

Week Gone By

- ⇒ ICICI Bank net profit slips 2.7% to Rs 1,605 cr in third quarter as provisions for bad loans increased
- ⇒ Website Cobrapost accused the primary promoters of DHFL of siphoning off more than ₹31,000 crore of public money through secured and unsecured loans and advances to shell companies, round tripping, tax avoidance and insider trading
- ⇒ NCLT Bench rejects Ruias' offer for Essar Steel
- ⇒ Jet Airways proposed to increase the authorized share capital of the company from ₹200 crore to ₹2,200 crore, a move aimed at issuing fresh shares to the lenders
- ⇒ Vedanta announced investment worth US\$200 million made by Cairn India Holdings towards purchase of an economic interest in a structured investment in Anglo American PLC from its parent, Vulcan investments

Week ahead

- ⇒ RBI's Monetary Policy Committee (MPC) meeting is scheduled from 5 to 7 February 2019 for sixth bi-monthly monetary policy for 2018-19 and resolution of the same to be announced on 7th February
- ⇒ Nikkei India Services PMI data for January will be announced on Tuesday, 5 February 2019
- ⇒ GAIL India to announce Q3 result on 5th February while CIPLA and JSW Steel on 6th February
- ⇒ US core retail sales MoM data to be announced on 6th February
- ⇒ US ISM non-manufacturing PMI data for January to be revealed on 5th February

Technical Overview

Index closed with a gain of 1% at 10894. Index is facing resistance near 50% retracement of its down move from 11760 to 10004, for index to continue its up move it needs to sustain above this level. RSI is consolidating around 50 levels, a sustenance above this level will provide further strength to ongoing up move. Going ahead index has immediate support at 10880-10800, till it maintains above this level it is expected to continue its up move towards 10980-11050-11250 while support past 10800 comes at 10730-10550-10400.



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	1-Feb-19	25-Jan-19	Weekly % Chg
Nifty	10,894	10,781	1.0
Nifty Next 50	26,828	26,868	-0.1
Nifty 100	11,067	10,968	0.9
Nifty 500	9,056	8,994	0.7
Nifty Midcap 100	16,990	17,013	-0.1
Sensex	36,469	36,026	1.2
BSE 100 Index	11,121	11,020	0.9
BSE 200 Index	4,614	4,577	0.8
BSE 500 Index	14,362	14,261	0.7
BSE Mid-Cap	14,641	14,682	-0.3
BSE Small Cap	13,950	14,000	-0.4

WORLD INDICES

Index	1-Feb-19	25-Jan-19	Weekly % Chg
Nikkei Index	20,788	20,774	0.1
Hang Sang Index	27,931	27,569	1.3
Kospi Index	2,203	2,178	1.2
Shanghai SE Composite	2,618	2,602	0.6
Strait Times Index	3,189	3,202	-0.4
Dow Jones	25,000	24,553	1.8
NASDAQ	7,282	7,073	2.9
FTSE	7,010	6,845	2.4

FOREX

Currency	1-Feb-19	25-Jan-19	Weekly % Chg
US\$ (Rs.)	71.3	71.2	0.1
GBP (Rs.)	93.1	93.1	0.0
Euro (Rs.)	81.7	80.7	1.3
Yen (Rs.) 100 Units	65.4	64.9	0.9

NIFTY TOP GAINERS (WEEKLY)

Scrip	1-Feb-19	25-Jan-19	Weekly % Chg
Zee Entertainment En	354.4	318.4	11.3
HCL Technologies	1,043.9	969.4	7.7
Axis Bank Ltd.	717.3	669.8	7.1
Maruti Suzuki India	6,962.3	6,513.4	6.9
Asian Paints Ltd.	1,457.2	1,372.2	6.2

NIFTY TOP LOSERS (WEEKLY)

Scrip	1-Feb-19	25-Jan-19	Weekly % Chg
Vedanta	162.2	194.7	-16.7
YES Bank Ltd.	185.6	219.6	-15.5
Adani Ports & Speci	338.5	373.9	-9.5
Indiabulls Housing F	678.7	744.5	-8.8
Grasim Inds.	719.0	759.6	-5.4

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
01/02/2019	7,118.4	5,802.5	1,315.9
31/01/2019	10,962.0	7,955.6	3,006.4
30/01/2019	6,581.9	6,451.6	130.3
29/01/2019	5,958.4	6,312.7	-354.4
28/01/2019	66,78.5	6,455.1	223.4
MTD	1,01,801.3	1,01,673.6	127.7

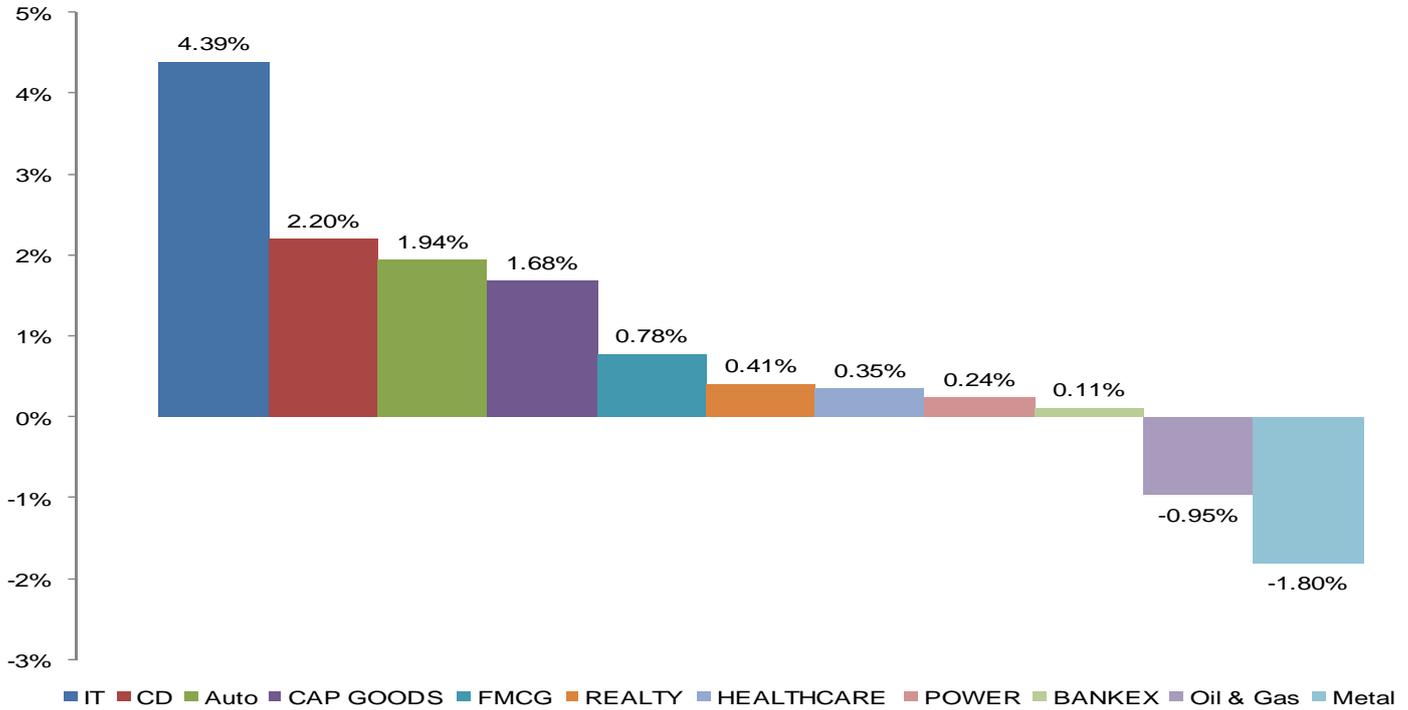
DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
01/02/2019	4,025.0	4,030.1	-5.1
31/01/2019	5,751.4	7385.7	-1634.3
30/01/2019	4,715.4	4,213.1	502.3
29/01/2019	3,740.8	3,659.5	81.3
28/01/2019	3,717.3	3,624.9	92.3
MTD	76,616.3	74,469.2	2,146.9

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



(Source: BSE, BP Equities Research)

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	25-Jan-19 Share Price (Rs.)	1-Feb-19 Share Price (Rs.)	Weekly Change (%)	25-Jan-19 Open Interest	1-Feb-19 Open Interest	Weekly Change (%)
MGL	908.5	922.6	1.6	699600	892800	27.6
PEL	2295.9	2159.2	-6.0	2718906	3384212	24.5
SBIN	285.5	285.1	-0.1	80532000	96066000	19.3
AJANTPHARM	1126.6	983.0	-12.7	612000	715000	16.8
VEDL	194.6	163.0	-16.3	40355800	46814200	16.0

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	25-Jan-19 Share Price (Rs.)	1-Feb-19 Share Price (Rs.)	Weekly Change (%)	25-Jan-19 Open Interest	1-Feb-19 Open Interest	Weekly Change (%)
POWERGRID	186.0	188.7	1.5	21440000	8640000	-59.7
BPCL	357.3	334.9	-6.3	8784000	4602600	-47.6
MUTHOOTFIN	536.0	492.3	-8.1	2376000	1270500	-46.5
LT	1288.9	1314.7	2.0	11922375	7046625	-40.9
AMBUJACEM	202.8	211.6	4.4	16587500	9862500	-40.5



Weekly Wealth

BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
31 JAN 19	TV Vision Limited	UNION BANK OF INDIA	NSE	S	1,90,305	3.2
31 JAN 19	PUNJLLOYD	IFCI Ltd	BSE	S	29,65,255	2.6
30 JAN 19	Geojit Fin Serv	HSBC GLOBAL INVESTMENT FUND- ASIA EX JAPAN EQUITY SMALLER COMPANIES	NSE	S	24,75,971	35.6
28 JAN 19	Zee Entertain. Enterp. Ltd	DVI FUND MAURITIUS LTD	NSE	S	89,69,248	343.1

(Source: NSE,BSE, BP Equities Research)

Has the Interim Budget improved your Quality of Life Quotient (QLQ)?

The interim budget should enable you to improve your QLQ a little bit for now, and possibly even more when the final budget is presented later this year.

How can the way a government earns and spends its money have a significant impact on your life and, of course, your personal finances? After all, a budget announcement could reduce or take away a portion of your income through direct taxes like income tax, or increase your living expenses through indirect taxes like GST. Since a Union Budget covers multiple segments of society ranging from farmers, small and medium enterprises, the middle class and the wealthy, it is critical to sift through all this information and ask yourself: How does my Interim Budget affect my life or will my "Quality of Life Quotient" (QLQ) after this Budget?

So let's look at how the various aspects of the interim budget have helped (or not) improve your QLQ:

From an income perspective, if your annual income (net of all allowed deductions) is Rs 5 lakh per annum, then you are eligible to pay nil tax. This is not applicable if your annual income net of all deductions is above Rs 5 lakh, as the tax slabs have not been changed. Therefore, your QLQ improves if you have income below this threshold by having an additional Rs 12,500 to spend or invest next year.

However, all is not lost. With the increase in standard deduction from Rs 40,000 to Rs 50,000 next year, this additional standard deduction could save you some tax, putting more money in your pockets to either spend or save, thereby improving your QLQ.

For business owners that have annual turnover upto Rs 5 crore, they now have to pay GST on a quarterly basis, thereby improving their cash flow as well as reducing their administrative burden. Once again, QLQ gets better for them.

If you have a second home, you were earlier required to pay tax on notional rent from the property, even if you had not actually leased it out. You now do not have to pay those taxes on notional rent. QLQ goes up for second home owners. Avoid buying a second home just because of this provision though, as investment in real estate needs to fit your needs from an asset allocation perspective.

There are a few steps to make it easier for you from an administrative perspective. These will not reduce tax but will make your life easier and thus increase your QLQ.

- For example, the tax deduction at source (TDS) limit on interest income from bank deposits and saving schemes has moved up to Rs 40,000 from Rs 10,000 earlier. This means less administrative pain in chasing refunds.
- In addition, the TDS limit on rental income has moved up from Rs 1.8 lakh to Rs 2.4 lakh.
- In addition, the tax department is planning to ensure processing and refunds within 24 hours and only online interactions between tax payers and tax authorities over the next two years.

For individuals planning to sell their property, if you have long-term capital gains from the sale of property of upto Rs 2 crore, then the tax department has allowed you a one-time opportunity to utilise the amount to purchase or construct two residential houses in India instead of one residential house. This will be permitted only once. Thus, your QLQ increases here as well, from a succession planning perspective.

On the inflation front, since the government has been able to broad keep the fiscal deficit under check at 3.4% of GDP, inflation should remain under control, thus keeping your expenses under control. This should allow you to better manage your savings and investments. Your QLQ gets better as a result.

All in all, the interim budget should enable you to improve your QLQ a little bit for now, and possibly even more when the final budget is presented later this year.

(Source: Money Control)

Pharmaceuticals

Company Overview

Incorporated in 1983, Dishman Pharmaceuticals was a global outsourcing partner for the pharmaceutical industry offering a portfolio of development, scale-up and manufacturing services. In Aug-2006, it acquired Carbogen Amcis, a leading service provider, offering a portfolio of drug development and commercialisation services to the pharmaceutical and biopharmaceutical industries at all stages of drug development. Post a Scheme of Arrangement, Dishman Pharma was Amalgamated with Carbogen Amcis and the merged entity was renamed as Dishman Carbogen Amcis Ltd. (DCAL) wef Jan 01, 2015. The new entity got listed on Sept 21, 2017. The company operates 23 multipurpose facilities across India, Switzerland, the Netherlands and China, and a dedicated production facility for APIs and intermediates in Bavla and Naroda. Most of its facilities have been approved/certified by health authorities.

Investment Rationale

Stable order book with wider client base

Dishman has an stable order book of \$150mn with bulk being in Carbogen Amcis(CHF90mn) with oncology being key focus area. This order book gives stable revenue visibility over next few years. The company has over ~400 CRAMS projects under different phases out of which 16-18 molecules are in Phase III. Of this, nine are in late phase III trials, and the company expects 1-3 products to get commercialized each year with expected average revenue of US\$3-4mn/molecule in the first year of launch. As per the management, Dishman is sole or preferred supplier for all existing products. Dishman has enhanced its client base over last five years to reduce its dependence on major global innovators (Large Pharma companies), the contribution of these innovators has fallen to below 50% of Dishman's total business. Mylan, Abbott, JnJ, Novartis and Celgene are among Dishman's main customers. Dishman is now concentrating on a large number of midsize bio-pharma companies rather than on a few large MNCs. The idea is to de-risk the business model to the maximum extent and also to effectively improve the capacity utilization of the plants.

Tesaro's acquisition by GSK to improve marketing potential for Niraparib

Niraparib was the first commercialised oncology product from the company, for which it is a preferred API supplier for the innovator This drug was approved in the US and Europe. The innovator also has one more supplier for this drug in the US Dishman has earmarked one block of Hipo plant for Niraparib (ovarian cancer). The company is also approaching USFDA for validation of one more block for this drug The current size of Niraparib for ovarian cancer is US\$150 million, as per management. At peak level, this drug can achieve ~US\$1 billion sales. Apart from ovarian cancer, the innovator is also working on other indicators including prostate cancer and breast cancer for Niraparib. All these indicator trials are currently in Phase III Dishman's revenue from Niraparib in FY18 was US\$8mn. In FY19 the management guided for US\$12mn sales from this drug Apart from Niraparib, currently the company is also working on three more Phase III molecules at its Bavla facility Tesaro has recently been acquired by GSK UK for a sum of US\$ 5.1bn, which improves prospects of Niraparib's commercial success. We believe this development is big positive for Dishman as it will make Niraparib a leading product in the cancer therapy with GSK's strong marketing network.

Valuation outlook

Dishman has built a healthy order book in CRAMS, which is virtually full of current capacities, and thus the management's focus is shifting to improve profitability. We expect a significant growth in earnings over the next couple of years (earnings CAGR of ~53% in FY18-20E), which will aid to generate sizable cash flows. Apart from Niraparib, there are three to four potential launches in near future, which will not only accelerate growth, but also de-risk earnings from blockbuster products. The emerging signs of a recovery in Carbogen, robust prospects from Vitamin D business, concentration on sweating off the assets and improving the financial ratios like Debt/Equity and ROCE, gives us confidence on its performance. Given its significant operating leverage, a pick-up in revenue growth can deliver significant earning upsides and trigger a rerating. At the current market price (of Rs 207) the company is trading at 12x its FY20E consolidated EPS of Rs17. We believe the valuations are attractive and the stock can give decent returns in the future. Thus, We give a BUY rating on the stock by assigning 16x of its FY20E earnings and arrive at a target price of Rs 272 (potential upside of 31% from CMP) .

Stock Rating

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

Sector Outlook

Positive

Stock

CMP (Rs)	207
Target Price (Rs)	272
BSE code	540701
NSE Symbol	DCAL
Bloomberg	DCALIN
Reuters	DSHM .BO

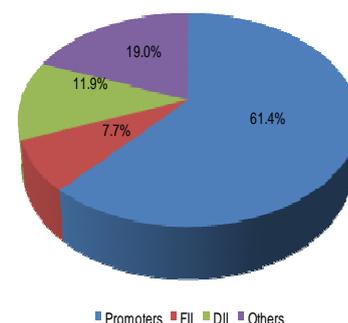
Key Data

Nifty	10,870
52WeekH/L(Rs)	386/200
O/s Shares (Mn)	161
Market Cap (Rs bn)	33
Face Value (Rs)	2

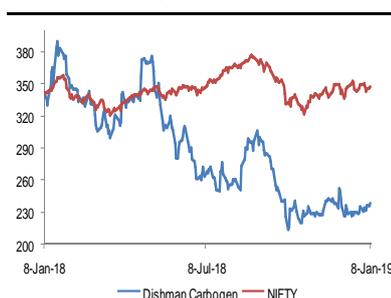
Average volume

3 months	130,510
6 months	234,660
1 year	225,910

Share Holding Pattern (%)



Relative Price Chart





Weekly Wealth

Key Financials (Consolidated)

YE March (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Revenue	15,961	17,137	16,948	18,526	21,046	24,165
<i>Revenue Growth (Y-o-Y)</i>	0.5%	7.4%	(1.1%)	9.3%	13.6%	14.8%
EBIDTA	4,103	4,534	4,380	4,936	6,186	7,495
<i>EBIDTA Growth (Y-o-Y)</i>	31.2%	10.5%	(3.4%)	12.7%	25.3%	21.2%
Net Profit	1,711	1,472	1,546	1,834	2,701	3,604
<i>Net Profit Growth (Y-o-Y)</i>	42.8%	(14.0%)	5.0%	18.6%	47.3%	33.4%
Diluted EPS	10.6	9.1	9.6	11.4	16.7	22.3
<i>Diluted EPS Growth (Y-o-Y)</i>	42.8%	-14.0%	5.0%	18.6%	47.3%	33.4%
No of Diluted shares (mn)	161	161	161	161	161	161

Key Ratios

EBIDTA (%)	25.7%	26.5%	25.8%	26.6%	29.4%	31.0%
NPM (%)	10.7%	8.6%	9.1%	9.9%	12.8%	14.9%
RoE (%)	12.7%	4.7%	3.1%	3.5%	5.0%	6.4%
RoCE (%)	14.7%	6.1%	3.9%	4.5%	6.4%	8.1%
Tax Rate %	26.7%	32.6%	33.0%	33.0%	33.0%	33.0%
Book Value Per share (Rs.)	90.0	298.3	316.4	326.1	340.3	359.3

Valuation Ratios

P/E (x)	20.8x	24.2x	23.1x	19.5x	13.2x	9.9x
EV/EBITDA	10.6x	9.5x	10.1x	8.5x	6.6x	5.2x
P/BV (x)	2.46x	0.74x	0.70x	0.68x	0.65x	0.62x
Market Cap. / Sales (x)	2.2x	2.1x	2.1x	1.9x	1.7x	1.5x

(Source: BP Equities Research)

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

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