



## Weekly Newsletter

### Markets This Week

Compared to the previous week this week was a sign of relief as the markets bounced back and moved upward. However, it has been a rather volatile week, with state election outcomes and resignation of the RBI Governor Urijit Patel 9 months before his term ended and appointment of a new Governor Shanshikanta Das. However, the market took it all with immense positivity, which was much unexpected. On the other side, the Public Sector Banking space received attention as government is considering an infusion of Rs30,000 Crores in PSU's.

On the global front Brent Crude now stands at 60.30\$ a barrel whereas Indian Currency trades at 71.92 per \$. Trade talks between US and China made headlines this week as court granted conditional bail to CFO of Huawei Technologies. Further, China is planning to cut import duty on US made Cars to 15% from the current 40%

### Stocks In News

- **Indian Oil Corp** is approves share buyback at Rs149 per share
- **Indian Energy Exchange** is considering a share buyback.
- **HDFC** is to raise Rs1500 Crore by issuing bonds.
- **NMDC's** iron ore sales rose 19.3 Million in November
- **Auropharma's** Unit 4 USFDA inspection is on.
- **Sun Pharma's** taro received ANDA approval for Dapsone by USFDA
- **Escorts** signed JV with biggest Japanese based global tractor company for global sales benefits.
- **Bandhan Bank** said that RBI has approved it to open 40 new branches
- **Reliance Industries** to transfer fibre and tower business into two separate companies
- **Zydus Wellness** receives approval from CCI for acquisition of Heinz India jointly with **Cadilla Healthcare**.
- **Unichem Labs** gets tentative nod from USFDA for Tadalafil tablets and Lupin receives nod for Apibaxan Tablets
- **HEG** said that there could be window of opportunity to export Graphite Electrodes to China till 2022.
- New York based life insurance company acquired 2% in **Max Financial Services**

### Stock Study

#### Rico Auto Industries(CMP-Rs66) (Small Cap Segment)

- A manufacture and supplier of high precision machine components for auto industry for OEM's in India and abroad, in the two wheeler and 4 wheeler segment. It had faced a tough time due to Hero Honda Demerger as it was hugely dependant on the company as a clientele. However now it has a huge client base form diversified sources and names include below which are in two and four wheeler and also in passenger and commercial vehicle segment



- Source: Company
- The company currently has a huge order book. After the company had a very small order book after the Hero Honda Demerger it has ramped up significantly and in Q2 the company won an order of Rs2250 Crores

**10th December to 14th December, 2018**

#### Indian equity benchmark indices' returns

Broad Indices	WkOp	WkCl	% Chg
NIFTY 50	10508.7	10805.45	2.82
SENSEX	34943	35963	5.53
NIFTY MID 50	4541.05	4792	5.06
NIFTY NEXT 50	26473.3	27814.05	5.06

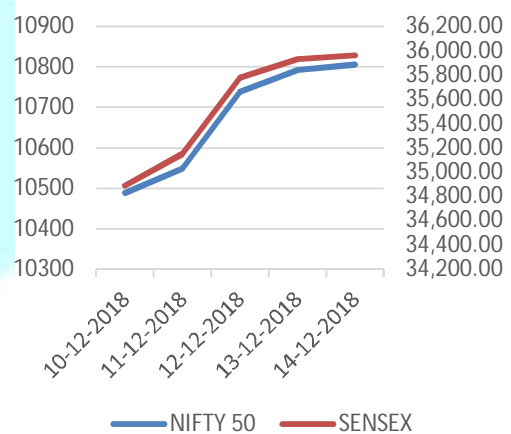
Sectoral Indices	WkOp	WkCl	% Chg
BANK	26073.65	26826	2.89
AUTO	8720.3	9271.5	6.32
FINANCIAL	11093.45	11327.6	2.11
FMCG	29315.9	30371.5	3.60
IT	14486	14851.4	2.52
METAL	3009.25	3112.35	3.43
PHARMA	8539.1	8726.4	2.19
REALITY	226.95	237.2	4.52
ENERGY	13763.45	14072.05	2.24

#### Nifty 50 top 5 gainers/losers

Gainers	% Chg
India Bulls Housing Fin	10.61%
Indian Oil Corp	8.86%
Yes Bank	8.51%
Hero MotoCorp	8.08%
BPCL	6.12%

Losers	% Chg
Dr Reddys	3.75%
JSW Steel	3.08%
HDFC	2.42%
RIL	1.91%
Kotak Bank	1.85%

#### Benchmark Indices





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- Another aspect of opportunity is the Government mandated use of combined breaking system in Two Wheeler segment along with requirement of BSVI norms and electric vehicle opportunities, which are additional margin hitters for Auto companies but are a huge plus for auto ancillary companies.
- After the demerger of Hero Honda, the company has seen a major turnaround and has been working towards improved margin levels. For FY2018 Revenue has increased 10%YOY and Operating Profit has improved by 13% , PAT improvement of 20% and 9% improvement in EPS(Rs 4.21).
- Comparing 2Q2018 , YOY there is a 20% increase in revenue, 50% increase in profit and 50% increase in EPS.
- Its Sector PE is 30.26 where as currently it is trading at a PE of 12.48 hence it is selling at an attractive valuation.
- Promoter Shareholding is 50.4%
- The company has a strong earnings visibility with an order book of Rs4800 crores executable over the next five to seven years which is sizable as Fy2018 Revenue was Rs1200 crores. In the electric vehicle segment it has orders worth Rs1100 crore which further boosts confidence. It has also entered into 4Wheeler after market space and will clock in revenue of another 100 crores by FY20.
- It has a Debt Equity Ratio of 0.46, Payout Ratio of 30% and 11%ROCE
- Rico Autos growth momentum is expected to remain strong given a robust order book and new client wins and margin improvement due to better mix and operational efficiencies due to current fall in market has lead to Rico having an attractive valuation.

## Market Outlook

The sentiment looks highly positive for the next week, as market has reacted positively to shocking and moving news last week. However, there can be an expectation of markets reacting on global cues. In addition, there is an expectation that the new Governor Shashikanta Das will take measures to ease stress in the financial system and increase the flow of funds to small and medium enterprises.