

JUNE 24, 2019

	20-Jun	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	39,194	(1.0)	(0.6)	2.7
NIFTY Index	11,724	(0.9)	(1.0)	2.3
NSEBANK Index	30,628	(0.5)	(1.9)	3.5
NIFTY 500 Index	9,582	(0.7)	(1.4)	0.9
CNXMcap Index	17,412	(0.1)	(1.6)	(1.9)
BSESMCAP Index	14,084	0.1	(4.2)	(4.6)
World Indices				
Dow Jones	26,719	(0.1)	4.4	4.8
Nasdaq	8,032	(0.2)	5.2	5.1
FTSE	7,408	(0.2)	1.8	2.8
NIKKEI	21,259	(1.0)	0.8	(1.6)
Hangseng	28,474	(0.3)	4.5	(1.8)
Shanghai	3,002	0.5	5.4	(3.1)

Value traded (Rs cr)	20-Jun	% Chg Day
Cash BSE	2,462	5.2
Cash NSE	39,474	19.2
Derivatives	-	-

Net inflows (Rs cr)	19-Jun	MTD	YTD
FII	(179)	60	78,107
Mutual Fund	1,074	2,875	5,377

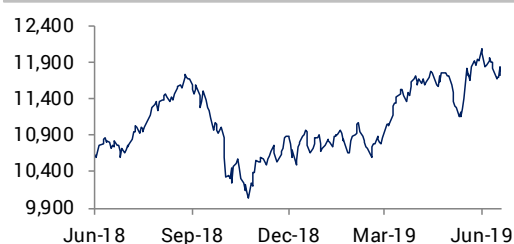
Nifty Gainers & Losers	Price	Chg	Vol
20-Jun	(Rs)	(%)	(mn)
Gainers			
UPL LTD	890	2.3	12.5
TECH MAHINDR	740	2.1	7.3
INDIABULLS H	612	2.0	38.7
Losers			
YES BANK LTD	110	(4.3)	106.4
MARUTI SUZUK	6,417	(3.0)	1.4
HOUSING DEV	2,141	(2.7)	7.76

Advances / Declines (BSE)					
20-Jun	A	B	T	Total	% total
Advances	206	464	59	729	100
Declines	248	464	66	778	107
Unchanged	7	42	6	55	8

	20-Jun	% Chg		
		1 Day	1 Mth	3 Mths
Commodity				
Crude (US\$/BBL)	65.4	0.4	(4.7)	(2.4)
Gold (US\$/OZ)	1,399.6	0.8	9.4	7.0
Silver (US\$/OZ)	15.3	(0.6)	5.6	(0.4)

Debt / Forex Market	20-Jun	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	6.9	6.8	7.3	7.4
Re/US\$	69.6	69.4	69.7	68.8

Nifty



Source: Bloomberg

News Highlights

- ▶ Fiscal deficit for the month of April was at Rs 1.57 tn which is 22% of the budgeted estimate for the year 2019-20, slightly lower than what it was in the same period a year ago and as a percentage to the GDP, the fiscal deficit is at 0.75%, Department of Expenditure (DoE) figures showed. (Mint)
- ▶ Sentiment in the manufacturing sector remains subdued as the proportion of respondents reporting higher output growth during April-June has fallen to 41% from 54% in the previous quarter, according to a survey by Ficci. (Mint)
- ▶ **Reliance Power (RPower)** has started the process to sell its coal mines in Indonesia and is expected to close the deal in few months. The deal, if completed, is expected to fetch the financially troubled group \$150-200 mn. (BS)
- ▶ **Apollo Hospitals Enterprise (AHEL)** is targeting to reduce its debt from over Rs 30 bn now to Rs 25 bn by the end of this financial year by using the funds from its stake sales in Apollo Munich Health Insurance to HDFC. (BS)
- ▶ **GlaxoSmithKline Pharmaceuticals** is optimizing its product portfolio with focus on key brands to accelerate growth in India. The company is also looking to launch some new products in the country over the next 15 months as it adopts a more structured approach to engage trade channel partners, with a dedicated team to engage stockists and retailers across India. (ET)
- ▶ **BHEL** has won an order worth Rs 8.4 bn from an **NTPC** subsidiary for emission control equipment. The company has bagged the order from Nabinagar Power Generating Company Ltd (NPGCL).
- ▶ The Hindujas will pump another Rs 27 bn into **IndusInd Bank** through a warrant issue to ramp up the promoter holding after the merger of Bharat Financial. The merger between the bank and the micro-lender, which will be effective 4 July, is accretive from a profit, margin and return on equity perspective. (Mint)
- ▶ **Tata Steel's** standalone net debt for the full year ended March 2019 more than trebled to Rs 284.7 bn, from Rs 87.7 bn a year ago, because of a decrease in current investments along with cash and bank balances. The company witnessed a net decrease in cash and cash equivalents of Rs 40.4bn for 2018-2019, against a net increase of Rs 36.8 bn in the previous year, according to the 112th annual report for FY19. (Financial express)
- ▶ **Tata Power** is exploring the establishment of an infrastructure investment trust (InvIT) for its near 3 gigawatt (GW) renewable energy portfolio to deleverage its balance sheet by a fourth and raise growth equity from investors. (ET)

What's Inside

- ▶ **Pick of the Week: Bajaj Consumer Care (BAJAJCON)**

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

Bajaj Consumer Care (BAJAJCON)

Analyst: Rohit Chordia, Jaykumar Doshi, Aniket Sethi (Email: kspcg.research@kotak.com; Contact: +91 22 6218 6427)

CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
330	410	24.2%	474 / 308	48660

Key Highlights:

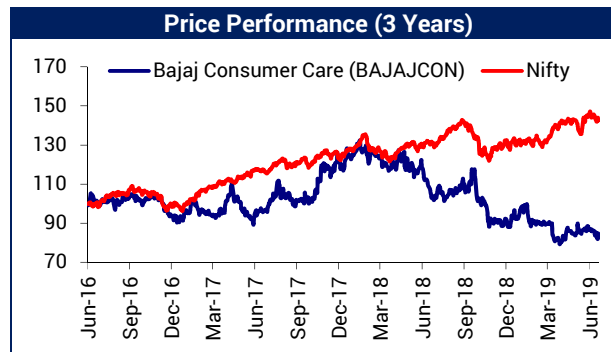
- BAJAJCON suggested return of focus to the one area the company has been successful in – growing share in the hair oil space.
- Company desire by 2024, doubling share in the total hair oils category to 20% from the current 10%, it replaces Vision 2020 (diversifying beyond hair oils) as the core strategic thrust. The pivot is an aggressive one – it targets a share gain of nearly 1,000 bps in the hair oil category in the next 5-6 years.
- BAJAJCON is confident that it can achieve the market share target without sacrificing operating margins.
- The company's chairman indicated that the debt issues at the group level are under control and the promoters do not intend to sell down further stake in BAJAJCON.
- In complete contrast to what the larger peers have indicated of late, BAJAJCON suggested that it has not seen any slowdown in demand with growth in the month of April being similar to the March quarter levels.
- BAJAJCON's employee costs have increased by about 500 bps to 10-11% of revenues over the past 4 years as it invested in senior management /sales force augmentation partly to gear up for diversification. The management believes it can expand margins by 200-300 bps led by cost optimization including rationalization of employee expenses.
- The company expects the overall hair oil market to growth 1.8-2X in the next 5-6 years. With BAJAJCON gunning for a 2X market share, profits should go up 3.5-4X as the company believes it can double its market share without sacrificing margins
- The company remains open to acquisitions within the hair oils space and divesting non-hair oil brand (Nomarks).
- Aggressive intent and back-to-the-basics approach is an interesting pivot. Delivery success would not only be a rerating driver for BAJAJCON but a very successful case study for Bain to showcase.
- We would wait for signs of delivery to assess whether the management can walk the talk. Continue to see value in the stock even without assuming successful implementation of the aggressive pivot. BUY stays.

Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	9,185	10,518	11,745
Growth (%)	10.9	14.5	11.7
EBITDA	2,744	3,160	3,564
Gross Margins (%)	67.0	67.0	67.2
EBITDA margin (%)	29.9	30.0	30.3
PBT	2,831	3,285	3,677
Net profit	2,216	2,563	2,868
Adjusted EPS (Rs)	15.0	17.4	19.4
Growth (%)	5.0	15.6	11.9
P/E (x)	22.0	19.0	17.0
EV/EBIDTA (x)	17.0	14.7	13.1
ROE (%)	46.2	54.4	60.2
ROCE (%)	53.8	62.1	69.3

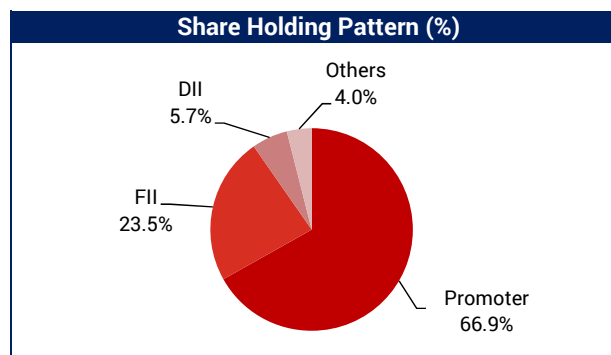
Source: Company; Kotak Institutional Equities *Consolidated

Financials (Rs mn)	Q4FY18	Q4FY19	% Chg
Revenues	2,144	2,383	11.1
EBITDA	718	777	8.2
EBITDA Margin (%)	33.5%	32.6%	
PAT	554	606	9.4
PAT Margin (%)	25.8%	25.4%	
EPS (Rs)	3.8	4.1	7.9

Source: Company; Kotak Institutional Equities



Source: Bloomberg



Source: Bloomberg

RATING SCALE

Definitions of ratings

- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- 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.
- SUBSCRIBE** – We advise investor to subscribe to the IPO.
- RS** – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM

Rusmik Oza Head of Research rusmik.oza@kotak.com +91 22 6218 6441	Arun Agarwal Auto & Auto Ancillary arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439	Krishna Nain M&A, Corporate actions krishna.nain@kotak.com +91 22 6218 7907	K. Kathirvelu Support Executive k.kathirvelu@kotak.com +91 22 6218 6427
Sanjeev Zarbade Cap. Goods & Cons. Durables sanjeev.zarbade@kotak.com +91 22 6218 6424	Ruchir Khare Cap. Goods & Cons. Durables ruchir.khare@kotak.com +91 22 6218 6431	Jatin Damania Metals & Mining, Midcap jatin.damania@kotak.com +91 22 6218 6440	Deval Shah Research Associate deval.shah@kotak.com +91 22 6218 6425	
Teena Virmani Construction, Cement, Buildg Mat teena.virmani@kotak.com +91 22 6218 6432	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Pankaj Kumar Midcap pankajr.kumar@kotak.com +91 22 6218 6434		

TECHNICAL RESEARCH TEAM

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350	Faisal Shaikh, FRM, CFTE Research Associate faisalf.shaikh@kotak.com +91 22 62185499	Siddhesh Jain Research Associate siddhesh.jain@kotak.com +91 22 62185498
---	---	--	--

DERIVATIVES RESEARCH TEAM

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 6607 2231	Malay Gandhi malay.gandhi@kotak.com +91 22 6218 6420	Prashanth Lalu prashanth.lalu@kotak.com +91 22 6218 5497	Prasenjit Biswas, CMT, CFTE prasenjit.biswas@kotak.com +91 33 6625 9810
---	---	---	--

Disclosure/Disclaimer

Following analyst: Rohit Chordia, Jaykumar Doshi, Aniket Sethi of Kotak Institutional Equities hereby certify that all of the views expressed in this report accurately reflect their personal views about the subject company or companies and its or their securities. They also certify that no part of their compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house.

Kotak Securities Limited is a corporate trading and clearing member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). We are registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise/warning/deficiency letters/ or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to clients as well as our prospects.

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Kotak Securities Limited (KSL) may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation. Kotak Securities Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and take professional advice before investing.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent.

Details of Associates are available on www.kotak.com

1. "Note that the research analysts contributing to the research report may not be registered/qualified as research analysts with FINRA; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account

Any U.S. recipients of the research who wish to effect transactions in any security covered by the report should do so with or through Kotak Mahindra Inc. (Member FINRA/SIPC) and (ii) any transactions in the securities covered by the research by U.S. recipients must be effected only through Kotak Mahindra Inc. (Member FINRA/SIPC) at 369 Lexington Avenue 28th Floor NY NY 10017 USA (Tel:+1 212-600-8850).

Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services. Accordingly, any brokerage and investment services including the products and services described are not available to or intended for Canadian persons or US persons."

Research Analyst has served as an officer, director or employee of subject company(ies): No

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months: No

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report. Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Nature of financial interest is holding of equity shares or derivatives of the subject company.

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No.

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

By referring to any particular sector, Kotak Securities Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and take professional advice before investing. Such representations are not indicative of future results.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

"A graph of daily closing prices of securities is available at <https://www.nseindia.com/ChartApp/install/charts/mainpage.jsp> and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart)."

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com/www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137 (Member ID: NSE-08081; BSE-673; MSE-1024; MCX-56285; NCDEX-1262), AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing. Investments in securities market are subject to market risks, read all the related documents carefully before investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com.

In case you require any clarification or have any concern, kindly write to us at below email ids:

- **Level 1:** For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at ks.demat@kotak.com or call us on: Toll free numbers 18002099191 / 1860 266 9191
- **Level 2:** If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208.
- **Level 3:** If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Mr. Manoj Agarwal) at ks.compliance@kotak.com or call on 91- (022) 4285 8484.
- **Level 4:** If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach CEO (Mr. Kamlesh Rao) at ceo.ks@kotak.com or call on 91- (022) 4285 8301.