSLAND TRADING	NSE	Buy	3,03,454	865.3

(Source: NSE,BSE, BP Equities Research)



### **PPF, NSC rates may be lowered after RBI move**

The government may be forced to lower interest rate on small savings schemes such as Public Provident Fund and NSC when it reviews them at the end of the month as they are not in sync with the market, and is forcing banks to cough up more on deposits.

With the RBI on Wednesday ordering banks to price retail and MSME loans in line with external benchmarks such as repo or treasury bills, net interest margins are going to come under pressure in the coming quarters as banks will not be able to significantly cut rates on deposits, while making new loans cheaper. While some banks such as SBI had linked their savings bank deposits to the repo rate, the change was only temporary. Others like IDBI Bank have linked certain bulk deposits to repo rate. "It is not feasible to link deposits to repo rate in a falling rate situation. Plus, we will lose deposits to small savings schemes," said a public sector bank chief. SBI MD P K Gupta said the bank will soon take a call on the issue.

A senior government official acknowledged the concern and suggested that there was a need to lower small savings rate, which is a political call and would be a difficult decision at a time when the Narendra Modi administration is already under attack from the opposition for the current economic situation. At the same time, the official said, banks can partly address the concern by improving their efficiency.

Although the finance ministry had agreed to move to a market-linked regime for small savings schemes, it itself is guilty of holding back transmission of rates on PPF or Kisan Vikas Patras, fearing adverse public opinion.

(Source: Economic times)

## Infrastructure

### Company Overview

Incorporated in 1996, Wabag is in the business of providing turnkey solutions for water and waste water treatment to municipal and industrial segments. The company undertakes turnkey contracts for design, engineering, procurement, construction, erection, commissioning and operation and maintenance of water and waste water treatment plants. It is a professionally managed Indian multinational having market leadership in emerging markets and significant position in the global market, both in the EPC and service sector of the water business.

### Investment Rationale

#### Market leader in Water/waste water treatment projects

The company has grown into large multinational player in water space with presence in more than 20 countries. It has strong technical background, with the Austrian subsidiary having 100+ patents and experienced key management personnel. Being market leader in water segment, it is poised to capitalize the favourable long term demand prospects for water/waste water treatment projects in key markets which include Middle East, North Africa, Eastern and Central Europe and India.

#### Strong orderbook provides robust revenue growth visibility

Wabag's order book continues to be healthy following from its technological competitiveness and leading market position in India and key overseas geographies. The company has a diverse orderbook with projects across EPC, O&M, Municipal and Industrial segments and has a good geographical mix of orders. The company has secured INR 2789 mn of new order in Q1FY20 with cumulative order book stands at INR 11702 mn which provides strong revenue visibility.

#### Better collections and advances could ease working capital cycle

Receivables from GENCO and Tecpro stand at INR 410 crore and INR 69 crore (being pursued via NCLAT), respectively. Under Genco, Va Tech Wabag is pursuing receivables worth INR 140 crore from TSGENCO which are likely to be approved in the forthcoming board meeting. Debt continues to remain high at INR 550 crore, mainly attributed to working capital. The back-to-back credit arrangement for supplies mitigates the risk to an extent. We believe better collections, along with receipt of advances from customers could ease working capital cycle, which remains a key monitorable.

### Valuation and Outlook

Addressing working capital issue with payment from APGENCO and TSGENCO and execution of new projects will be key triggers for the stock. Va Tech Wabag is strongly positioned in domestic water industry and looks attractive investment bet for a longer term. We believe that on account of its healthy orderbook and improved execution capabilities, Va Tech Wabag is expected to report robust CAGR of 8%/20%/23% in Revenues/EBITDA/PAT respectively during FY19-21. Also the revival of capex cycle and concentrated efforts of government in improving and conserving water levels will bring more business opportunities for the company. At the CMP of INR 286, the stock is trading at 16.5x Q1FY20TTM earnings, we recommend **'BUY'** rating on the stock with a target price of INR 343, thus valuing the stock at PE of 14x to FY21E earnings.

### Stock Rating

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

### Sector Outlook

Positive

### Stock

CMP (INR)	286
Target Price (INR)	343
BSE code	533269
NSE Symbol	WABAG
Bloomberg	VATW IN
Reuters	VATE.BO

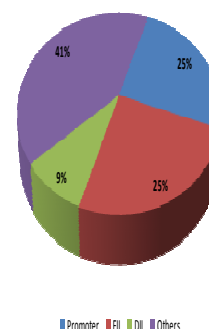
### Key Data

Nifty	10,946
52WeekH/L(INR)	405/246
O/s Shares (Mn)	54.6
Market Cap (INR bn)	16
Face Value (INR)	2

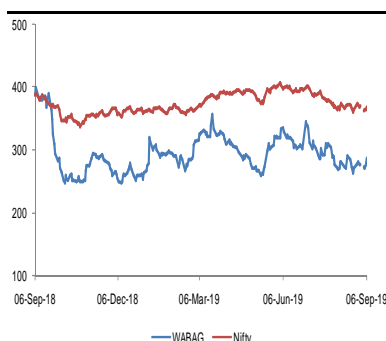
### Average volume

3 months	1,84,940
6 months	1,59,580
1 year	2,00,990

### Share Holding Pattern (%)



### Relative Price Chart





## Weekly Wealth

## Key Financials

YE March (Rs. millions)	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue</b>	<b>32,079</b>	<b>34,573</b>	<b>27,810</b>	<b>29,756</b>	<b>32,732</b>
<i>Revenue Growth (Y-o-Y)</i>	27.9%	7.8%	(19.6%)	7.0%	10.0%
<b>EBIDTA</b>	<b>2,963</b>	<b>2,918</b>	<b>1,811</b>	<b>2,381</b>	<b>2,619</b>
<i>EBIDTA Growth (Y-o-Y)</i>	50.2%	(1.5%)	(37.9%)	31.4%	10.0%
<b>Net Profit</b>	<b>1,695</b>	<b>1,445</b>	<b>859</b>	<b>1,190</b>	<b>1,309</b>
<i>Net Profit Growth (Y-o-Y)</i>	57.2%	(14.8%)	(40.6%)	38.6%	10.0%
<b>Diluted EPS</b>	<b>31.0</b>	<b>26.4</b>	<b>15.7</b>	<b>21.8</b>	<b>23.9</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	57.2%	(14.8%)	(40.6%)	38.6%	10.0%

## Key Ratios

<b>EBIDTA (%)</b>	<b>9.2%</b>	<b>8.4%</b>	<b>6.5%</b>	<b>8.0%</b>	<b>8.0%</b>
NPM (%)	5.3%	4.2%	3.1%	4.0%	4.0%
<b>RoE (%)</b>	<b>17.1%</b>	<b>12.8%</b>	<b>8.0%</b>	<b>10.0%</b>	<b>9.9%</b>
RoCE (%)	22.7%	18.1%	10.8%	13.2%	13.6%

## Valuation Ratios

<b>P/E (x)</b>	<b>9.2x</b>	<b>10.8x</b>	<b>18.2x</b>	<b>13.1x</b>	<b>11.9x</b>
EV/EBITDA	5.5x	6.4x	11.0x	8.4x	7.6x
<b>P/BV (x)</b>	<b>1.6x</b>	<b>1.4x</b>	<b>1.5x</b>	<b>1.3x</b>	<b>1.2x</b>
Market Cap. / Sales (x)	0.5x	0.5x	0.6x	0.5x	0.5x

Source: Company, BP Equities Research



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