Morning Insight

AUGUST 9, 2018

	8-Aug	% Chg 1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	37,888	0.6	6.3	7.6
NIFTY Index	11,450	0.5	6.3	6.8
NSEBANK Index	28,062	0.7	5.9	7.6
NIFTY 500 Index	9,745	0.4	6.0	3.4
CNXMcap Index	19,143	(0.0)	5.1	(3.5)
BSESMCAP Index	16,868	0.0	5.0	(6.9)
World Indices				
Dow Jones	25,584	(0.2)	3.3	4.2
Nasdaq	7,888	0.1	1.7	7.5
FTSE	7,777	0.8	1.2	1.5
NIKKEI	22,644	(0.1)	2.4	0.8
Hangseng	22,644	(0.1)	2.4	0.8
Shanghai	28,359	0.4	(0.5)	(6.6)

Value traded (Rs cr)	8-Aug	% Chg Day
Cash BSE	2,881	(3.5)
Cash NSE	31,854	(1.9)
Derivatives	993,827	76.7

Net inflows (Rs cr)	7-Aug	MTD	YTD
FII	113	138	(3,272)
Mutual Fund	15	155	72,753

Nifty Gainers & Losers 8-Aug	Price (Rs)	Chg (%)	Vol (mn)
Gainers			
ONGC	173	3.0	8.0
Reliance Ind	1,218	2.8	7.9
Bajaj Finance	2,813	2.4	2.1
Losers			
Lupin Ltd	826	(4.7)	13.3
Maruti Suzuki	9,207	(2.2)	0.6
HPCL	283	(2.0)	4.3

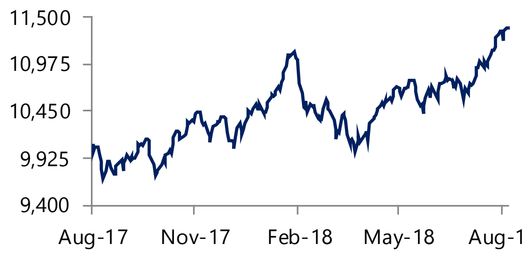
Advances / Declines (BSE)

8-Aug	A	B	T	Total	% total
Advances	189	489	64	742	100
Declines	194	620	61	875	118
Unchanged	4	16	14	34	5

Commodity	8-Aug	% Chg 1 Day	1 Mth	3 Mths
Crude (US$/BBL)	72.5	0.3	(7.1)	(6.1)
Gold (US$/OZ)	1,214	0.2	(3.4)	(7.5)
Silver (US$/OZ)	15.4	0.3	(4.1)	(6.3)

Debt / forex market	8-Aug	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.8	7.8	7.9	7.6
Re/US$	68.6	68.7	68.7	67.1

Nifty



Source: Bloomberg

News Highlights

- The Reserve Bank of India (RBI) will transfer Rs500bn of its surplus money to the government, the highest since 2015-16, in a partial relief for the latter struggling to replenish public sector banks. (Mint)
- The government will shortly unveil a new industrial policy that aims to speed up regulatory reforms and lower power tariffs to make businesses more competitive and create more jobs. (ET)
- Air India Ltd should be made profitable before it is privatized so that the government can fetch a better value for the loss-making national carrier, said the vice-chairman of federal policy think tank NITI Aayog. (Mint)
- The Competition Commission of India (CCI) approved Walmart's proposed $16-bn acquisition of a majority stake in online marketplace Flipkart, paving the way for the biggest deal in the country's corporate history. (ET)
- **UPL Ltd** has initiated exploratory talks with Kaveri Seeds Co. Ltd for a potential stake purchase, said two people aware of the discussions. (Mint)
- The promoters of **Essel Propack** are exploring to sell their controlling interest in the company as global consolidation grips the sector. (ET)
- **Bharat Electronics** informed that it has entered into contracts with Mazagon Dock Shipbuilders (MDSL), Mumbai, and Garden Reach Shipbuilders and Engineers (GRSE), Kolkata, for supply and services of LRSAM systems for seven ships being built by the two shipbuilders, for their new ship-building program. The value of the contracts is estimated at about Rs92bn. (BL)
- **Punjab National Bank (PNB)** said it is in negotiation with a few government departments, including income tax and central excise, to sell its erstwhile headquarters situated at the Bhikaji Cama Place in New Delhi. (Mint)
- **Tata Motors** plans to bring around 10-12 new products in passenger vehicles segment in the next five years. (ET)
- **Bharat Petroleum Corp. Ltd (BPCL)** shut a hydrocracker unit at its refinery in Mumbai following a fire. (Mint)
- **IDBI Bank** said it has received government approval for an acquisition by Life Insurance Corporation of India. (Mint)
- **Indian Oil Corp** will buy 6 mn barrels of US crude oil for Nov to Jan delivery through a mini-term tender, its head of finance said. This was the company's first mini-term tender to buy US oil. (Mint)

What's Inside

- **Result Update:** Wonderla Holidays Ltd, Praj Industries Ltd, Greenply Industries Ltd.
- **Forthcoming events**

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, IE = Indian Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange, MC = Moneycontrol

Result Update

WONDERLA HOLIDAYS LTD (WHL)

PRICE RS.335 **TARGET RS. 406** **BUY**

WHL reported strong Q1FY19 results driven by robust operating margins, but footfall growth was lower than our estimates.

Key Highlights

- Net revenue for the quarter was at Rs 1.04 bn which grew by 1.5% YoY on account of 6.3% yoy growth (Vs estimates of 7.6% growth) in total footfalls while average revenue per footfall declined by 4.2% yoy. On like to like basis, revenues grew by 10% yoy adjusted for differential taxes.
- EBITDA for the quarter grew by 31.6% yoy to Rs 575 mn and EBITDA margin improved by 1260 bps yoy to 55.3% and was ahead of our estimates on improved operational efficiency and lower other expenses.
- The management is positive on future growth prospects considering stable pricing environment, post GST rate for amusement park reduced from 28% to 18% and various initiative adopted by it, though there are short term challenges in terms of footfall growth in Kochi. The company has guided for 7-8% growth in footfalls in FY19E with 300-400 bps improvement in EBITDA margins.

Valuation & outlook

- We are positive on future potential of theme parks in India and maintain our positive view on the company for running the business efficiently despite challenges. We have marginally cut our estimates factoring in lower growth in footfalls in Q1FY19.
- The stock is trading at PE of 36.0x and 26.9x based on FY19E and FY20E revised EPS of Rs 9.3 and Rs 12.5 per share, respectively. We maintain Buy rating with revised DCF based target price of Rs 406 (Vs Rs 417 earlier).

Quarterly performance table (standalone)

Year to March (INR mn.)	Q1FY19	Q1FY18	% Chg	Q4FY18	% Chg
Net Revenues	**1,039**	**1,023**	**1.5**	**549**	**89.1**
Direct operating expenses	99	97	2.1	64	55.3
Gross Profit	**940**	**926**	**1.4**	**485**	**93.6**
Employee Expenses	107	113	(5.6)	99	7.7
Other Expenses	258	376	(31.5)	233	10.6
Operating Expenses	464	587	(20.9)	396	17.1
EBITDA	**575**	**437**	**31.6**	**153**	**275.9**
EBITDA margin (%)	55.3	42.7		27.8	
Depreciation	99	80	23.7	98	1.0
Other income	22	31	(27.9)	15	52.7
Net finance expense	4	4	(1.5)	2	58.9
Profit before tax	**495**	**384**	**28.8**	**67**	**634.7**
Provision for taxes	165	124	32.7	31	440.2
Reported net profit	**330**	**260**	**27.0**	**37**	**796.1**
Net profit Margin	31.7	25.4		6.7	
Tax rate (% of PBT)	33.3	32.4		45.3	

Source: Company

Stock Details

Market cap (Rs mn)	:	19007
52-wk Hi/Lo (Rs)	:	425 / 310
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	32,247
Shares o/s (mn)	:	57

Source: Bloomberg

Financial Summary - Standalone

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	2,705	3,043	3,565
Growth (%)	2.9	12.5	17.2
EBITDA	891	1,101	1,398
EBITDA margin (%)	32.9	36.2	39.2
PAT	385	526	704
EPS	6.8	9.3	12.5
EPS Growth (%)	14	37	34
Book value (Rs/share)	137	145	156
Dividend per share (Rs)	1.5	1.5	1.5
ROE (%)	5.1	6.6	8.3
ROCE (%)	6.3	8.1	10.5
P/E (x)	49.2	36.0	26.9
EV/EBITDA (x)	20.8	16.3	13.2
P/BV (x)	2.4	2.3	2.2

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Jun-18	Mar-18	Dec-17
Promoter	71.0	71.0	71.0
FII	10.5	11.2	11.5
DII	5.8	5.5	5.9
Others	12.7	12.3	11.6

Source: Company

Price Performance (%)

(%)	1M	3M	6M
Wonderla Holidays	1.0	(7.5)	(8.9)
Nifty	6.3	6.8	8.3

Source: Bloomberg

Price chart (Rs)

Source: Bloomberg

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Net revenue grew by 1.5% yoy

Net revenue for the quarter was at Rs 1.03 bn (Vs estimates of Rs 1.15 bn) and grew by 1.5% yoy on account of 6.3% yoy growth in footfalls (Vs estimates of 7.6% growth) while average revenue per visitor declined by 4.2% yoy. The footfalls in Kochi park declined by 2.1% yoy due to unprecedented rains in the state and Nipa virus negatively impacted tourist inflows in month of May and June 2018. On the other hand, Hyderabad park performed well with 21.7% yoy growth in footfalls due to various marketing initiatives adopted by the company, addition of new rides and lower ticket prices post reduction in GST. On like to like basis, the revenue grew by 10% yoy adjusted for differential taxes. Average ticket realization declined by 7.6% yoy whereas non ticket realization grew by 8.9% yoy. The share of non-ticket revenue improved from 23.2% in Q1FY18 to 25.6% in Q1FY19 on account of improved F&B business and increased merchandise sales. The resort income also declined in the quarter by 10.6% with occupancy declined to 45% vs 50% yoy on company reducing focus on low margin corporate bookings.

Operating performance (parkwise)

	Q1FY19	Q1FY18	YoY (%)
Footfall (nos)	**831**	**781**	**6.3**
Kochi	226	231	-2.1
Bangalore	366	354	3.3
Hyderabad	240	197	21.7
Avg Revenue per footfall (Rs per footfall)	**1,216**	**1,269**	**-4.2**
Kochi	1,082	1,160	-6.7
Bangalore	1,295	1,391	-6.9
Hyderabad	1,221	1,177	3.7
Avg ticket Realization per ticket (Rs per footfall)	**930**	**1,006**	**-7.6**
Kochi	832	910	-8.6
Bangalore	1,004	1,140	-11.9
Hyderabad	908	877	3.5
Avg Non ticket Realization per ticket (Rs per footfall)	**286**	**263**	**8.9**
Kochi	250	249	0.4
Bangalore	291	251	15.9
Hyderabad	313	300	4.3

Source: Company

EBITDA margins improved by 1260 bps yoy

EBITDA for the quarter grew by 31.6% yoy to Rs 575 mn (Vs estimates of Rs 495 mn) with margins improved by 1260 bps yoy to 55.3% (vs estimates of 43%). The margins improved on 1) improvement in operating efficiency led by strong performance in Hyderabad park and 2) lower other expenses as there was provision for service tax in Q1FY18 (to the tune of Rs 92.8 mn) which was not there in Q1FY19. Further, increase in share of high margin non ticket revenue also positively impacted its margins. PAT for the quarter grew by 27% yoy to Rs 329.7 mn (Vs our estimates of Rs 274.5mn). This was above our estimates due to better margins. The company is positive on increasing its margins based on improved performance across parks in coming quarters.

Targets 8-9% growth in footfalls with 300-400 bps improvement in EBITDA margins in FY19E

The management continued to remain optimistic about the performance of three parks in Bangalore, Kochi and Hyderabad, although there are short term challenges in terms of footfall growth in Kochi. As per the management, the footfall has improved in Hyderabad and is expected to remain strong in the coming quarters as well. The company also expects improvement in footfall in Bangalore and Kochi in the coming quarters. The management is expecting 13% growth in footfalls in Hyderabad park in FY19E led by stable pricing and new attraction. It is targeting 8-9% growth in footfalls in Bangalore (Vs double digit growth earlier). The company expects growth in footfall in Kerala in H2FY18 based on various initiatives adopted by it.

The company would not take any major hike in prices in the next 1-2 years and is focusing on growing footfalls. The company has also rationalised prices for F&B, merchandise, etc in Kochi park in order to grow footfalls. For FY19, the company has guided for 8-9% growth in footfalls on consolidated basis (Vs earlier double digit growth guidance) and 12-13% growth in revenue with 300-400 bps improvement in EBITDA margins.

Other highlights

- The company is awaiting clarity on local body taxes for the amusement park industry in the state before starting construction of park in Chennai. The company has invested Rs 750 mn in acquiring 62 acres land in Chennai. The total capex in the project is estimated at Rs 3.5 bn.
- The company has zero debt at the end of Q1FY19 and intends to grow in future through internal accruals.
- The company is not focusing on any other new park in near future. The company targets Rs 150 mn capex in current year which will be utilized for refurbishment/maintenance of existing rides. It is not planning for any major capex in the current year on new rides.

Outlook and valuation

We are positive on future growth prospects of the company considering increasing urbanization, under penetration of amusement park and pickup in consumer discretionary expenditure in the longer run. We have marginally cut our revenue estimates factoring in lower footfalls in Kochi park and no price hike across all parks in FY19E. We have marginally upgraded our margin estimates factoring in better margins due to higher growth in Hyderabad park and lower other expenses. We maintain our positive view on the company for running the business efficiently despite challenges. The stock is trading at PE of 36.0x and 26.9x based on FY19E and FY20E revised EPS of Rs 9.3 and Rs 12.5 per share, respectively. We maintain Buy on the stock with revised DCF based target price of Rs 406 (Vs 417).

Earnings estimates

Particulars (Rs mn)	Previous		Revised		% Chg	
	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Revenue	3140	3661	3043	3565	(3.1)	(2.6)
EBITDA margin (%)	35.1	38.7	36.2	39.2	110 bps	51 bps
PAT	526	718	526	704	0.0	(1.9)
EPS (Rs)	9.3	12.7	9.3	12.5	0.0	(1.9)

Source: Kotak Securities - Private Client Research

Company background

Wonderla Holidays Ltd (WHL) is the largest amusement park chain in India with over 17 years of successful operations. It has entertained over 30 mn visitors across its parks in Kochi, Bangalore and Hyderabad. The company is promoted by Mr. Arun Chittilappilly and Mr. Kochouseph Chittilappilly, who also incorporated VGuard Industries Ltd. The promoters have operational experience in the amusement park industry since 2000. The promoters launched the first amusement park in Kochi in 2000 under the name Veegaland, later successfully launched the second park in Bangalore in 2005 and third park in Hyderabad in 2016 under the name "Wonderla". The company also operates Wonderla Resort attached to its amusement park in Bangalore. It is a three Star leisure resort with has 84 luxury rooms and 4 banquet halls / conference rooms. WHRL has vast experience in running amusement parks resulting in understanding customer preferences. This enables it to conceptualize and develop innovative rides. The company has an Inhouse manufacturing facility located at Kochi which manufactures /constructs rides and attractions for all of its parks.

Financials: Standalone

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Revenues	**2,628**	**2,705**	**3,043**	**3,565**
% change yoy	28.0	2.9	12.5	17.2
EBITDA	**670**	**891**	**1,101**	**1,398**
% change yoy	(21.1)	33.0	23.6	26.9
Depreciation	293	365	395	425
EBIT	**377**	**526**	**706**	**973**
Other Income	122	78	78	78
Interest	13	12	0	0
Profit Before Tax	**485**	**592**	**785**	**1,051**
% change yoy	(44.2)	22.1	32.5	33.9
Tax	146	207	259	347
as % of EBT	30.1	35.0	33.0	33.0
PAT	**339**	**385**	**526**	**704**
% change yoy	(43.3)	13.5	36.6	33.9
Shares outstanding (mn)	57	57	57	57
EPS (Rs)	**6.0**	**6.8**	**9.3**	**12**
DPS (Rs)	1.5	1.5	1.5	1.5
CEPS (Rs)	11.2	13.3	16.3	20
BVPS (Rs)	131.1	136.7	144.6	156

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Paid - Up Equity Capital	565	565	565	565
Reserves	6,842	7,161	7,602	8,222
Net worth	7,407	7,726	8,167	8,787
Borrowings	139	-	-	-
Net Deferred tax	714	759	759	759
Total Liabilities	**8,259**	**8,485**	**8,926**	**9,545**
Net block	7,082	8,337	8,242	8,117
Capital work in progress	585	155	455	1,655
Total fixed assets	7,667	8,492	8,697	9,772
Investments	751	122	122	122
Inventories	90	71	83	98
Sundry debtors	9	12	13	15
Cash and equivalents	85	249	808	408
Loans and advances & Others	31	32	36	36
Total current assets	215	364	940	557
Sundry creditors and others	262	214	250	293
Provisions	405	554	582	611
Total CL & provisions	666	769	832	904
Net current assets	(451)	(405)	108	(348)
Misc Expenses	293	277	-	-
Total Assets	**8,259**	**8,485**	**8,926**	**9,545**

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Pre-Tax Profit	485	592	785	1,051
Depreciation	293	365	395	425
Change in WC	268	117	47	55
Other operating activities	408	(146)	18	(347)
Operating Cash Flow	**1,454**	**928**	**1,244**	**1,185**
Capex	(4,843)	(1,190)	(600)	(1,500)
Free Cash Flow	(3,389)	(262)	644	(315)
Change in Investments	93	629	-	-
Investment cash flow	**(4,750)**	**(561)**	**(600)**	**(1,500)**
Equity Raised	-	-	-	-
Debt Raised	64	(139)	-	-
Dividend	(85)	(85)	(85)	(85)
Other financing activity	3,122	20	-	-
CF from Financing	**3,101**	**(203)**	**(85)**	**(85)**
Change in Cash	(195)	164	560	(400)
Opening Cash	280	85	249	808
Closing Cash	85	249	808	408

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Profitability Ratios				
EBITDA margin (%)	25.5	32.9	36.2	39.2
EBIT margin (%)	14.3	19.4	23.2	27.3
Net profit margin (%)	12.9	14.2	17.3	19.8
Adjusted EPS growth (%)	(43.3)	13.5	36.6	33.9
Balance Sheet Ratios				
Receivables (days)	1	2	2	2
Inventory (days)	12	10	10	10
Loans & Advances	4	4	4	4
Payable (days)	36	29	30	30
Cash Conversion Cycle (days)	(18)	(13)	(14)	(15)
Asset Turnover (x)	0.3	0.3	0.3	0.4
Net Debt/ Equity (x)	(0.1)	(0.0)	(0.1)	(0.1)
Return Ratios				
RoCE (%)	6.1	6.3	8.1	10.5
RoE (%)	5.9	5.1	6.6	8.3
Valuation Ratios				
P/E (x)	55.8	49.2	36.0	26.9
P/BV (x)	2.6	2.4	2.3	2.2
EV/EBITDA (x)	27.2	20.8	16.3	13.2
EV/Sales (x)	6.9	6.9	5.9	5.2

Source: Company, Kotak Securities – Private Client Research

PRAJ INDUSTRIES LTD

PRICE RS.83 TARGET RS.89 ACCUMULATE

Praj's performance was weak though it has improved on a y-o-y basis. The company managed to do well on margin front despite tepid revenue growth. Order intake was up ~ 100% y-o-y during the quarter.

Key Highlights

- The company posted modest increase in revenue due to subdued order book and slow moving orders
- EBITDA margins were weak though it expanded on a y-o-y basis due to contraction in "other expenditure"
- The management is seeing an uptick in order enquiries, which is positive as it is looked as a precursor for future order intake

Valuation and Outlook

The stock is trading at 25x and 19x, based on FY19E and FY20E earnings respectively, which in our view is leaves minor room for upside given the stock's weak earnings, limited revenue visibility and poor earnings track record. Given this, we maintain our cautious stance on the company, however in view of modest upside, we move rating two notches higher to "Accumulate" (Buy on decline. Earlier rating "Sell" at Rs.96). Retain target price of Rs 89, based on 20x FY20 earnings.

Q1FY19 Results

(Rs mn)	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Gross Sales	**1,916**	**1,928**	**(0.6)**	**2,171**	**(12)**
Excise	0	69	(100)	0	
Net Sales	**1,916**	**1,859**	**3.1**	**2,171**	**(12)**
Raw material cost	930	905	2.7	1,120	(17)
Staff costs	397	366	8.7	313	27
Other expenditure	546	579	(5.6)	523	4
Forex (loss)/gain	30	25	18.4	(43)	(170)
Total Expenditure	1,844	1,825	1.1	1,999	(8)
PBIDT	**72**	**35**	**109.0**	**172**	**(58)**
Depreciation	59	58	2.9	53	12
Other Income	34	31	11.1	96	(65)
EBIT	**47**	**8**	**518.4**	**215**	**(78)**
Interest	2	2	(8.3)	2	5
PBT	**45**	**5**	**762**	**213**	**(79)**
Tax	10	1	1,138	69	(86)
PAT	35	4	693	145	(76)
Exceptional gains/(loss)	0	0		0	
PAT	**35**	**4**	**693**	**145**	**(76)**
EPS (Rs)	0.2	0.0		0.8	
PBDIT (%)	3.8	1.8		7.9	
Raw matl cost to sales (%)	48.5	47.0		51.6	
Staff cost to sales (%)	20.7	19.0		14.4	
Other expenditure to sales (%)	28.5	30.0		24.1	
Tax rate (%)	22.1	15.4		32.3	

Source: Company

Result Update

Stock Details

Market cap (Rs mn)	:	15044
52-wk Hi/Lo (Rs)	:	132 / 61
Face Value (Rs)	:	2
3M Avg. daily vol (Nos)	:	917,566
Shares o/s (mn)	:	181

Source: Bloomberg

Financial Summary - Consolidated

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	9,235	9,100	10,500
Growth (%)	(3.3)	(1.5)	15.4
EBITDA	515	843	1,070
EBITDA margin (%)	5.6	9.3	10.2
PAT	395	595	790
EPS	2.2	3.4	4.5
EPS Growth (%)	(11.5)	50.7	32.8
BV (Rs/share)	41.3	42.8	45.3
Dividend/share (Rs)	1.6	1.6	1.6
ROE (%)	5.5	8.0	10.2
ROCE (%)	5.6	8.1	10.2
P/E (x)	37.1	24.6	18.5
EV/EBITDA (x)	23.1	14.0	10.8
P/BV (x)	2.0	1.9	1.8

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Jun-18	Mar-18	Dec-17
Promoters	33.2	33.3	33.4
FII	13.7	13.2	12.2
DII	17.8	18.6	16.0
Others	35.3	34.8	38.4

Source: Company

Price Performance (%)

(%)	1M	3M	6M
Praj Industries	12.0	(11.8)	(14.8)
Nifty	6.3	6.8	8.3

Source: Bloomberg

Price chart (Rs)

Source: Bloomberg

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Reported Vs Estimated performance

(Rs mn)	Reported	Estimated
Revenue	1916	2050
EBITDA (%)	3.8	2.5
PAT	35	16

Source: Kotak Securities – Private Client Research

Result Highlights

- Consolidated revenue for Q1FY19 stood at Rs 1.9bn (up 3% on y-o-y basis) due to a combination of sedate order book, suspension of fabrication work for clients and stalling of a major order (Petrobras).
- The management attributed the contraction in revenue to late accretion of order intake during the preceding fiscal.
- Gross margins for the quarter contracted by 150 bps y-o-y to 51.5%. Gross margins are a function of project mix and segment mix.
- For the quarter, employee costs rose to Rs 397 mn vs Rs 366 mn on a y-o-y basis, which was possibly due to capitalization of some employee costs related to the construction of 2G ethanol demonstration plant.
- EBITDA margins for the quarter stood at 3.8% vs 1.8% on a y-o-y basis due to a combination of lower “other expenditure” and forex gain of Rs 30 mn.
- For the quarter, PAT stood at Rs 35 mn vs Rs 4 mn in the corresponding quarter of the previous fiscal.

Order intake was healthy in comparison to earlier quarters

Order intake grew 99% y-o-y to Rs 3.28 bn. As compared to earlier quarters, when the order intake would average at ~R 2.0-2.5 bn per quarter, this is the second quarter of Rs3.0 bn plus order intake.

Order intake mainly composes of Bioenergy (72% - mainly ethanol), Engineering business (21% - includes engineering products, breweries and water and waste water treatment) and HiPurity systems (7%- subsidiary of the company). Around 37% of orders came from overseas markets.

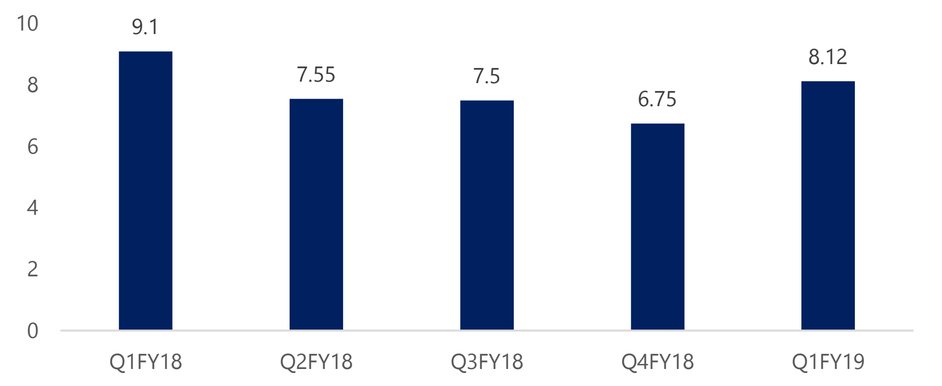
The company is also seeing an uptick in order enquiries, which is a kind of harbinger so far as future order intake is concerned.

By and large, the management was optimistic on emerging scenario (sugar sector bailout package, 2G ethanol orders etc).

Regarding the slow-moving Petrobras order (removed from order book), the management indicated that status quo prevails and there has been limited movement regarding this order.

Praj had a problem growing its order book which has led to significant disenchantment among the investor community. However, going by the healthy order intake in the past two quarters, the order book is showing traction, we believe. Moreover, the company is now presenting order book after adjusting for the slow moving/stalled orders which were lying in the order book but were not contributing to revenues.

Order book (Rs bn)



Source: Company

Industry developments

The government has recently released sugar bailout package which aims to help improve liquidity of Indian sugar industry through interest subvention on soft loans for augmenting ethanol production capacity and zero liquid discharge solutions

The Cabinet Committee on Economic Affairs (CCEA) hiked price of ethanol, used for blending in petrol to Rs 43.70 per litre as against the current Rs 40.85 per litre

The CCEA also fixed ex-mill price of ethanol- derived from heavy molasses and sugarcane juice at Rs 47.49 per litre.

While the measures taken by the government to address the distress in the sugar sector is a welcome move, the Praj management noted that for the sugar sector to place orders for ethanol making plants, there has to be an improvement in their financials.

Conference call highlights

- In furtherance to the understanding in Aug, 2016 to set up multiple 2G ethanol plants in India, Indian Oil Corporation Limited (IOCL) and Praj entered into another MOU on 7th Dec, 2016. Panipat, Haryana and Dahej, Gujarat identified as project Locations. IOC has now issued a Letter of Acceptance (LOA) to Praj for this 2G biorefinery project. This project will have the production capacity of 100 kilo liter per day of ethanol from biomass such as rice straw. Praj's scope for the said project comprises license of proprietary technology, design package and project management services (EPCM) for a value of Rs 387 mn.
- BPCL has also selected Praj as technology partner for setting up 2G ethanol project in Odisha and has given a formal confirmation by way of Letter of Acceptance to Praj for its proprietary technology, basic engineering and design package for a value of Rs 167.5 mn.
- This is the first order in a line-up of several order packages to be announced in this project. The company expects it to have a distinct advantage in bidding for critical packages order (value ~ Rs 900 mn) as well as other balance plant packages (value ~ Rs 1500-2000 mn).
- The management indicated that the process equipment packages will be placed on a negotiated basis and would almost certainly be placed on Praj, subsequently the EPC plant packages will be decided.
- The plant is to be executed over a timeframe of 18-20 months.

- Margins are expected to be higher in the 2G ethanol project due to level of sophistication. Moreover, the company does not foresee the need to add manpower for delivering the BPCL as well as IOC 2G ethanol project.
- The management has guided for tax rate of 26% in FY19
- The company has cash balance of Rs 2.9 bn (19.2% of market cap), part of which is attributed to client advances.

Rating and Target Price

The Praj stock has corrected since our “Sell” rating post the Q4FY18 results.

As we see now, post the correction, the PE valuation of 25x and 19x, based on FY19E and FY20E earnings is not excessive but neither is it very attractive to turn bullish.

While the management is optimistic about the business outlook, we would prefer to wait until orders start trickling in on a sustainable basis before we change our stance on the company. Revenue, order book and profits have remained stagnant over the past several years. Moreover, it is early days for new opportunities like 2G ethanol.

Given this, we continue to maintain our cautious stance on the company and recommend “Accumulate” with an unchanged target price of Rs 89, based on 20x FY20 earnings.

We may revise our call if 1) the Petrobras order gets again placed with the company and 2) order wins in 2G ethanol.

Company background

Praj was incorporated in November 1985 as Praj Counseltech Pvt Ltd. It was promoted by a technocrat team comprising Mr. Pramod Chaudhari and associates. Praj is in the business of process design, engineering, fabrication, and commissioning of bio-fuels plants, brewery plants, waste water treatment plants, bio-consumables and process equipment and systems. While significant revenue comes from sale of ethanol process technology, plants, and equipment; and brewery plant and equipment, Praj is building a sizeable portfolio of business from water and wastewater treatment systems, high-purity systems, and critical process equipment.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Revenues	**9,552**	**9,235**	**9,100**	**10,500**
% change YoY	-6.0	-3.3	-1.5	15.4
EBITDA	**687**	**515**	**843**	**1,070**
% change YoY	(35.1)	(25.0)	63.7	26.9
Other Income	178	172	195	225
Depreciation	221	241	245	245
EBIT	**466**	**274**	**598**	**825**
% change YoY	(42.3)	(41.1)	118.1	37.9
Net interest	13	11	10	10
Profit before tax	**630**	**435**	**783**	**1,040**
% change YoY	(32.5)	(31.0)	80.0	32.8
Tax	229	135	188	250
as % of PBT	36.4	31.1	24.0	24.0
Profit after tax	**401**	**300**	**595**	**790**
Minority interest	0.0	0.0	0.0	0.0
Share of profit of associates	0.0	0.0	0.0	0.0
Net income	**401**	**300**	**595**	**790**
% change YoY	0.0	0.0	0.0	0.0
Shares outstanding (m)	177.4	177.4	177.4	177.4
EPS (reported) (Rs)	**2.3**	**1.7**	**3.4**	**4.5**
CEPS (Rs)	3.8	3.6	4.7	5.8
DPS (Rs)	1.6	1.6	1.6	1.6

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Cash and cash equivalents	736	803	865	1,169
Accounts receivable	2,949	2,625	3,500	3,500
Inventories	1,045	808	947	1,093
Loans and Adv & Others	2,352	1,704	2,352	2,352
Current assets	7,082	5,940	7,665	8,114
Misc exp.	1,243	943	943	943
LT investments	1,609	2,009	2,009	2,009
Net fixed assets	1,915	2,198	2,203	2,208
Def tax assets	26	118	118	118
Total assets	**11,874**	**11,207**	**12,937**	**13,391**
Payables	4,395	3,635	5,000	5,000
Others	0	0	0	0
Current liabilities	4,395	3,635	5,000	5,000
Provisions	336	244	350	350
LT debt	43	60	60	60
Min. int	3	7	7	7
Equity	359	362	362	362
Reserves	6,737	6,900	7,158	7,613
Total liabilities	**11,874**	**11,207**	**12,937**	**13,391**
BVPS (Rs)	135	178	239	307

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
PBDIT	687	515	843	1,070
Direct tax paid	(205)	(135)	(188)	(250)
Adjustments	317	210	-	-
Cash flow from operations	799	590	655	820
Net Change in Working Capital	(244)	356	(192)	(146)
Net Cash from Operations	**554**	**946**	**464**	**675**
Capital Expenditure	(367)	(250)	(250)	(250)
Cash from investing	32	(239)	195	225
Net Cash from Investing	**(335)**	**(489)**	**(55)**	**(25)**
Interest paid	(13)	(11)	(10)	(10)
Issue of Shares/(buyback)	-	-	-	-
Dividends Paid	(5)	(336)	(336)	(336)
Debt Raised	(118)	(43)	-	-
Net cash from financing	**(136)**	**(390)**	**(346)**	**(346)**
Net change in cash	83	67	62	303
Free cash flow	187	696	214	425
Cash at end	688	755	818	1,121
Deposits over 3 months	44	44	44	44
Effect of exch rate	4	4	4	4
Cash as in balance sheet	736	803	865	1,169

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
EBITDA margin (%)	7.2	5.6	9.3	10.2
EBIT margin (%)	4.9	3.0	6.6	7.9
Net profit margin (%)	4.2	3.2	6.5	7.5
Receivables (days)	112.7	103.8	140.4	121.7
Inventory (days)	38.0	38.0	38.0	38.0
Sales/gross assets(x)	2.7	2.3	2.1	2.3
Interest coverage (x)	52.4	45.2	84.3	107.0
Debt/equity ratio(x)	0	0	0	0
ROE (%)	6.7	5.9	8.6	11.2
ROCE (%)	6.6	5.6	8.1	10.2
EV/ Sales	1.3	1.3	1.3	1.1
EV/EBITDA	18.0	23.1	14.0	10.8
Price to earnings (P/E)	32.8	37.1	24.6	18.5
Price to book value (P/B)	2.0	2.0	1.9	1.8

Source: Company, Kotak Securities – Private Client Research

Result Update

GREENPLY INDUSTRIES LTD

PRICE RS.202 **TARGET RS.286** **BUY**

Stock Details

Market cap (Rs mn)	:	24789
52-wk Hi/Lo (Rs)	:	401 / 194
Face Value (Rs)	:	1
3M Avg. daily vol (Nos)	:	146,873
Shares o/s (mn)	:	123

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Sales	16,804	18,930	21,955
Growth (%)	1.5	12.7	16.0
EBITDA	2,397	2,802	3,315
EBITDA margin (%)	14.3	14.8	15.1
Net profit	1,345	1,292	1,526
EPS (Rs)	11.0	10.5	12.4
Growth (%)	(1.5)	(3.9)	18.1
BVPS (Rs)	74.6	84.4	96.2
DPS (Rs)	0.6	0.6	0.6
ROE (%)	15.8	13.2	13.8
ROCE (%)	13.3	13.4	15.2
P/E (x)	18.4	19.2	16.2
EV/EBITDA (x)	13.1	11.1	9.3
P/BV (x)	2.7	2.4	2.1

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Jun-18	Mar-18	Dec-17
Promoters	51.0	51.0	51.0
FII	11.9	11.7	11.6
DII	19.2	19.3	20.6
Others	18.0	18.0	16.8

Source: Company

Price Performance (%)

(%)	1M	3M	6M
Greenply Industries	(8.4)	(33.9)	(44.3)
Nifty	6.3	6.8	8.3

Source: Bloomberg

Price chart (Rs)

Source: Bloomberg

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Greenply industries posted weak set of results for Q1FY19 with pressure on plywood and MDF realization as well as forex loss. Plywood segment margins had witnessed an improvement on yearly basis while MDF margins declined due to pressure on realization and higher costs owing to low capacity utilization. Net profits came lower than our expectations due to lower than expected margins. Till Q4FY18, company tried to maintain the prices in MDF by restricting sales at lower prices but from Q1FY19, it had to reduce the average prices of MDF due to increased competition and further cut of 8-10% was announced from August 2018. Growth going ahead is likely to be led by volume gains in each segment.

Key highlights

- Revenue improvement of 3.7% YoY is largely led by higher plywood volumes while realization was impacted by increased competition from peers in MDF. Margins were under pressure due to lower margins in MDF and cost pressure.
- Margin decline coupled with lower other income led to 22.3% YoY decline in net profits.

Valuation and outlook

At Rs 202, stock is currently trading at 19.2x/16.2x P/E and 11.1x/9.3x EV/EBITDA on FY19/20 estimates. We revise our estimates downwards to factor in lower realization and margins in MDF. We also reduce our valuation multiple downwards to factor in the near term challenges associated with MDF pricing owing to increased competition. We arrive at a revised price target of Rs 286 based on 23 x FY20 estimated earnings (Rs 358 earlier). We continue to maintain BUY recommendation on Greenply Industries as we believe that with increase compliance towards e-way bill implementation, volumes in plywood and MDF are likely to witness improvement.

Financial highlights

(Rs mn)	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Net Sales	**4,049**	**3,903**	**3.7**	**4,371**	**(7.4)**
Total Expenditure	3,590	3,416	5.1	3,800	(5.5)
EBITDA	**459**	**487**	**(5.7)**	**571**	**(19.6)**
EBITDA margins %	11.3	12.5		13	
Depreciation	119	119		111	
EBIT	**340**	**368**	**(7.6)**	**460**	**(26.0)**
Interest	29	33		13	
EBT (Exc other income)	312	335	(7.0)	446	(30.2)
Other operating income	18	81		13	
EBT	**330**	**416**	**(20.6)**	**459**	**(28.1)**
Tax	92	110		133	
Tax (%)	28	26		29	
Profit After Tax	**238**	**307**	**(22.3)**	**326**	**(27.0)**
Other comprehensive income	3.0	15.1		(21)	
Net profit	**241**	**322**	**(25.0)**	**305**	**(21.0)**
Equity Capital	122.6	122.6		122.6	
Face Value (In Rs)	1.0	1.0		1.0	
EPS (Rs)	**2.0**	**2.6**	**(25.0)**	**2.5**	**(21.0)**

Source: Company

Revenues impacted by sharp decline in realizations

Revenue improvement of 3.7% YoY is largely led by higher plywood volumes while realization was impacted by increased competition from peers in MDF. Till Q4FY18, company tried to maintain the prices in MDF by restricting sales at lower prices but from Q1FY19, it had to reduce the average prices of MDF due to increased competition and further cut of 8-10% was announced in August 2018.

Plywood division sales stood at 13.75 msm comprising of 8.83 msm from own manufactured plants while 4.92 msm from outsourcing. Capacity utilization in the plywood segment stood at 109% as against 101% during Q1FY18. Average net realization of plywood declined by 3.1% YoY to Rs 220 per sqm due to lower sales from decorative vineer which has relatively higher realization than plywood. Overall for the plywood division, we expect that volume growth to gain traction going forward post implementation of E-way bill.

MDF volumes declined by 27.4% on yearly basis. During Q4FY18, due to competition, company sold lesser volumes and focused more on maintaining the MDF realization as against peers which resorted to higher volumes and lower margins. However, from Q1FY19, company has also reduced prices of MDF due to increased competition. MDF Utilizations stood at 79% during Q1FY19. Volumes in MDF segment stood at 35510 cubic meter vs 52560 cubic meter in Q1FY18. Average realizations of MDF were down by 3.8% YoY at Rs 25131 per CBM. These realizations are likely to be further reduced during Q2FY19. During the quarter, exports were at 5772 CBM at an average rate of Rs 16852 per CBM. Export is the conscious strategy of the company to create a new market of MDF for its upcoming AP plant.

For the new MDF plant, company expects capacity utilization of 45%/60% for FY19/20 respectively. Margins are expected to be 15%/17% for FY19/20 respectively from the new MDF plant due to higher proportion of exports from the new plant. Company expects realization of Rs 21850 per CBM for domestic volumes while Rs 15000 per CBM for exports from this plant.

Company has also entered the lower segment of Plywood through the outsourcing route with introduction of two new brands “Bharosa and Jansathi” and this is providing it a new category for growth in the Plywood category. It expects to improve plywood volumes by 12-15% in FY19. But is not very optimistic over a drastic shift of unorganized to organized segment during FY19.

We tweak our estimates and expect revenues to grow at a CAGR of 14.3% between FY18-20.

Operating margins lower than our estimates

Operating margins were impacted by decline in plywood and MDF realizations by 3-4% on YoY basis along with higher costs. Due to surplus capacities in MDF, company has taken price cuts to increase market share. It is also trying to strengthen the distribution network and reduce dependence on few large dealers in order to increase product reach.

Operating margins in the quarter declined to 11.34% due to lower realizations and higher other expenses. Other expenses includes foreign exchange fluctuation loss of Rs 27.6 mn for the quarter ended 30 June 2018 in respect of long-term borrowings for setting up of new Medium density fibreboards plant in AP.

During Q1FY19, plywood margins stood at 11.3% vs 10.1% during Q1FY18 while MDF margins stood at 22.1% vs 24.5% in Q1FY18. Plywood division margins improved on YoY basis due to improvement in product mix through value added products like Green Defender, Green Gold Prima and Natural Veneers as well as increased usage of Gabon face vineer. However, with entry into two new brands – Bharosa and Jansathi, margins increased is not likely to be steep and hence sharp improvement in plywood margins is not expected. Company has guided for 100 bps improvement in plywood margins, 24-25% margins in existing MDF plant and 15-17% for the new MDF plant.

We revise our estimates and expect margins of 14.8%/15.1% for FY19/20 respectively.

Net profit performance impacted by fall in margins and stood lower than our estimates

Net profit performance was impacted by fall in margins and stood lower than our estimates. Working capital cycle increased by 21 days YOY to 79 days due to increase in Inventories days from 47 to 59 days and reduction in Creditors days from 52 to 43. Debtors remained constant at 63. Due to extensive price cuts by competition, inventories increased substantially in the current quarter.

Company has commissioned the 3,60,000 CBM MDF plant at Chittoor, AP on 1st July and it expects to achieve 45% capacity utilization in FY19 and margins of 14-15% from this plant. Gujarat unit for manufacturing of decorative plywood/decorative veneers had already commissioned production while UP plant for setting up additional plywood line for a capacity of 13.5msm is delayed. Company is also planning a significant expansion in face veneers at Gabon plant with expansion in peeling capacity from 36000 CBM to 96000 CBM.

We revise our estimates downwards to factor in lower margins and lower prices in MDF and expect net profits to grow at a CAGR of 5.6% between FY18-20.

Valuation and recommendation

At Rs 202, stock is currently trading at 19.2x/16.2x P/E and 11.1x/9.3x EV/EBITDA on FY19/20 estimates. We revise our estimates downwards to factor in lower realization and margins in MDF. We also reduce our valuation multiple downwards to factor in the near term challenges associated with MDF pricing owing to increased competition. We arrive at a revised price target of Rs 286 based on 23 x FY20 estimated earnings (Rs 358 earlier). We continue to maintain BUY recommendation on Greenply Industries as we believe that with increase compliance towards e-way bill implementation, volumes in plywood and MDF are likely to witness improvement.

Company background

Greenply Industries Limited (GIL) enjoys leadership position in plywood and medium density fibre boards (MDF) accounting for almost 26 percent of the organized plywood and 30 percent of the MDF market in India.

GIL has four state–of-the-art manufacturing facilities for Plywood and one facility for MDF spread across the country producing world class interior products for the domestic and global markets. The company has a presence in over 300 cities across 21 states serviced through a well-entrenched distribution network of 2,500 dealers and authorised stockists, a retail network exceeding 10,000 and about 40 branches pan-India.

Financials: Standalone

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Revenues	**16,549**	**16,804**	**18,930**	**21,955**
% change YoY	-	1.5	12.7	16.0
EBITDA	**2,450**	**2,397**	**2,802**	**3,315**
% change YoY	-	(2.2)	16.9	18.3
Other Income	126	38	56	60
Depreciation	485	448	506	583
EBIT	**2,091**	**1,987**	**2,352**	**2,792**
% change YoY	5.0	(5.0)	18.4	18.7
Net interest	181	95	524	633
Profit before tax	**1,909**	**1,892**	**1,828**	**2,159**
% change YoY	11.0	(0.9)	(3.4)	18.1
Tax	559	535	536	632
as % of PBT	29.3	28.3	29.3	29.3
Profit after tax	**1,351**	**1,357**	**1,292**	**1,526**
Exceptional item	16	(12)	-	-
Net income	**1,366**	**1,345**	**1,292**	**1,526**
% change YoY	6.0	(1.5)	(3.9)	18.1
Shares outstanding (m)	122.6	122.6	122.6	122.6
EPS (reported) (Rs)	**11.1**	**11.0**	**10.5**	**12.4**
CEPS (Rs)	15.1	14.6	14.7	17.2
DPS (Rs)	0.60	0.60	0.60	0.60

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Cash and cash equivalents	716	300	13	45
Accounts receivable	3,011	2,844	2,904	3,369
Inventories	1,583	2,150	2,334	2,707
Loans and Adv & Others	716	1,384	1,915	2,114
Current assets	6,026	6,677	7,166	8,234
Other non current assets	1,405	91	91	91
LT investments	724	764	764	764
Net fixed assets	7,174	12,534	13,528	13,945
Total assets	**15,329**	**20,065**	**21,548**	**23,033**
Payables	2,081	2,110	2,801	3,248
Others	338	537	537	537
Current liabilities	2,419	2,647	3,337	3,785
Provisions	261	265	354	354
LT debt	4,638	7,738	7,238	6,838
Min. int and def tax liabilities	140	265	265	265
Equity	123	123	123	123
Reserves	7,748	9,028	10,231	11,669
Total liabilities	**15,329**	**20,065**	**21,548**	**23,033**
BVPS (Rs)	64.2	74.6	84.4	96.2

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
EBIT	2,075	1,999	2,352	2,792
Depreciation	485	448	506	583
Change in working capital	(236)	(1,038)	(85)	(589)
Chgs in other net current assets	(896)	1,641	89	-
Operating cash flow	1,428	3,050	2,861	2,787
Interest	(181)	(95)	(524)	(633)
Tax	(559)	(535)	(536)	(632)
Cash flow from operations	**689**	**2,420**	**1,801**	**1,521**
Capex	(2,263)	(5,808)	(1,500)	(1,000)
(Inc)/decrease in investments	(347)	(40)	-	-
Cash flow from investments	**(2,610)**	**(5,848)**	**(1,500)**	**(1,000)**
Proceeds from issue of equity	2	-	-	-
Increase/(decrease) in debt	1,935	3,100	(500)	(400)
Proceeds from share premium	472	-	-	-
Dividends	(87.2)	(88.6)	(88.6)	(88.6)
Cash flow from financing	**2,321**	**3,012**	**(589)**	**(489)**
Opening cash	316	716	300	13
Closing cash	716	300	13	45

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
EBITDA margin (%)	14.8	14.3	14.8	15.1
EBIT margin (%)	12.6	11.8	12.4	12.7
Net profit margin (%)	8.3	8.0	6.8	7.0
Receivables (days)	61.1	63.6	56.0	56.0
Inventory (days)	40.1	40.5	45.0	45.0
Sales/assets(x)	2.3	1.3	1.4	1.6
Interest coverage (x)	11.5	21.0	4.5	4.4
Debt/equity ratio(x)	0.5	0.7	0.8	0.6
ROE (%)	19.5	15.8	13.2	13.8
ROCE (%)	19.5	13.3	13.4	15.2
EV/ Sales (x)	1.7	1.9	1.6	1.4
EV/EBITDA (x)	11.4	13.1	11.1	9.3
Price to earnings (x)	18.1	18.4	19.2	16.2
Price to book value (x)	3.1	2.7	2.4	2.1
Price to Cash Earnings (x)	13.4	13.8	13.8	11.7

Source: Company, Kotak Securities – Private Client Research

Forthcoming Events

Forthcoming events

Date	Event
9-Aug	Aegis Logistics, AIA Engineering, Cummins India, Eicher Motor, Engineers India, Gujarat Pipavav Port, Insecticides, Jindal Steel, MRF, MT Educare, Wabag earnings expected
10-Aug	Allcargo, Andhra Bank, Balaji Telefilm, Dollar Industries, Endurance, GE Shipping, Glenmark, Hindalco, IGL, KNR Construction, NCC, Sun TV, Voltas earnings expected
11-Aug	India Cement, MRPL, NBCC earnings expected
13-Aug	Cadila Healthcare, Oil India, Tata Chemicals, Steel earnings expected
14-Aug	Dilip Buildcon, Grasim Industries, Sun Pharmaceuticals earnings expected

Source: www.bseindia.com

RATING SCALE

Definitions of ratings

BUY	–	We expect the stock to deliver more than 12% returns over the next 12 months
ACCUMULATE	–	We expect the stock to deliver 5% - 12% returns over the next 12 months
REDUCE	–	We expect the stock to deliver 0% - 5% returns over the next 12 months
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NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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