

Week Gone By

- ⇒ BHEL commissioned a 800 MW thermal power unit within a record time of 46 months for Kothagudem Thermal Power Station of Telangana State Power Generation Corporation.
- ⇒ Bandhan Bank Q3 net up 10% at ₹385 crore despite making a provision of ₹385 crore for exposure to troubled IL&FS.
- ⇒ IndusInd Bank posted a 5.2 per cent increase in net profits for the third quarter of the fiscal on high provisions due to exposure to debt laden IL&FS.
- ⇒ The Supreme Court on Tuesday paved the way for Vedanta to reopen the Sterlite copper smelter plant in Thoothukudi, Tamil Nadu, refusing to stay the December 15 order of the National Green Tribunal (NGT).
- ⇒ HDFC-led Gruh Finance is set to merge with private sector lender Bandhan Bank.

Week ahead

- ⇒ India's WPI inflation and CPI data YoY for December is to be released on 14th January
- ⇒ ICICI Securities' Q3 result to be announced on 14th January
- ⇒ US' retail sales MoM data for December to be revealed on 16th January
- ⇒ SBI Life Insurance and ICICI Lombard's Q3 result to be announced on 18th January
- ⇒ US Industrial production MoM data for December to be revealed on 18th January

Technical Overview

Index closed with a gain of 0.63% at 10795. 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 which if it does will open the way for 10980-11050. RSI is trading near 50 levels from past couple of weeks which suggests indecisive nature in price behavior. Going ahead index has immediate support at 10730; sustenance below this level will make the index continue its down move towards 10600-10530 while resistance comes at 10870-10980.

8-Nifty 50 - 11/01/19



Source: Falcon, BP Equities Research



Weekly Wealth

DOMESTIC INDICES

Index	11-Jan-19	4-Jan-19	Weekly % Chg
Nifty	10,727	10,860	-1.2
Nifty Next 50	27,720	28,063	-1.2
Nifty 100	10,966	11,102	-1.2
Nifty 500	9,055	9,153	-1.1
Nifty Midcap 100	17,637	17,793	-0.9
Sensex	35,695	36,077	-1.1
BSE 100 Index	11,016	11,152	-1.2
BSE 200 Index	4,593	4,649	-1.2
BSE 500 Index	14,355	14,516	-1.1
BSE Mid-Cap	15,148	15,360	-1.4
BSE Small Cap	14,592	14,606	-0.1

WORLD INDICES

Index	11-Jan-19	4-Jan-19	Weekly % Chg
Nikkei Index	20,390	20,360	0.1
Hang Sang Index	26,692	26,667	0.1
Kospi Index	2,077	2,076	0.1
Shanghai SE Composite	2,555	2,554	0.0
Strait Times Index	3,210	3,199	0.3
Dow Jones	24,015	24,002	0.1
NASDAQ	6,991	6,986	0.1
FTSE	7,003	6,945	0.8

FOREX

Currency	11-Jan-19	4-Jan-19	Weekly % Chg
US\$ (Rs.)	70.5	69.7	1.1
GBP (Rs.)	90.2	88.4	2.1
Euro (Rs.)	81.2	79.6	2.1
Yen (Rs.) 100 Units	65.1	64.6	0.8

NIFTY TOP GAINERS (WEEKLY)

Scrip	11-Jan-19	4-Jan-19	Weekly % Chg
Axis Bank Ltd.	666.5	619.6	7.6
Tata Motors Ltd.	180.3	171.0	5.5
ITC Ltd.	295.4	281.0	5.1
Bharti Airtel	335.1	322.5	3.9
ICICI Bank	378.6	365.2	3.7

NIFTY TOP LOSERS (WEEKLY)

Scrip	11-Jan-19	4-Jan-19	Weekly % Chg
Bharat Petroleum	337.3	359.5	-6.2
Hind. Petrol	233.5	248.2	-5.9
GAIL (India) Ltd.	338.6	353.2	-4.1
UltraTech Cement	3,770.2	3,914.6	-3.7
Hero MotoCorp	2,899.3	2,987.9	-3.0

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
10/01/2019	4,018.5	4,363.1	-344.5
09/01/2019	4,410.4	4,134.3	276.1
08/01/2019	3,437.4	3,991.2	-553.8
07/01/2019	4,252.2	3,516.0	736.2
MTD	31,448.1	33,478.5	-2,030.4

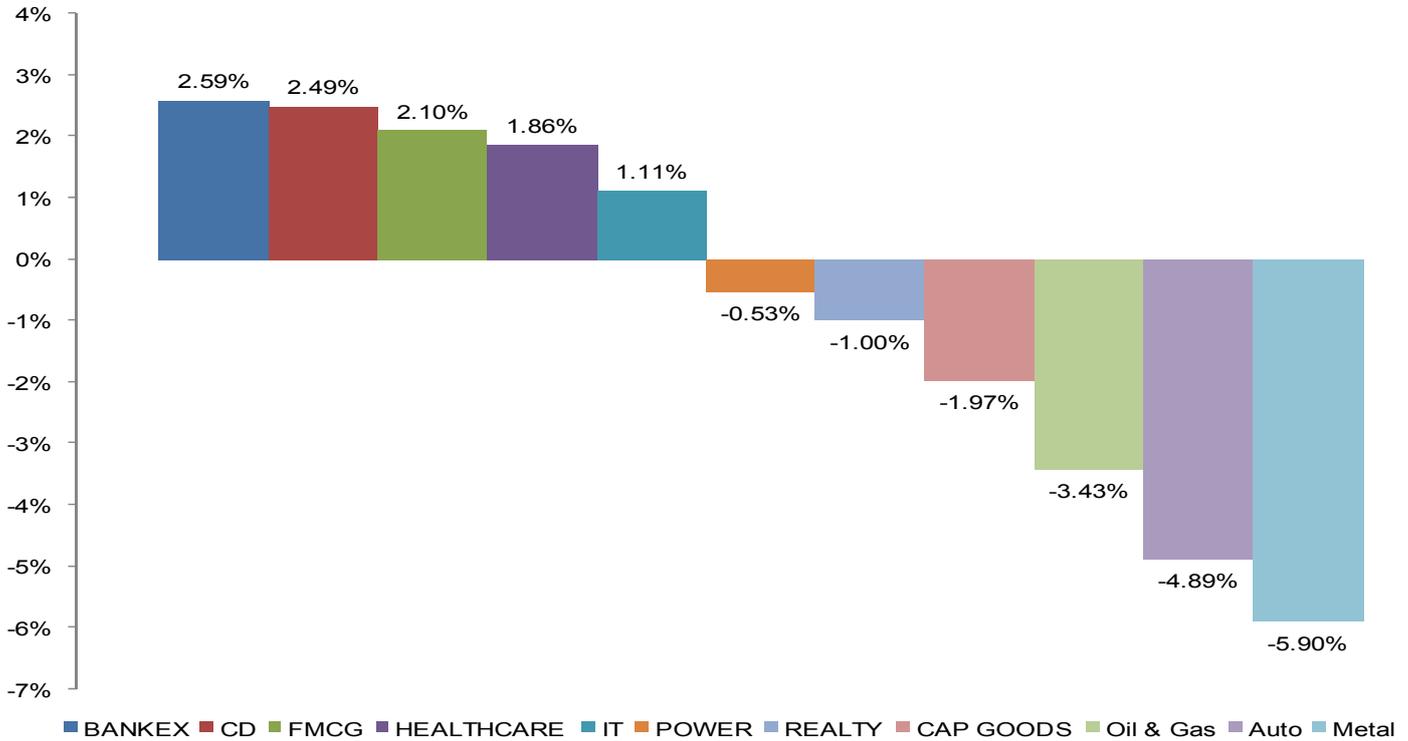
DII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
10/01/2019	3,390.9	3,379.9	11.0
09/01/2019	3,658.9	3,219.2	439.7
08/01/2019	3,343.6	2,645.5	698.2
07/01/2019	2,492.8	2,634.8	-142.0
MTD	32,411.8	33,944.1	-1,532.3

Weekly Wealth

BSE WEEKLY SECTORAL PERFORMANCE



(Source: BSE, BP Equities Research)

TOP OPEN INTEREST GAINERS (WEEKLY)

SCRIP NAME	4-Jan-19	11-Jan-19	Weekly Change (%)	4-Jan-19	11-Jan-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
BERGEPAIN	325.3	326.6	0.4	2552000	5511000	115.9
CEATLTD	1,317.7	1,266.4	-3.9	669600	998000	49.0
TORNTPHARM	1,809.7	1,877.4	3.7	461500	668500	44.9
ZEEL	466.8	453.4	-2.9	12489100	15875600	27.1
UBL	1,372.2	1,384.4	0.9	1843800	2330300	26.4

TOP OPEN INTEREST LOSERS (WEEKLY)

SCRIP NAME	4-Jan-19	11-Jan-19	Weekly Change (%)	4-Jan-19	11-Jan-19	Weekly Change (%)
	Share Price (Rs.)			Open Interest		
IBULHSGFIN	830.8	811.4	-2.3	12318500	6494000	-47.3
ADANIPOWER	50.4	50.4	0.0	159700000	116300000	-27.2
CESC	660.1	683.4	3.5	2163150	1670350	-22.8
APOLLOHOSP	1,294.7	1,294.3	0.0	849000	667000	-21.4
RAMCOCEM	629.9	627.3	-0.4	710400	575200	-19.0



Weekly Wealth

BULK DEALS

Date	Scrip Name	Client Name	Exchange	Deal Type	Qty	Trade Price
10 JAN 19	Bliss GVS Pharma Ltd	KOTAK MAHINDRA INVESTMENTS LIMITED	NSE	S	5,50,000	171.6
10 JAN 19	CL Educate Limited	ICICI LOMBARD GENERAL INSURANCE	NSE	S	1,03,290	115
10 JAN 19	Iris Media	ESAAR INDIA LIMITED	BSE	S	10,35,000	24.7
9 JAN 19	Rolta India Ltd	CENTRAL BANK OF INDIA (CAPITAL SERVICE BRANCH)	NSE	S	16,97,862	8.6
8 JAN 19	CL Educate Limited	ICICI LOMBARD GENERAL INSURANCE	NSE	S	76,644	115

(Source: NSE, BSE, BP Equities Research)

Sovereign Gold Bonds trading at steep discount: Here's how to invest in them

Sovereign Gold Bonds issued by the RBI are trading at very attractive prices. Here's what you need to keep in mind when you invest in these instruments.

Planning to buy gold this festive season? You can get it at a steep 14-16 percent discount to the prevailing price. No need to worry: the gold is 24 carat pure. What's more, you also get a cashback of about 2.5% every year. Don't dismiss this as another fraud scheme by fly-by-night operators. This is what you will get if you buy Sovereign Gold Bonds (SGBs) in the secondary market.

SGBs issued by the RBI are trading at significant discounts to prevailing gold prices, offering a lucrative opportunity for those wanting to invest in the metal.

The slide in the value of the rupee, which crossed 72 to a dollar last week, has fuelled the interest in gold. Experts believe the rupee will continue to be weak for some time.

The main reason is India's dependence on imported crude oil, which is trading at an elevated \$77.81. "Since a spike in crude prices increases our current account deficit, it is impacting the rupee negatively," says Amit Kachroo, Managing Partner, Aaneev Wealth.

The rupee's pain has been compounded by a strengthening dollar. "The US Fed is on a rate hike mode, while other central bankers are on wait and watch mode. The US dollar should continue to do well against all currencies. The rupee may fall to 74 per dollar by December," says Praveen Singh, AVP, Sharekhan Comtrade.

Weak outlook

Domestic gold buyers should not assume that the fall in rupee will automatically result in higher gold prices. This is because a strong dollar is impacting international gold prices negatively and the metal is still trading close to \$1,200 per troy ounce. "The US dollar is king now and this may bring international gold prices down to around \$1,100. However, its impact will be limited in India due to the fall in the rupee's value. Investors can start accumulating gold once the domestic price falls by around Rs 1,500," says Singh.

How much to invest

Since the current gold outlook is not very rosy, experts are asking investors not to take a big position in gold. However, it makes sense to have a small exposure in gold to reduce overall portfolio volatility. "There is no need to invest in gold now for returns. Equity should do much better if the holding period is long enough—more than five years. However, one can have a small portion of around 5% of the portfolio in gold to reduce the overall portfolio volatility," says Ankur Maheshwari, CEO, Equirus Wealth Management. High valuations in the domestic equity market is another reason why investors need to hedge that risk with gold. "Since gold has an inverse relationship with equities, it makes sense to have a small portion of your portfolio in gold. Decide this ratio based on your risk appetite. While the young and risk takers can restrict this gold portion to 2-3%, the risk averse can hold 5-7%," says Kachroo.

The lure of discounts

Once you decide to invest in gold, the next step involves figuring out the route. You can buy bullion or bars, ETFs or open-ended gold funds, gold bonds, etc. Experts do not recommend gold bars over purity concerns, the risk involved in handling physical gold, additional expenses like bank locker charges to keep it safe, lesser price at the time of liquidation etc. Gold ETFs or gold funds offer better liquidity and therefore, are useful for someone who wants to deal in it for the short to medium term. Sovereign gold bonds listed on stock exchanges, on the other hand, are not very liquid. While that is bad news for existing investors, they offer a big opportunity for investors who want to get in now. Some of these bonds are trading at significant discount to prevailing gold prices. For the chart, only bonds with reasonable liquidity have been considered. The discounts are higher on less liquid ones.

(Source: Economic Times)

Construction and Engineering

Company Overview

Welspun Enterprises Limited (WEL) is the infrastructure arm of Welspun Group promoted by Mr. B.K. Goenka and Mr. R R Mandawewala. WEL is primarily engaged in executing Engineering Procurement and Construction contracts of roads, highways etc. Besides having presence in road infrastructure through various SPVs, WEL is also engaged in oil and gas exploration activities through Welspun Natural Resources Private Limited (WNRPL) which has a joint venture with Adani Group in Adani Welspun Exploration Limited. WNRPL has 5 Oil & Gas blocks of which 2 blocks are in Kutch, 2 blocks in Mumbai (under AWEL) and 1 block is in Palej (under WNRPL).

Investment Rationale

Healthy order book position supports medium term revenue visibility

WEL has a healthy order book position in the EPC projects which stood at Rs.6700 crore as on November 30, 2018, which translates into order book to sales ratio of 5x based on FY18 sales and provides strong revenue visibility for the medium term of almost doubling the revenue each year for FY19 and FY20. The company is mainly focused on executing HAM project Delhi – Meerut expressway package 1. It has completed the project well ahead of scheduled completion date.

Huge future potential Infrastructure projects to add in order book

Government of India has shown tremendous interest in infrastructure building, by increasing budget allocation for infrastructure spending from 1.8 lakh crore in FY14 to 5.9 lakh crore in FY18. Going forward, it is expected government will award road projects of around Rs.5.35 trillion in next 5 years. Along with that, there is huge revenue potential in Government's marquee Bharamala project as till now only 7700 km of construction out of 38000 km to be completed by 2022.

Changing the order mix to HAM lead to improving working cycle of company

Company was able to win huge orders on back of great project execution capabilities and increased the order book from just mere Rs.5.4 bn as on March 2017 to Rs. 67 bn as on Nov 2018. And, currently out of Rs.67 bn order book, HAM EPC is Rs.66.6 bn and others is just Rs.0.4bn. Moreover company has taken shift from BOT to HAM EPC has given tremendous benefit as NHA provides 40% funding, all clearances before project allocation, better credit rating than BOT on account of lower risk. This has helped to strengthen the balance sheet and become net cash company with negative working cycle which can be leveraged for future opportunities.

Valuation and outlook

WEL is a leading player in engineering and construction of roads and highways with experience of operating 500km plus toll projects. Management visions to be among the top 3 HAM players in the country. It has robust order book of Rs.67 bn which is approx. book to bill of 5 times. Culminating correct project balance, it has developed asset light business and able to translate into higher RoCE and Positive FCF. In Q2FY19, 3 HAM projects contributed to revenue against one in last year which improved margins to 12.9% from 8.8% in previous year as fixed cost absorption increased with higher execution on multiple projects. Taking all the above into consideration we estimate revenue and PAT to grow at a CAGR of 23% and 42%, respectively, over FY18-20E, with EBITDA margin of 12% in FY20E. We have valued the stock by using SOTP valuation method, investments in roads, oil & gas and power subsidiaries is taken at 20% discount to book value for Rs. 32.4/share and EPC business by assigning 10x PE multiple to FY20E EPS. We recommend investors can **BUY** the stock for target of Rs.131 (upside of 18% from CMP) for 12-15 months.

Stock Rating

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

Sector Outlook

Positive

Stock

CMP (Rs)	111
Target Price (Rs)	131
BSE code	532553
NSE Symbol	WELENT
Bloomberg	WEL IN
Reuters	WELS.BO

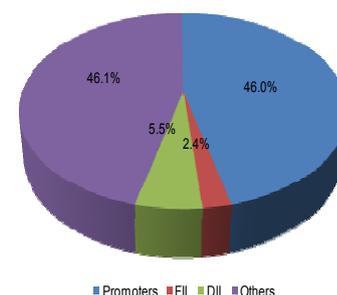
Key Data

Nifty	10,795
52WeekH/L(Rs)	202/101
O/s Shares (Mn)	148
Market Cap (Rs bn)	16
Face Value (Rs)	10

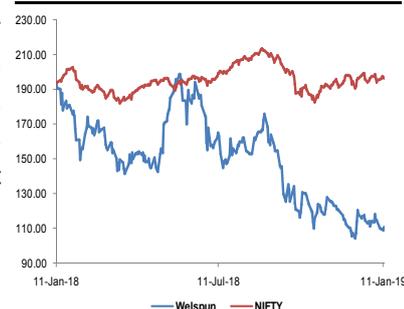
Average volume

3 months	36,86,050
6 months	1,15,83,040
1 year	3,00,74,610

Share Holding Pattern (%)



Relative Price Chart





Weekly Wealth

Key Financials					
YE March (Rs. millions)	FY16	FY17	FY18	FY19E	FY20E
Revenue	1,881	3,054	10,671	13,193	16,228
<i>Revenue Growth (Y-o-Y)</i>	<i>(77.3%)</i>	<i>62.4%</i>	<i>249.4%</i>	<i>23.6%</i>	<i>23.0%</i>
EBIDTA	(716)	(298)	801	1,213	1,947
<i>EBIDTA Growth (Y-o-Y)</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>51.4%</i>	<i>60.5%</i>
Net Profit	(27)	70	723	1,121	1,460
<i>Net Profit Growth (Y-o-Y)</i>	<i>NA</i>	<i>NA</i>	<i>935.5%</i>	<i>55.1%</i>	<i>30.2%</i>
Diluted EPS	(0.2)	0.5	4.9	7.6	9.9
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>NA</i>	<i>NA</i>	<i>935.5%</i>	<i>55.1%</i>	<i>30.2%</i>
Key Ratios					
EBIDTA (%)	-38.1%	-9.7%	7.5%	9.2%	12.0%
NPM (%)	-1.4%	2.3%	6.8%	8.5%	9.0%
RoE (%)	-0.2%	0.6%	5.4%	7.7%	9.1%
RoCE (%)	-5%	-2%	4%	6%	9%
Valuation Ratios					
P/E (x)	-611.0x	235.5x	22.7x	14.7x	11.3x
EV/EBITDA	-23.7x	-50.0x	25.3x	16.7x	10.4x
P/BV (x)	1.2x	1.3x	1.2x	1.1x	1.0x
Market Cap. / Sales (x)	8.7x	5.4x	1.5x	1.2x	1.0x

(Source: BP Equities Research)

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

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