StockWatch

Watch list

The following are fundamentally strong companies identified by *Capital Market* analysts. The list is constantly reviewed and updated, adding scrips with upward potential and removing those that have, in our opinion, exhausted their run.

COMPANY	IND. NO.	PRICE (Rs) 20-08-2018	TTM YEAR	TTM EPS (Rs)	P/E
Ador Welding	41	350	201806	16.7	20.9
Automotive Axles	10	1302	201806	66.2	19.7
Bajaj Auto	8	2734	201806	152.9 *	17.9
Bajaj Corp	65	417	201806	14.6	28.6
Bajaj Electrical	36	548	201806	14.8	37.0
Bajaj Fin.	50	2839	201803	46.3 *	61.4
Balmer Lawrie	108	220	201806	17.0	13.0
Bharat Forge	17	646	201806	18.3	35.4
Bharat Gears	10	172	201806	13.2	13.0
Capacit'e Infra.	31	265	201806	12.6	21.1
Carborundum Uni.	1	360	201806	12.6 *	28.5
Clariant Chemica	22	465	201806	14.2	32.9
Container Corpn.	106	628	201806	21.7	29.0
CRISIL	106	1804	201806	45.1 *	40.0
D B Corp	47	251	201806	16.9 *	14.8
Dabur India	65	454	201806	8 *	56.4
Dynemic Products	38	150	201806	15.9	9.5
Elantas Beck	22	2010	201806	69.1	29.1
Engineers India	45	125	201806	6.1	20.6
Esab India	41	836	201806	29.0	28.8
Essel Propack	62	111	201806	5.8 *	19.2
Federal Bank	12	82	201806	4.7	17.3
Foseco India	22	1495	201806	51.1	29.3
Garware-Wall Rop	97	1257	201806	50.5	24.9
GE T&D India	39	275	201806	9.0	30.7
GMM Pfaudler	44	1128	201806	21.8	51.6
GNA Axles	10	374	201806	25.1	14.9
Godrej Consumer	65	1399	201806	24.4 *	57.4
Goodyear India	105	1095	201806	54.7	20.0
H D F C	51	1920	201806	58.3	32.9
Harita Seating	10	634	201806	38.6	16.4
HDFC Bank	12	2097	201806	67.1	31.2
Hero Motocorp	9	3305	201806	184.9	17.9
Hikal	71	140	201806	6.5	21.7
Hil Ltd	20	2183	201806	128.6	17.0
Hind.Tin Works	62	86	201806	8.6	10.1
Honda Siel Power	39	1233	201806	63.2	19.5
Honeywell Auto	43	23000	201806	323.6	71.1
Indian Hume Pipe	31	286	201806	13.0	22.0
Infosys	27	1385	201806	74 *	18.7
Ingersoll-Rand	25	574	201806	30.4	18.9
Insecticid.India	67	677	201806	42.3	16.0
ION Exchange	44	431	201806	35.0	12.3
ISGEC Heavy	44	6205	201806	180.9	34.3
ITC	24	313	201806	9.2	34.1
Jasch Inds.	75	67	201806	5.1	13.1
JMC Projects	31	532	201806	33.1	16.1
K E C Intl.	102	295	201806	18.8 *	15.6
Kalpataru Power	102	362	201806	21.7	16.7
Kalyani Forge	17	347	201806	20.5	16.9
Kanpur Plastipa.	62	139	201806	13.1	10.6
Karnataka Bank	12	120	201806	12.6	9.5
KEI Inds.	15	410	201806	19.1	21.5
Kennametal India	44	847	201803	17.9	47.3
KSB	78	773	201806	20.6	37.6
L G Balakrishnan	10	537	201806	28.8	18.7
Lak. Electrical	39	603	201806	46.8	12.9
Larsen & Toubro	45	1324	201806	54.3 *	24.4
LIC Housing Fin.	51	554	201803	39.4	14.0
M&M	6	968	201806	36.2	26.7
M M Forgings	17	611	201806	31.0	19.7
Maruti Suzuki	6	9076	201806	269.5	33.7
Meghmani Organ.	67	94	201806	8 *	11.7
Monte Carlo Fas.	97	434	201806	28.0	15.5
Multibase India	75	550	201806	15.7	35.1
Munjal Showa	10	218	201806	19.3	11.3
Orient Refrac.	81	246	201806	7.6	32.3
Oriental Aromat.	22	916	201806	38.7	23.7
Poddar Pigments	22	242	201806	16.4	14.7
Power Grid Corpn	76	187	201806	16.1	11.6
Power Mech Proj.	45	966	201806	58.2 *	16.6
PPAP Automotive	10	541	201806	28.8	18.8
Prec. Wires (I)	59	255	201806	16.6	15.3
PTC India	101	84	201806	10.7	7.9
Rallis India	67	193	201806	9.1 *	21.2
Salzer Electron.	39	162	201806	12.9	12.6
Samkrg Pistons	10	247	201806	22.4	11.0
Sanofi India	73	6227	201806	162.6	38.3
Savita Oil Tech	69	1186	201806	84.5	14.0
Schaeffler India	13	5283	201806	152.7	34.6
Sharda Motor	10	1976	201806	135.6	14.6
Shriram Pistons	10	1441	201806	64.7	22.3
SKF India	13	1749	201806	60.9	28.7
South Ind.Bank	12	18	201806	1.4	12.6
St Bk of India	11	308	201806	-16.3 *	0.0
Sundaram Finance	50	1495	201803	48.0	31.2
Sundram Fasten.	48	650	201806	18.3	35.6
Supreme Inds.	75	1195	201806	35.6 *	33.5
Swaraj Engines	46	1780	201806	67.3	26.4
T N Newsprint	64	300	201806	10.4	29.0
TCS	27	2010	201806	71.2 *	28.3
Technofab Engg.	45	168	201806	13.4	12.6
Thermax	44	976	201806	20.2 *	48.4
Tide Water Oil	22	5748	201806	298.6	19.2
Time Technoplast	75	143	201806	8.3 *	17.2
Va Tech Wabag	44	388	201806	24.9 *	15.6
Vesuvius India	81	1242	201806	45.9	27.1
Veto Switchgears	39	169	201806	16.1 *	10.5
V-Guard Inds.	39	214	201806	3.4	63.4
Visaka Inds.	20	601	201806	46.6	12.9
VST Till. Tract.	7	2145	201806	113.6	18.9
Whirlpool India	36	1747	201806	30.1	58.1
WPIL	78	913	201806	68.0	13.4
Yes Bank	12	394	201806	19.6	20.1

* indicates that EPS is consolidated. TTM: Trailing 12-months. This issue Tamil Nadu Newsprint replace Hindustan Media.

See page 85

Tamil Nadu Newsprint and Papers

Better times ahead

Production and capacity utilization will be higher in FY 2019 as there is no water shortage of FY 2018

Tamil Nadu Newsprint and Papers (TNPL) was promoted by the Tamil Nadu government in the calendar year 1979 to produce newsprint and printing and writing paper (PWP) by using bagasse, an agriculture residue obtained in the making of sugar, as the primary raw material. The plant lat Pugalur in the Karur district of the state was commissioned in CY 1984 with an initial capacity of 90,000 tonnes per annum (tpa). The capacity was enhanced to four lakh tpa in four phases.

A state-of-the-art multilayer double-coated board plant, with capacity of two lakh tpa, was set up in Trichy district in CY 2016. The capacity was gradually enhanced to six lakh tpa, resulting in the third-largest capacity in the Indian paper industry. The pulping capacity has been hiked to 1,180 tonnes per day (tpd) from 300 tpd in CY 1984.

Three kinds of pulp are produced and consumed: bagasse pulp, wood pulp and deinked pulp. All the three are used to produce high-grade papers. The R&D efforts of the larger producer of paper using bagasse are focused on producing quality materials with the least cost. About one million tonnes (mt) of depithed bagasse are used for producing PWP. Long- term agreements have been entered into with eight sugar mills in the state for sourcing bagasse in exchange of steam. The shortfall is met through open-market purchases and temporary tie-ups with sugar mills.

Sales fell 3% to Rs 3098.33 crore and the operating profit margins (OPM) 1,040 basis points (bps) to 13.1%, pulling down operating profit (OP) 46% to Rs 404.87 crore in the fiscal year ended March 2018 (FY 2018). Loss at the profit after tax (Pat) level stood at Rs 42.15 crore against Pat of Rs 264.56 crore in FY 2017. The PWP production was 3,53,959 t as against the capacity of four lakh tpa. Packaging board production was 1,41,851 tonnes as against the capacity of two lakh tpa.

Due to failure of monsoon and the consequent water shortage, both hard wood pulp line and paper machine number 2 were stopped between April 2017 and July 2017, resulting in paper production loss of 46,041 t and necessitating purchase of pulp at higher market prices. Usage of high-cost pulp and drop in paper production were the major contributors to the loss in FY 2018.

To avoid stoppage of plant for want of water, one more reservoir has been constructed. Due to good monsoon and adequate water storage level in the Mettur dam, water requirement for operation will be fully met in the current fiscal year.

Rupee depreciation is positive

As raw material is sourced locally, TNPL will not be affected by increase in imported input costs and will be able to enjoy fully the higher domestic paper prices

Price on BSE in Rs. FV: Rs 10.

TNPL: Financials

	1603(12)	1703(12)	1803(12)&	1903(12P)&
Sales	2704.8	3198.98	3098.33	3822.67
OPM (%)	21	23.4	13.1	17.8
OP	566.87	749.35	404.87	681.18
Other inc.	22.33	16.64	33.6	41.5
PBIDT	589.2	765.99	438.47	722.68
Interest	121.85	252.05	244.63	247.64
PBDT	467.35	513.94	193.84	475.04
Dep.	143.77	207.68	221.83	237.07
PBT	323.58	306.26	-27.99	237.97
Total Tax	63.77	41.64	14.16	79.86
PAT	259.81	264.56	-42.15	158.11
EPS (Rs) *	37.5	38.2	-6.1	22.8

*Annualized on current equity of Rs 69.21 crore. Face Value: Rs 10 each. (P): Projections.Figures in Rs crore. &: As per new accounting standards. *Source: Capitaline Databases*

As a result, a turnaround has begun. Sales spurted 64% to Rs 925.31 crore and the OPM jumped 1,010 bps to 15.6%, boosting OP 365% to Rs 144.01 crore in the June 2018 quarter over a year ago. Pat jumped to Rs 24.69 crore as against a loss of Rs 89.15 crore.

India is considered as the fastest growing paper market in the world. Yet, the per capita paper consumption in the country stands at a little over 13 kg, well below the global average of 57 kg and significantly below 200 kg in North America. The gap is a clear indication of the huge growth opportunity for the paper sector in India.

India is in the early stages of the demand cycle. A continued growth is expected in all the paper segments. The strong economic growth is bound to be accompanied by robust demand for paper from education, publications, e-commerce, increased economic activity and consumerism.

Due to recovery in global demand and rupee depreciation, paper imports into India hace reduced, resulting in improved demand for domestic paper. Moreover, the increase in pulp prices has led to rise in paper prices globally, push up domestic paper prices, too. PWP prices were the highest at Rs 56308 a tonne in June 2018. Prices rose further in July 2018. The average PWP price was Rs 58920 a tonne in July 2018. The increase in prices in July goes against the usual trend of global prices softening in the month. The actual season for consumption starts from October.

Procurement of local raw material insulates from fluctuation in international pulp prices and the depreciation of the rupee. Thus, higher domestic paper prices without any major hike in raw material cost should prove beneficial. Production and capacity utilization will also be higher in FY 2019 as there is no water shortage of FY 2018.

We expect TNPL to register net sales of Rs 3822.67 crore and net profit of Rs 158.11 crore in FY 2019. EPS for FY 2019 works out to Rs 22.8. The scrip was trading around Rs 300 on 20 August 2018. ■

Ticker trade

Companies witnessing big-ticket transactions

COMPANY	CMP	M-CAP	52-WEEK (Rs)		VARIATION (%)		DIVI.	P/E	RoE
	(Rs)	(Rs cr)	HIGH	LOW	15 DAYS	1-YEAR	YLD (%)	TTM	(%)
Ajmera Realty & Infra India	204.1	724.2	365.7	180.7	0.2	9.2	1.6	9.5	14.7
AU Small Finance Bank	695.8	20179.1	747.0	523.0	5.8	28.4	0.1	65.7	13.7
BEML	806.8	3359.3	1947.5	737.5	-11.4	-56.6	1.0	61.9	3.9
Edelweiss Financial	297.7	27656.9	342.0	215.1	-2.4	16.6	0.5	189.6	5.6
Hatsun Agro Product	717.6	11602.1	956.8	573.0	9.0	14.9	0.5	124.2	25.4
Housing Develop. & Infra	34.0	1475.6	69.1	17.6	37.7	-44.5	0.0	13.1	1.6
Jain Irrigation Systems	75.8	3859.9	150.4	71.8	-7.2	-22.6	1.3	13.3	4.3
Jaiprakash Associates	13.1	3186.5	27.3	12.7	-12.0	-44.3	0.0	0.0	0.0
Jet Airways (India)	301.1	3419.9	883.7	261.6	-9.1	-49.0	0.0	0.0	0.0
Kwality	23.4	565.3	155.4	11.0	62.3	-82.8	0.0	7.9	18.7
Laurus Labs	444.6	4714.1	579.3	425.0	-5.0	-18.5	0.3	31.7	12.1
Lincoln Pharmaceuticals	272.1	544.1	289.5	151.1	23.8	70.9	0.6	12.4	15.5
Mahindra Lifespace Dev	486.0	2494.8	669.0	392.3	-10.0	17.5	1.2	43.2	3.2
Marksans Pharma	32.4	1326.2	52.3	23.6	12.5	-17.5	0.2	53.1	2.3
Matrimony.com	578.9	1315.7	1025.0	560.0	-21.2	-35.8	0.3	31.5	42.5
Nath Bio-Genes (India)	489.5	930.3	585.0	343.3	0.0	40.3	0.0	26.3	7.6
NCL Industries	169.6	767.2	310.0	135.9	1.0	-23.3	1.5	19.7	25.0
Parsvnath Developers	12.3	537.0	33.9	10.1	-4.2	-43.1	0.0	0.0	-1.4
Reliance Communications	19.2	5304.3	41.8	9.6	29.3	-17.3	0.0	0.0	0.0
Rolta India	36.7	607.2	82.1	32.2	-10.9	-33.4	0.0	1.9	18.1
S H Kelkar & Company	200.7	2902.5	313.5	192.4	2.9	-21.9	0.9	47.8	11.1
Strides Shasun	449.4	4023.9	1007.3	334.1	13.7	-49.4	0.4	4.4	5.2
Sunteck Realty	473.3	6924.4	488.8	247.1	16.5	89.3	0.3	48.1	20.2
TCI Express	714.0	2735.4	736.5	425.1	10.7	34.3	0.4	43.8	31.8
Techno Electric & Engg	267.7	3016.5	426.7	233.0	9.6	-27.4	0.0	22.8	16.4
Vindhya Telelinks	1383.8	1639.8	1503.8	888.1	31.5	32.8	0.7	16.7	17.2
Zee Entertainment Enter	504.4	48441.0	619.4	477.3	-2.9	-4.3	0.6	28.1	37.6

CMP: Current market price as on 17 August 2018. P/E on standalone TTM numbers based on latest data available.
RoE: Return on Equity is for the year ended March 2017.

Buying and selling

Insiders sell AU Small Fin Bank

Stakeholders shed S H Kelkar & Company and Hatsun Agro Product, with Jet Airways seeing huge volumes changing hands

Aequitas Investment Consultancy bought 1,59,277 shares of **Vindhya Telelinks** at Rs 1333.28. Shaastra Securities Trading bought 2,92,850 shares of **BEML** at Rs 842.76 and sold them at Rs 843.07.

Ariil Trust bought 15,91,878 shares of **Ajmera Realty & Infra India** at Rs 204.55, 6,41,532 shares at Rs 205.60, 4.93 lakh shares at Rs 205.50, 7,04,835 shares at Rs 203 and six lakh shares at Rs 202.20 from Ajmera Prachi Dhaval. Shashikant Shamalji Ajmera bought 9,04,746 shares at Rs 204.20 and sold 9,82,528 shares at Rs 204.70. He held 2.77% stake end June 2018. Ajmera Kokilaben Shashikant sold 6,09,350 shares at Rs 204.30. Ajmera Mayur Sanjay sold 6,41,532 shares at Rs 205.60. Ajmera Mumukshu sold 4.93 lakh shares at Rs 205.50. Rajnikant S Ajmera HUF sold 9,04,746 shares at Rs 204.20 The HUF held 2.55% stake end June 2018. Ajmera Bhartiben Rajnikant sold 7,04,835 shares at Rs 203.

ParthInfin Brokers bought 22,45,387 shares of **MarksansPharma** at Rs 33.05 and sold them at Rs 33.11. DSP Blackrock Mutual Fund - Tax Saver Fund bought 9.50 lakh shares of **Sunteck Realty** at Rs 415.50.

Shaastra Securities Trading bought 2,05,05,346 shares of **Jaiprakash Associates** at Rs 14.84 and sold them at Rs14.87. Crossland Trading Company bought 9,86,114 shares of **Strides Shasun** at Rs 406.50 and sold them at Rs 406.90.

First State Investment (Hongkong) A/C First State Indian Sub Continent Fund bought 4,64,556 shares of **Mahindra Lifespace Developers** at Rs 500 and Smaller Cap World Fund Inc sold 26,17,310 shares at Rs 501.75.

Adroit Financial Services bought 1,39,34,992 shares of **Reliance Communications** at Rs 17.81 and 2,54,12,155 shares at Rs 19.79 and sold 2,45,80,367 shares at Rs 19.78 and 1,35,21,867 shares at Rs 17.80. Shaastra Securities Trading bought 2,72,65,834 shares at Rs 19.75, 1,87,09,978 shares at Rs 17.47 and 1,62,50,003 shares at Rs 17.51 and sold 1,87,09,978 shares at Rs 17.50 and 2,72,65,834 shares at Rs 19.77. It bought 1,39,96,258 shares at Rs 19.99 and sold them at Rs 20.03. Share India Securities bought 3,25,34,563 shares at Rs 19.84 and 1,58,97,359 shares at Rs 19.99 and sold 3,22,26,041 shares at Rs 19.86 and 1,49,90,003 shares at Rs 17.56 and 1,62,53,849 shares at Rs 19.98.

Ecap Equities bought five lakh shares of **Techno Electric & Engineering Company** at Rs 284, 15 lakh shares at Rs 277.47 and 20 lakh shares an Rs 279.11. J P Financial Services sold 14,99,900 shares at Rs 277.47, 19,99,900 shares at Rs 279.11 and five lakh shares at Rs 284.

Hrishita Investments Advisory bought 1.50 lakh shares of **Nath Bio-Genes (India)** at Rs 502.71 and sold them at Rs 493.12. Satpal Khattar bought two lakh shares at Rs 493.11. He held 1.05% stake end June 2018. Manulife Global FD-India Equity Fund sold 2,26,090 shares of **TCI Express** at Rs 697.03.

Crossland Trading Company bought 6,12,735 shares of **Jet Airways (India)** at Rs 298.32 and sold them at Rs 298.37 It bought 7,10,073 shares at Rs 278.58 and sold them at Rs 278.85. Alphagrep Securities bought 9,61,853 shares at Rs 277.95 and sold them at Rs 278.10 and bought 7,57,575 shares at Rs 276.99 and sold them at Rs 277.05. Shaastra Securities Trading bought 14,68,669 shares at Rs 278.61 and sold them at Rs 278.82 and bought 9,71,619 shares at Rs 277.68 and sold them at Rs 277.79. Vaibhav Stock and Derivatives Broking bought 8,15,009 shares at Rs 277.91 and sold them at Rs 278.04. Alphagrep Securities. Adroit Financial Services bought 8,12,966 shares at Rs 281.26 and sold 8,13,331 shares at Rs 281.53.

At stake

Fluctuations in the holdings of big-ticket investors

	QUARTERLY HOLDING %											
	PROMOTERS				FIIs				MFs / UTI			
COMPANY	30-MAR-18	31-DEC-17	30-SEP-17	30-JUN-17	30-MAR-18	31-DEC-17	30-SEP-17	30-JUN-17	30-MAR-18	31-DEC-17	30-SEP-17	30-JUN-17
Ajmera Realty & Infra	67.46	63.25	63.24	62.52	0.05	0.04	0.26	1.36	0.00	0.00	0.00	0.00
AU Small Finance Bank	32.22	32.70	32.71	32.87	10.23	7.40	7.33	6.44	5.02	6.39	6.35	6.71
BEML	54.03	54.03	54.03	54.03	4.04	3.99	5.47	7.15	17.93	20.33	20.79	19.58
Edelweiss Financial	33.27	33.58	33.73	35.95	28.51	27.89	27.74	26.27	4.76	4.20	4.19	2.13
Hatsun Agro Product	72.51	72.51	72.51	74.71	5.83	5.22	4.85	3.74	2.99	2.88	2.72	0.30
Housing Devlp & Infra	36.49	36.49	36.49	36.49	14.80	17.78	26.07	33.98	0.00	5.40	3.68	3.67
Jain Irrigation Systems	28.50	28.46	28.46	28.46	30.98	33.52	34.80	35.98	6.44	5.65	5.46	4.89
Jaiprakash Associates	38.99	39.07	39.16	39.20	11.86	12.65	16.45	18.70	3.42	3.41	2.38	2.15
Jet Airways (India)	51.00	51.00	51.00	51.00	3.81	5.23	4.96	5.73	5.90	9.16	9.65	8.72
Kwality	51.28	63.04	63.94	63.94	9.83	5.35	5.28	5.69	0.00	0.00	0.00	0.00
Laurus Labs	32.06	30.57	30.57	30.56	10.85	10.17	10.45	10.74	6.04	7.78	7.49	8.47
Lincoln Pharmaceuticals	32.39	32.14	33.43	33.18	0.00	0.00	0.00	0.44	0.00	0.00	0.00	0.00
Mahindra Lifespace Dev	51.51	51.51	51.52	51.52	21.91	22.62	23.49	24.45	3.71	3.10	2.96	2.57
Marksans Pharma	48.25	48.25	48.25	48.25	2.92	3.16	4.73	7.65	0.00	0.00	0.00	0.00
Matrimony.com	50.31	50.34	50.60	50.60	11.51	11.52	11.38	9.94	8.86	8.68	8.74	8.76
Nath Bio-Genes (India)	40.69	40.69	40.75	48.24	0.53	0.82	0.76	0.16	6.29	5.27	5.27	0.01
NCL Industries	40.11	40.11	40.09	49.21	2.28	2.39	3.45	0.02	13.37	14.91	14.99	3.37
Parsvnath Developers	66.66	70.47	71.12	71.12	6.01	6.00	6.23	6.37	0.00	0.00	0.00	0.00
Reliance Comm	52.96	52.96	52.96	52.96	8.21	8.23	7.63	8.22	0.46	0.20	0.34	2.05
Rolta India	48.91	50.40	50.53	50.53	5.72	7.02	6.56	8.17	0.00	0.00	0.00	0.00
S H Kelkar & Company	56.74	57.09	57.64	57.64	21.66	21.15	20.58	20.90	1.11	1.96	1.98	1.96
Strides Shasun	31.34	31.36	31.36	31.12	22.15	30.85	31.64	33.58	23.10	18.61	18.22	15.05
Sunteck Realty	66.75	66.75	66.75	65.72	24.22	22.29	17.32	18.34	3.09	3.74	5.40	5.60
TCI Express	67.01	66.13	66.13	66.13	3.67	3.40	3.22	2.98	5.21	6.15	5.95	6.30
Techno Electric & Engg	58.75	58.75	58.75	58.75	1.47	1.53	4.14	4.59	22.47	22.18	18.04	17.42
Vindhya Telelinks	43.58	43.58	43.52	43.52	2.23	2.17	1.93	2.54	8.98	8.98	8.40	8.41
Zee Entertainment	41.62	41.62	43.07	43.07	40.77	41.38	42.25	43.85	6.04	5.54	4.24	5.14

The board of Jet Airways (India) deferred consideration of the unaudited financial results for the quarter ended 30 June 2018 as the audit committee did not recommend the financial results, pending closure of certain matters.

Pooja Mittal bought 3.50 lakh shares of **Edelweiss Financial Services** at Rs 299. Deepak Mittal was the seller. He held 1.26% stake end June 2018.

Aditya Birla Sun Life Mutual Fund bought 3.15 lakh shares of **AU Small Finance Bank** at Rs 638.Amansa Investments bought 12,49,995 shares at Rs 638. BNP Paribas Mutual Fund bought two lakh shares at Rs 638. Geeta Chetan Shah bought four lakh shares at Rs 638. HSBC Global Investment Funds Mauritius bought 10.75 lakh shares at Rs 638. Janchor Partners Pan-Asian Master Fund bought 14 lakh shares at Rs 638.Kotak Funds India Midcap Fund bought 9,19,987 shares at Rs 638. Kotak Mahindra Life Insurance Company bought 2.35 lakh shares at Rs 638.Kotak Mahindra Mutual Fund bought 23.50 lakh shares at Rs 638. Kuwait Investment Authority bought 4.70 lakh shares at Rs 638. Malabar India Fund bought 6.30 lakh shares and 2.40 lakh shares at Rs 638. Merrill Lynch Markets Singapore bought 1.57 lakh shares at Rs 638. Morgan Stanley (France) SAS bought 11.14 lakh shares at Rs 638. Motilal Oswal Mutual Fund bought 7.84 lakh shares at Rs 638. Nomura India Investment Fund Mother Fund bought 28,79,269 shares at Rs 638 and 86,02,006 shares at Rs 638 and 1,14,81,275 shares at Rs 638. Profitex Shares and Securities bought 1,99,999 shares at Rs 638. Reliance Mutual Fund bought 8,47,994 shares at Rs 638. Sanjay Agarwal bought 7.84 lakh shares at Rs 638. SBI Mutual Fund bought 7.84 lakh shares at Rs 638.Sundaram Mutual Fund bought 3.10 lakh shares at Rs 638. Tata Aia Life Insurance Co bought 2,24,997 shares at Rs 638.TD Emerging Markets Fund bought 7.84 lakh shares at Rs 638.

Ourea Holdings sold 28,79,269 shares at Rs 638. It held 3.72% stake end June 2018. Redwood Investment sold 4.70 crore shares at Rs 638. It held 15.51% stake end June 2018.

Au Small Finance Bank's net profit grew 24% to Rs 76.82 crore in the quarter ended June 2018 over a year ago. Non-interest income improved 78%. The loan book surged 61% to Rs 17322 crore. The current-accounts-savings-account ratio moved up to 28%. However, the net interest margins declined to 5.80% compared with 7.10% in the June 2017 quarter. The cost-to-income ratio surged to 60.9%. Asset quality in percentage terms was stable. The risk-weighted assets increased 32.32% to Rs 13212 crore end June 2018.

Smaller Cap World Fund sold 3,43,824 shares of **Matrimony.com** at Rs 666.98.

Nagarani Chava bought 5.70 lakh shares of **Laurus Labs** at Rs 444.99. Consolidated gross sales increased nearly 10% to Rs 539 crore in the June 2018 quarter over a year ago. However, operating profit declined by a third to Rs 83.14 due to rise in expenditure. Adjusted profit after tax after extraordinary items slid more than 57% to Rs 16.56 crore. The promoters have pledged 18.35% equity in the June 2018 quarter. They held a 32% stake in the March 2018 quarter.

HDFC Mutual Fund bought 9.90 lakh shares of **NCL Industries** at Rs 147. Essel Corporate Llp bought 10 lakh shares of **Zee Entertainment Enterprises** at Rs 518.50. It held 1.49% stake end June 2018. The seller was Essel International. It held 2.40% stake end June 2018. Essel Corporate bought five lakh shares of Zee Entertainment Enterprises at Rs 504.70 and sold them at the same price.

Adroit Financial Services bought 2,33,93,659 shares of **Reliance Communications** at Rs 20.17 and sold 2,38,41,820 shares at Rs 20.17. Adroit Share & Stock Broker bought 1,59,11,846 shares at Rs 20.26 and sold them at Rs 20.31. Shaastra Securities Trading bought 2,63,34,980 shares at Rs 20.07 and sold them at Rs 20.11, bought 1,46,27,059 shares at Rs 21.06 and sold them at Rs 21.09, bought 2,39,96,579 shares at Rs19.64 and sold them at Rs 19.67 and bought 2,20,50,764 shares at Rs18.91 and sold them at Rs 18.94.. Share India Securities bought 2,45,78,269 shares at Rs 21.01 and sold 2,56,01,967 shares at Rs 21.04, bought 2,14,64,823 shares at Rs 20.05 and sold 2,22,66,797 shares at Rs 20.09 and bought 1,82,44,419 shares at Rs 18.87 and sold them at Rs 18.88.

KIFS Enterprise bought 2.50 lakh shares of **Lincoln Pharmaceuticals** at Rs 245 and sold them at Rs 246.27.Kirjal Securities bought 1,05,874 shares at Rs 264.63 and sold 1,13,997 shares at Rs 259.36 and bought 1,86,304 shares at Rs 273.65 and sold them at Rs 274.80.Paro Securities bought 2,37,888 shares at Rs 250.19 and 4,02,060 shares at Rs 250.57 and sold 3,59,888 shares at Rs 248.53 and 5,77,060 shares at Rs 249.32. It held 1.30% stake end June 2018.Swetsam Stock Holding bought 1,67,115 shares at Rs 270.47 and sold 1,67,115 shares at Rs 271.14.

Keva Constructions bought 18 lakh shares of **S H Kelkar& Company** at Rs195.45. KNP Industries was the seller. It held 11.84% stake end June 2018.

Globe Capital Market bought 82 lakh shares of **Parsvnath Developers** at Rs 12.20. ITF Mauritius was the seller. It held 2.18% stake end June 2018.

Adroit Financial Services bought 22,01,516 shares of **Housing Development & Infrastructure** at Rs 25.45 and sold 21,18,223 shares at Rs 25.45, bought 58,49,796 shares at Rs 28.70 and sold 59,21,535 shares at Rs 28.71 and bought 52,71,365 shares at Rs 33.19 and sold 52,41,237 shares at Rs 33.22. Swapnil Mehta bought 32,60,800 shares at Rs 30.99 and sold 28,09,831 shares at Rs 31.01.

Ambe Securities sold 15 lakh shares of **Rolta India** at Rs 35.52. Adroit Financial Services bought 40,64,652 shares of **Jain Irrigation Systems** at Rs 76.32 and sold them at Rs 76.51. Chandramogan R G bought 10 lakh shares of **Hatsun Agro Product** at Rs 719.99. Raju Kirti Shah sold six lakh shares at Rs 719.95 . He held 1.43% stake end June 2018.Ravi Kirti Shah sold four lakh shares at Rs 720.05. ■

The bulk deal transactions took place on the NSE and the BSE in the fortnight ended 17 August 2018. The deals could be in different tranches on the same day or spread over several days. The average price per share is mentioned.

Capital change

Ownership affected by big deals

COMPANY	DEAL PRICE (Rs)	CMP % G/L FROM DEAL PRICE	EQTY CAP. CHNG HAND (%)	VOLUME	AVERAGE VOLUMES FORTNIGHT BSE	FORTNIGHT NSE	YEARLY BSE	YEARLY NSE
Ajmera Realty & Infra	204.2	-0.05	27.82	9871982	5678	44978	41567	198076
Ajmera Realty & Infra	204.2	-0.05	27.82	9871982	5678	44978	41567	198076
AU Small Finance Bnk	638.0	9.05	18.54	53758538	2768067	670610	181767	359373
BEML	843.1	-4.31	0.70	292850	106108	1340963	70572	910418
BEML	842.8	-4.27	0.70	292850	106108	1340963	70572	910418
Edelweiss Financial	299.0	-0.45	0.04	350000	309242	2562539	363302	2442439
Edelweiss Financial	299.0	-0.45	0.04	350000	309242	2562539	363302	2442439
Hatsun Agro Product	720.0	-0.33	1.24	2000000	2577	23365	10703	49600
Housing Devlp & Infra	30.2	12.77	3.82	16583477	2357153	18961269	1854102	12341440
Jain Irrigation Systems	76.3	-0.68	0.82	4064652	1094574	9356888	899880	7616787
Jain Irrigation Systems	76.5	-0.93	0.82	4064652	1094574	9356888	899880	7616787
Jaiprakash Associates	14.9	-11.90	0.84	20505346	5810469	52855295	7390859	73182097
Jaiprakash Associates	14.8	-11.73	0.84	20505346	5810469	52855295	7390859	73182097
Jet Airways (India)	280.3	7.40	6.26	7110864	1293637	11939053	393842	3956357
Kwality	15.9	47.76	0.72	1739190	1609077	4468667	734719	3485997
Laurus Labs	445.0	-0.09	0.54	570000	6658	231991	26133	87783
Lincoln Pharma	254.5	6.89	8.27	1654364	251395	600226	36103	102723
Mahindra Lifespace	501.8	-3.14	5.10	2617310	24352	551472	7368	85937
Marksans Pharma	33.1	-2.14	0.55	2270387	622186	4566916	731724	3376148
Matrimony.com	667.0	-13.21	1.51	343824	5974	148302	6407	36025
Nath Bio-Genes (I)	497.2	-1.55	1.84	350000	50357	32522	37457	114998
NCL Industries	147.0	15.37	2.19	990000	8976	205639	24933	94349
Parsvnath Developers	12.2	1.15	3.77	16400000	20801	101642	51510	198861
Parsvnath Developers	12.2	1.15	3.77	16400000	20801	101642	51510	198861
Reliance Commu.	19.6	-2.19	12.82	354603540	19866322	188618200	10327410	100139389
Rolta India	35.5	3.32	0.91	1500000	327648	1375731	333663	1343387
S H Kelkar & Company	195.5	2.69	2.49	3600000	11798	127981	32662	116677
S H Kelkar & Company	195.5	2.69	2.49	3600000	11798	127981	32662	116677
Strides Shasun	406.5	10.54	1.10	986114	428830	4012999	167043	1638790
Strides Shasun	406.9	10.43	1.10	986114	428830	4012999	167043	1638790
Sunteck Realty	415.5	13.90	0.65	950000	60380	534831	100701	292679
TCI Express	697.0	2.43	0.59	226090	9147	80932	2901	27690
Techno Electric	279.1	-4.09	3.55	4000000	9292	727509	22811	91339
Vindhya Telelinks	1333.3	3.79	1.34	159277	12103	56348	3452	15459
Zee Entertainment	513.9	-1.86	0.16	1500000	332743	1245787	319347	1929668
Zee Entertainment	513.9	-1.86	0.16	1500000	332743	1245787	319347	1929668

G/L: Gain/loss. Eqty cap. chng hands: Equity capital that has changes hands. CMP: current market price as on 17 August 2018.

Elecon Engineering Company

Order inflow to improve

New contracts for gears were Rs 149.8 crore and for the material-handling business Rs 113.5 crore in the quarter

Elecon Engineering Company hosted a conference call on 8 August, 2018. It was represented by Chairman and Managing Director Prayasvin Patel. Key takeaway:

A robust order book at the start of Q1 of the fiscal year ending March 2019 (FY 2019) facilitated Elecon Engineering Company to put up a good show in the quarter. The gradual pickup in economic activity is likely to result in further improvement in order inflow. Revival in demand, strong execution and a favorable product- mix will boost the performance going ahead.

Orders inflows for gears were Rs 149.8 crore and for the material-handling (MH) business Rs 113.5 crore in the quarter. Orders for MH were from fertilizer and cement makers and coal power plants for revamp of their equipment. The order backlog for gears stood at 779.4 crore and for MH Rs 533.3 crore at the end of the quarter. The gear order backlog is for execution in the near to medium term.

Standalone gear sales of Rs 600 crore are expected in FY 2019. Though the earnings before interest, tax, depreciation and amortization margins will be maintained at the Q1 level, not much revenue growth is expected for the MH business. However, the bottom line is projected to expand.

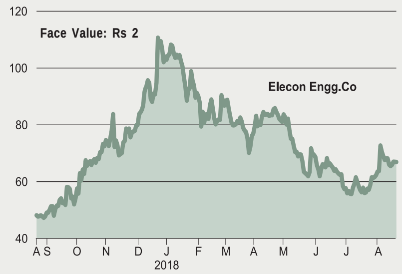
The MH division will stop taking orders that will incur losses. Instead the focus will be on orders for products and modernization. Moreover, the thrust will be on orders that require minimum inputs to be bought. In-house manufactured items provide high margins. Capex will be negligible for the next couple of years.

Profit after tax of overseas subsidiaries was about Rs 4 crore and will be sustained for the entire fiscal year if the business scenario continues at the current level. If the US business improves, the profitability of overseas operations will increase. Foreign operations are being restructured for favorable tax benefits. The restructuring involves liquidation of the Mauritius entity and shifting of focus to Radico, UK.

The US business is showing some recovery. The full benefits of the corrections implemented will be visible by the end of FY 2019. The US business is expected to be cash-neutral by then. The product-mix will remain the same.

Self-reliance

The thrust of Elecon Engineering Company will be on orders requiring minimum outside inputs as in-house manufactured items give high margins



CMP Rs 67 as on 20 August 2018. One-year return: 33.8%
S&P BSE Small-cap index one-year return: 2.74%

PTC India

No funds for subsidiaries

Volumes expected to be in strong double digits in FY 2019

PTC India held a conference call on 8 August 2018. It was addressed by Managing Director Deepak Amitabh. Highlights:

PTC India has adopted Indian Accounting Standards 115. Revenues were reported net of power-purchase cost. Hence, revenues and the operating profit margins had different impact. However, there was no effect on operating profit.

Total volumes traded rose 18% to 16.8 billion units (bu) in the June 2018 quarter over a year ago. The change in the business-mix resulted in short-term volumes. The shift is temporary and the revenue stream will go back to long-term volumes from the coming quarters.

Short-term volumes traded increased 56% to 9.9 bu and accounted for 59% of the total volumes in the June 18 quarter over a year ago. Medium-term traded volumes inclined 4% to 0.5 bu. Long-term volumes jumped 39% to 6.3 bu and accounted for 38% of the total trade.

The operating profit margins were lower due to higher short-term traded volumes. The situation will improve as the share of long-term volumes in the total volumes traded increases. Long-term trade gives around six paisa of the margins, short-term two paisa and medium-term 2.5 paisa. The overall margins are likely to be around four paisa. The recently started consultancy services include services for maintaining special economic zone, open access to transmission and distribution and energy efficiency. The net order book of the segment stood at Rs 50 crore.

Debts were Rs 4400 crore and creditors were owed Rs 2700 crore end June 2018. The high debtors were largely Jammu & Kashmir and Bihar state electricity boards. Around Rs 800 crore was received in July 2018. Net borrowings were Rs 45 crore end June 2018.

About 400 MW of long-term power became operational in the quarter. The effect of these contracts will be visible in the coming quarters. The capacity is expected to contribute around 1.5 bus to the total trading volumes.

Around 1,050 MW of long-term wind power-purchasing agreements (PPAs) are set to become operational in FY 2019. The full impact will be from FY 2020. Around three three bu units of additional long-term volumes should come from these contracts.

The 250-MW of medium-term contract from Bangladesh that was extended to 31 July got stretched by another three months. About 500 MW of medium-term contract between Bangladesh and India is yet to get approval. It should come by year end.

In view of the uncertainty in thermal power projects being implemented by Athena Energy Ventures Pvt Ltd, in which PTC India has a stake, the investment is being gradually written down. About Rs 150 crore has been invested. Nearly Rs 131 crore was written off till March 2018. Another prudent hit of Rs 9.29 crore was taken in the June 2018 quarter. The total reduction in the value of investment stands at Rs 140.7 crore till date.

Around 2,500 MW of stressed power projects were available for bidding in the June 2018 quarter. Of this, power projects of 1,900 MW received bids. PPAs will be signed for these contracts.

The board has taken a strategic decision to not contribute any further equity to subsidiaries PTC India Financial Services and PTC Energy. There will be no more strategic investments in the near term. The ratio of long-term volumes to total volumes will remain 45-50% going forward. Volumes are expected to be in strong double digits in FY 2019.

Punjab National Bank

To sell stake in subsidiaries

Expects recoveries and upgradations of Rs 11500 crore in Q2 of FY2019

Punjab National Bank (PNB) conducted an analyst meet on 08 August 2018 to discuss the financial results for the quarter ended June 2018. Managing Director and CEO Sunil Mehta addressed the meet. Highlights:

PNB's operating profit spurted 30%, while the asset quality improved due to recoveries and upgradations totaling Rs 8445 crore in the June 2018 quarter. The recoveries included Rs 3049 crore from Bhushan Steel and Rs 335 crore from Electrosteel.

The domestic net interest margins rose 2.9%. The margins are likely to sustain at the current level, with a strong current-account-savings-account deposits ratio and recent hike in the marginal cost of fund-based lending rate. Interest income included Rs 800 crore recovered from the Bhushan Steel account.

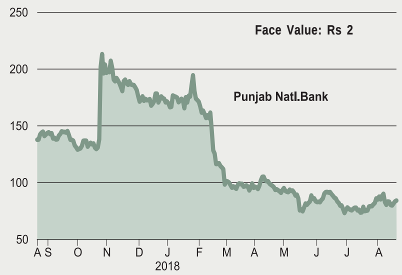
Additional provisions of Rs 321 crore have been made for exposure to the National Company Law Tribunal (NCLT) accounts, with total provisions rising to Rs 10670.75 crore end June 2018. Further provisions of Rs 1863 crore have been made for a fraud of Rs 14357 crore detected at the Brady House branch in Mumabi in addition to Rs 7178 crore provided in Q4 of the fiscal year ended March 2018 (FY 2018). Overall, the provision covers 63% of the amount. The balance will be provided over the next two quarters.

There has been a decline in fresh slippages of loans to Rs 5250 crore. Of this, 1300 crore was contributed by the agriculture sector and Rs 1100 crore by the small and medium enterprise (SME) segment. Fresh slippages of loans are expected to continue to decline going forward.

The stressed non-fund exposure pending to be classified as non-performing assets (NPAs) was significantly lower end June 2018. However, the impact of the Reserve Bank of India's 12 February circular, which tightened the norms for identifying stressed assets, has been addressed. The special mention accounts (SMA)-2 (principal and interest payment overdue for 61 days) loan book declined to Rs 8000-10000 crore end June 2018.

Containing the asset quality

PNB's fresh slippages of loans declined to Rs 5250 crore. Of this, Rs 1300 crore was contributed by the agriculture sector and Rs 1100 crore by the SME segment



CMP Rs 84 as on 20 August 2018. One-year return: -40.83%.
S&P BSE Sensex one-year return: 21.42%

The stranded restructured loan book including loans restructured under various schemes stood at Rs 4000 crore end June 2018. A stress asset management vertical was set up in the June 2018 quarter for recovery or resolution of NPAs and to control fresh slippages. A war room, that is, a dedicated cell, is operating at head office for daily monitoring of NPAs. Nearly 159 accounts, with exposure of Rs 17800 crore, have been identified for sale to asset restructuring companies in FY2019.

The recovery and upgradation target is Rs 11500 crore for Q2 of FY2019. Of this, Rs 4000-5000 crore is expected to be contributed by six-seven large accounts.

For conservation of capital, the focus is on reducing risk-weighted assets (RWA) by churning the credit portfolio. The RWA density of the portfolio reduced to 55% end June 2018 from 64.5% end June 2017. The risk-weight assets have come down to Rs 40350 crore, despite 11% growth in the domestic loan book end June 2018 over June 2017. The domestic loan growth is expected to increase above 10% in FY2019. The focus will continue be on quality loans.

The provision coverage ratio improved to 61.8% end June 2018 from 58.4% end March 2018. The current-account-savings-account (Casa) deposits ratio was at a healthy level of 42.6% end June 2018.

The target is to garner Rs 8600 crore from monetization of non-crore assets in the current fiscal year. About Rs 167 crore was raised in Q1 from sale of offices and various investment. A merchant banker has been appointed to sell stake in PNB Housing Finance. Up to Rs 6500 crore are expected from the stake-sale. A 4% equity in PNB MetLife will be on the block for price discovery ahead of listing on the exchanges. Provisions are being made for a wage hike of more than 6%.

Mahindra Logistics

Non-M&M business down

The gross margins of the SCM business up to 8.5% and of the PTS business to 10.6%

Mahindra Logistics held a conference call on 3 August 2018. It was addressed by CEO Pirojshaw Sarkari. Highlights:

Nearly 90% of the revenues of Mahindra Logistics are from the supply-chain management (SCM) business. Sales of the division grew 9.4% in the June 2018 quarter. The people transport solutions (PTS) business was up 4% and accounted for around 10% of the total revenues.

Revenues from the M&M group, comprising around 63% of the SCM business, were up 11.5%, while those from non-M&M business improved 6%. The revenue growth was lower than anticipated due to lower revenues from the non-M&M segment. The growth in non-M&M supply was lower due to change in the business-mix.

Revenues from transport services were flat due to stagnation as well restructuring done by some major customers. Competition was also high. There was a trade-off between revenues and margins.

With the trend of material movement getting shifted to shorter distances, the need for logistic has got reduced. The non-M&M SCM business growth should reach normalcy by the end of the current fiscal year.

The top 20 customers contributed 63% of the revenues in the June 18 quarter compared with 67% in the June 2017 quarter. The top 25 customers have 92% retention rate for the past 10 years. Customers signing long-term agreements for logistics are taking their time due to changes in the goods and services tax rates. Details and plans are still being worked out. The challenges were underestimated. The non-M&M SCM business growth was slower than expected.

Goods and services tax will have a long-term positive impact. However, the challenges of implementation continue. The Union government is working on a new logistics sector policy. It will introduce logistics index in states.

The outlook for the auto and consumer durables sectors look good. E-commerce is dominated by two large players and multiple small players. There will be volume growth, while pricing will continue to be under pressure.

Revenues from the warehousing and other value-added businesses grew 27% in the June 2018 quarter. The full benefit of the Chakan-Pune warehousing facility is yet to be seen and will be known by the end of the September 2018 quarter.

The gross margins improved 113 basis points (bps) to 8.7%. The gross margins of the SCM business rose 120 bps to 8.5% and those of the PTS business improved to 10.6% from 10.05%. As the new business kicks in, margins should remain around these levels.

Nil strategic consulting fees in the June 18 quarter compared with around Rs 3 crore in the June 2017 quarter also boosted the margins. Consultancy fees of around Rs 13 crore were paid in FY 2018.

The income tax department has permitted lower tax deduction at source (TDS) rates on servicing from June 2018. Thus, cash flows will improve as funds will not get blocked with the IT department and the wait for refunds will be eliminated. Around Rs 17 crore of refunds were received in FY 2018. These included Rs 1.9 crore of interest. Lower TDS will have a positive impact on cash flows. The trend will continue. Overall, the early stages of a new era are emerging in the logistic sector.

An agreement was entered into to acquire additional 8.69% stake in subsidiary Lords Freight (India), a freight forwarder. Post acquisition, the equity holding will go up to 68.69%.

HIL

Set to be a global player

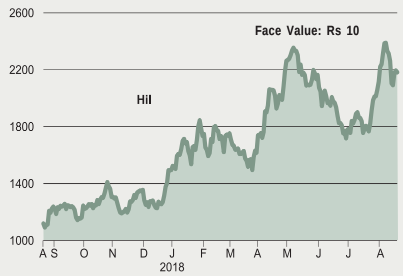
Revenues of the plumbing solutions business were up 181%

HIL held a conference call on 9 August 2018 to discuss the June 2018 quarter results. It was addressed by Managing Director and CEO Dhirup Choudhary. Highlights:

HIL acquired Germany-based Parador for euro 82.8 million. The vertically integrated building-product solutions provider has manufacturing locations in coastal Germany and Austria. The product-portfolio consists of flooring solutions including resilient flooring, laminate and engineered wood floors, wall and ceiling panels, skirtings and related accessories. Revenues were euro 142 million in the calendar year 2017. With distribution networks in 65 countries, half of the revenues come from outside Germany.

To maintain the tempo

The 18% margins of HIL's building solutions business are sticky and will be backed by the volume growth in the non-asbestos market



CMP Rs 2183 as on 20 August 2018. One-year return: 88.89%
S&P BSE Mid-cap index one-year return: -23.33%

The transaction, to be completed in August, was finance through a combination of euro debt and internal accruals. Euro 72.5 million is to be paid in cash and rest as loan repayment. The acquisition will enable transition into a global player in the building material segment. The flooring solutions of Parador complement the existing domestic product-portfolio. Possibility exists to leverage the products in India and South East Asia.

The June 2018 quarter saw strong growth. Revenues of the roofing business rose 14% over a year ago and contributed 70% of the total business. The building-product segment revenues were up 37% and comprised 30% of the business. The focus remains on brand-building. Association with the Chennai Super Kings cricket team has boosted brand-visibility. Revenues grew ahead of the market. Market share was gained in the quarter.

Non-asbestos roofing products gained traction in the institutional segment. Many government bodies and companies were added as clients. The Birla Aerocon brand gained market share from the unorganised market by around 180 basis points as the goods and services tax regime favours organised players.

Revenues of the plumbing-solutions business were up 181% over a year ago. Capacity addition at the Faridabad facility in Punjab has been broad-based. The gain of a large pie in the segment raises possibility of introducing more products in future.

The non-asbestos business including green roofing, boards and panels and pipes and fittings are projected to grow more robustly in the coming years. A normal monsoon and election-year spending will aid growth in the fiscal year ending March 2019 (FY 2019).

The 18% margins in the building solutions business are sticky and will remain. Further volume growth in the non-asbestos market and more sales from pipes and fittings will also boost the margins.

Within the building product segment, sales of panels spurted 97% to Rs 24 crore, boards more than doubled to Rs 6.9 crore, green solutions to the insulation segment spurted 140% to Rs 12 crore and dry-mix solution inclined 13% to Rs 60 crore in the quarter over a year ago.

Though the plumbing business grew 180%, the revenues, at Rs 25 crore, are small. The market for plumbing and fitting is growing and decent volumes are expected. A package of pipes and fittings products will be launched soon. Of the total capex of Rs 100 crore planned for the pipes and fittings segment, around Rs 40 crore was spent in FY 2018. The remaining will be incurred in the current fiscal year.

As a result of optimism on the future of the pipes and fitting solutions, SWR pipes and fittings, pipes with heat resistance, fire sprinkler facilities were offered in FY 2018. These products received good response. Overall, the business momentum is expected to continue. Multiple government programs will aid growth.

Deepak Nitrite

Q1 better than Q4

The phenol project to have a capacity utilization of 90% by end FY 2019

Deepak Nitrite conducted a conference call to discuss the financial results and performance for the quarter ended June 2018. Executive Director and CEO Umesh Asaikar, Director- Finance and Chief Financial Officer Sanjay Upadhyay and Senior General Manager-Finance Somsekhar Nanda addressed the call. Highlights:

The above-average volatility in commodity prices and currency exchange rates partly due to US-China tariff wars in recent weeks affected input prices led by volatility in currency exchange rates partly due to the tariff wars and rebalancing of interest rates by central banks across the globe affected input prices of Deepak Nitrite.

The higher input costs were passed on to the customers. Yet, export and domestic sales volumes managed to grow amid rising oil prices.

Q4 is usually the best quarter, followed by Q3, Q2 and Q1 because of seasonality of some products, particularly in the agrochemicals segment. For the first time, the performance of Q1, in the fiscal year ending March 2019 (FY 2019), is better than in Q4 of FY 2018. All plants are running at 80-85% capacity utilization.

Nearly Rs 75 crore is being invested in each segment of the business for brown-field expansion. The expanded capacity will be available in H2 of FY 2019. As a result, the top line is projected to grow 15-20% in FY 2019 along with a healthy bottom line.

Net sales rose 33% to Rs. 421.82 crore in the June 2018 quarter over the June 2017 quarter that excluded fire and loss of profit insurance claim of Rs. 22.5 crore. All the strategic business units (SBUs) contributed to the top-line performance.

Domestic revenues expanded 23% to Rs 265.05 crore. Environmental challenges and production disruptions in China led to volume gains for local customers, thereby boosting domestic revenues.

Export revenues were higher by 56% to Rs 153.82 crore, driven by strong demand in key markets across all segments, currency tailwind and stabilization of operations compared with a year-ago period.

Basic chemicals witnessed improvement in demand and pricing for key products. Fine and specialty chemicals (FSC) saw strong traction, especially in export markets. The performance products segment also delivered an encouraging performance on the back of strategic initiatives implemented earlier.

Revenues of basic chemicals were up 23% to Rs. 222.62 crore as improved demand traction from domestic customers resulted in volume growth of 7%. Revenues of the FSC segment were 49% higher to Rs 122.37 crore, backed by volume growth of 25% due to a favorable demand environment in domestic and export markets as well as benefit from a moderate base.

The performance products (PP) segment revenues jumped 33% to Rs 80.51 crore as the strategy to turn around delivered results, helping to the division to make profit at the earnings before interest and tax level.

Earnings before interest, tax, depreciation and amortization (Ebitda) went up 66% to Rs 56.89 crore if the year-ago quarter's Rs 18.33-crore net of expenses due to insurance claim was excluded. The Ebitda margins improved 270 basis points to 13.5% compared with 10.8% in Q1 of FY 2018. A combination of higher contribution from all business segments, benefits of operating leverage and better product acceptance enabled the Ebitda to increase.

The margins are projected to expand further on brown-field expansion of some projects, cost-efficiency and external factors such as China's crackdown on polluting industries and weakening of the rupee.

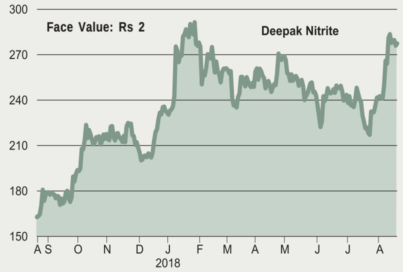
A mega project is being implemented to manufacture two lakh tones per annum (tpa) of phenol and 1.20 lakh tpa of co-product acetone. It will be supported by capacity to manufacture 2.60 lakh tpa cumene, a feedstock for manufacturing phenol and acetone. The project is being implemented by 100% subsidiary Deepak Phenolics. The proposed phenol plant will be located at Dahej in Gujarat. The capital expenditure of Rs 1400 crore is being funded by debt and equity in the ratio 60: 40. Total debt of Rs 431 crore translated into a debt-equity ratio of 0.45 end June 2018.

All pre-commissioning activities have been concluded and the mega green-field project is on the verge of commissioning. Trial runs are on. The phenol project is expected to have capacity utilization of 90% by the end of FY 2019. The project will address the opportunity in the domestic market, currently met by imports. The current demand for phenol is around 3.50 lakh tpa and is expected to grow 10-12% per annum.

Local availability of phenol and acetone is expected to boost the production of derivatives and downstream intermediates, thereby expanding the overall market in the country.

Building base

Deepak Nitrite is investing Rs 70-75 crore in each segment of the business for brown-field expansion. The expanded capacity will be ready in H2



CMP Rs 277 as on 20 August 2018. One-year return: 74.91%
S&P BSE Mid-cap index one-year return: -23.33%

Global phenol demand is also growing. The demand-supply capacity is moving towards equilibrium as downstream projects in China which commenced earlier in the current calendar year have led to greater captive consumption of Chinese phenol capacity. Large global facility for production of phenol has been shut down in the US. These factors have resulted in firming up of global prices of phenol.

The current benzene-phenol spread is around US $ 830 per tonne. Producing derivatives of phenol and acetone will be considered after a year of commissioning of the plant and start of cash flow.

To take advantage of growing demand, Rs 60-70 crore has been invested to increase the capacity of existing products in basic chemical and FSC segments. These projects are set to be commissioned by Q2 of FY2019. With the additional capacity, the performance in H2 of FY2019 and thereafter will be much better.

The PP segment will benefit from improved demand and pricing trends in local and export markets combined with better efficiency and utilization of the plant. The re-orientation of geographic focus of the business segment will enable better results in the coming quarters.

FY 2019 appears encouraging, with sustainable growth projected across all SBUs. Growth will be led by basic chemicals due to focus on strengthening the product portfolio along with brown-field capex to enhance capacities of major products.

The FSC segment will benefit from full capacity utilization during the year after receiving the regulatory consent for the backward integration facility at Roha in Maharashtra.

Clariant Chemicals (India)

Challenges are behind

FY 2019 to see a steady growth, with better margins

Clariant Chemicals (India) held its AGM on 9 August 2018. It was addressed by Vice Chairman and Managing Director Adnan Ahmad. Highlights:

Clariant Chemicals (India) derived around 55% of the total revenues from pigments, used to produce paint, ink, plastics, cosmetics, fabrics and others, and about 35% from Masterbatches, used in the automotive, consumer durables, fiber, healthcare, pharma, electrical and electronics, packaging and other segments, in the June 2018 quarter. Nearly 2-3% of the revenues comprised sales of additives used to make coatings, plastics and printing inks.

The fiscal year ended March 2018 (FY 2018) was tough, with challenges in form of high cost of raw materials imported from China, disruption due to the roll-out of the goods and services tax and some one-off expenditure. As a result, sales and the margins were affected. The domestic business, comprising around 75% of the total sales, increased only 3%, while exports were up about 9%. A broad mix of domestic and export sales, in the ratio of 75:25, should continue going forward.

Price increases were taken from April 2018 to pass on the rising input costs. Input prices have stabilized at the current level. There was no significant impact due to forex volatility imports and exports more or less balance out. There were some fluctuations due to timing of bookings.

Steady growth is expected in FY 2019. Past restructuring of products and businesses have stabilized and should start producing results. The parent has plans to introduce some more products in India. Also, parent is looking for acquisitions to add some more business products. Sabic has become the largest shareholder of the parent. Overall, FY2019 will form the base for ramping up in future.

KEI Industries

Lower sales in Q1

The shortfall in revenues will be made up in the balance period of FY 2019

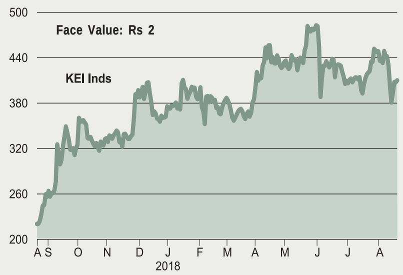
KEI Industries held a conference call on 10 August 2018. It was addressed by Chairman and Managing Director Anil Gupta. Highlights:

Volumes of the cable business of KEI Industries grew 17% in the June 2018 quarter over a year ago. Export sales were down to Rs 79 crore from Rs 110 crore. The export order book stood at Rs 195 crore end June 2018.

There are lowest-bidder (L1) orders of Rs 400 crore from Africa. Around Rs 50 crore of cable orders could not be exported in the quarter and could be dispatched in July 2018. As a result, exports are projected to show better performance in FY 2019 despite lower revenues in the June 2018 quarter. Export sales growth of 18-20% is expected in FY 2019.

The share of the pie

The domestic business of KEI Industries, comprising 75% of the total sales, increased only 3%, while exports were up 9% in Q1 of FY 2019



CMP Rs 410 as on 20 August 2018. One-year return: 89.95%
S&P BSE Mid-cap index one-year return: -23.33%

Retail sales through dealer network increased 55% to Rs 326 crore. There were 1,302 active dealers, with 18 additions, end June 2018. Emphasis was on brand-building. The chest logo of Rajasthan Royals cricket team was sponsored in the Indian Premier League matches in the current calendar year. Retail sales are project to grow 35% in the fiscal year ending March 2019 (FY 2019).

Sales of the engineering, procurement and construction (EPC) division declined to Rs 158 crore from Rs 174 crore. Delay in execution of some orders lead to lower EPC sales. Early arrival of monsoon contributed to the delays. There are more than Rs 850-crore L1 orders. The target is close FY 2019 with EPC sales of Rs 1000 crore. The shortfall of sales in the June 2018 quarter will be made up in the coming quarters. A growth of 15-18% is expected in FY 2020.

Sales of electric high voltage (EHV) cables also declined to Rs 39 crore compared with Rs 59 crore in the June 2017 quarter. Only a single order of 220-EHV cable of Rs 129 crore was received. It was from HPCL. The total order book of the EHV business stood at Rs 400 crore. However, 100% sales growth is projected in FY 2019.

Sales of housing wire cables, part of the cable segment, reported net sales of Rs 180 crore in the June 18 quarter

The total order book was Rs 2599 crore end June 2018. Orders of the EPC division stood at Rs 1290 crore and those for cables at Rs 667 crore. Export orders were Rs 195 crore and EHV orders around Rs 447 crore. L1 orders totaled Rs 1592 crore as on date. The focus is on execution. The pending order book as on date is Rs 3400 crore. Of this, Rs 1000 crore are L1 orders.

Forex gain stood at Rs 9 crore in FY 2018. After considering the effect of the rupee at 69 to a US dollar, forex loss stood at Rs 3 crore in the June 2018 quarter. Higher exports in the coming quarters should result in forex gains or mitigate any further forex losses.

Total borrowings were Rs 625 crore end June 2018 compared with Rs 842 crore end March 2018. Better realization from debtors aided healthy cash flow in the quarter.

All EPC projects are funded and, therefore, delays due to elections or any other reasons in payments are not expected. Increased marketing on television will continue in FY 2019. Affordable housing segment will be one of the major growth drivers for increase in demand for cables, apart from railways, Metros and other industries. Demand is coming from the steel and refining sectors.

Capex of around Rs 55 crore for low-tension cables was completed in FY 2018. The additional capacities will generate around Rs 300 crore of new sales in FY 2019. The high-tension cable division is also being expanded by incurring a capex of Rs 40 crore in FY 2019. In spite of more sales and capex, there will be no increase in debt. Nearly 38-39% of the total raw materials will be copper and aluminum. Rest will be other metals.

Capacit'e Infraprojects

Foray into government sector

Expects FY2019 to close with Ebitda margins of 15.7%-16.3%

Capacit'e Infraprojects hosted a conference call on 10 August 2018 to discuss the performance for the quarter ended June 2018. It was represented by Executive Director and Chief Financial Officer Rohit Katyal, President - Corporate Finance Alok Mehrotra, Head - Accounts and Taxation Damodar Aash. Key takeaways:

Q1 of the fiscal year ending March 219 (FY 2019) marked Capacit'e Infraprojects's maiden foray into the government sector by bagging the first engineering-procurement-and-construction (EPC) contract in association with Tata Projects and CITIC Constructions Company from Mhada. The size and quantum of the contract opens a new avenue for revenues.

The order intake net of the goods and services tax was about Rs 1132 crore and includes order amendments but excludes the

Mhada order. The order book from the private sector excluding the Mhada order was Rs 6243 crore. About 95% of the new order inflow from the private sector was from existing clients.

The residential segment contributed 79% of the order book and the commercial and institutional segment about 21%. Construction of gated communities contributed a large part of 44% to the order book, followed by high-rises at 44% share and super high-rises at 43%.

The net working capital days including retention money stood at 84 days compared with 89 days in Q4 of FY2018. The net working capital days excluding retention money was at 57 days as against 58 days.

The Mhada order, worth Rs 11744 crore, is a pure EPC and cash contract. It is for the redevelopment of the existing BDD residential and commercial societies (chawls) at Worli in Mumbai. The project will be executed under a special purpose vehicle, with 37.1% share. The construction will be carried out in phases over eight years. The margins will be slightly higher than usual. Only designing work for the Mhada project will be taken up in FY 2019. The revenues accrued from designing will be accounted for in the fiscal year.

Impact of Indian Accounting Standard (AS) 115 at the sales level is Rs 10 crore and at the profit before tax level Rs 80 lakh. Capex of Rs 9 crore was incurred in Q1 and will be Rs 75 crore in FY 2019. Capex approved is Rs 75 crore for FY 2020. The earnings before interest, tax, depreciation and amortization margins will be 15.7%-16.3% in FY 2019. There are about 56 projects under execution. Execution of order for a super specialty cancer hospital project bagged in Q4 of FY 2018 started in Q1 of FY 2019 at an accelerated pace.

GMM Pfaudler

Moves to natural gas furnace

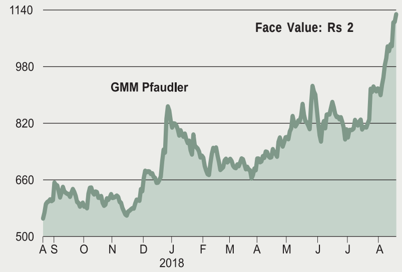
Revenues of all product lines to grow 15-20% in FY 2019

GMM Pfaudler held a conference call on 10 August 2019 to discuss the June 2018 quarter results. It was addressed by Managing Director Tarak Patel. Highlights:

Usually the June quarter is subdued due to seasonality for GMM Pfaudler. But the June 2018 was a very strong. There was switchover to the new natural gas furnace, thereby boosting output. Savings in power and fuel resulted in lower operating costs.

Making history

FY 2019 started for GMM Pfaudler with 50% higher orders, with the order book the highest-ever by end June 2018



CMP Rs 1128 as on 20 August 2018. One-year return: 101.79%
S&P BSE Mid-cap index one-year return: -23.33%

Exports were around 10% of the total revenues in the June 2018 quarter and are about 20% of the total order book. Exports have better margins. Higher exports aided margins and resulted in some forex gains. Lot of export enquiries were received from the parent. Export orders, all from the parent, bolstered the margins of the heavy engineering business. Two large orders have been received from the parent and another is expected in Q2.

Usually the pharmaceuticals business accounted for 50% of the total order book. However, due to US Food and Drug Administration issues such as frequent inspections, warning letters and withdrawal of approvals, the orders from the segment slowed down. The shortfall was made up by the agrochemicals and specialty chemical orders. Crackdown in China on pollution resulted in order diversion to Indian companies. However, pharmaceutical orders should come up next fiscal year. Some replacement demand is expected from the segment.

The fiscal year ending March 2019 (FY 2019) started with 50% higher order book compared with a year ago. By the end of June 2018, the order book was the highest ever in history. The orders included heavy engineering contracts that are to be executed in the next fiscal year. Clients of the heavy-engineering division are looking for branded products.

Output was up 20% in FY 2018 due to better productivity. Infrastructure has been added to increase the capacity of the glass-line division. Another manufacturing facility has been set up at the same location. About 25% more capacity will be added. Capex of around Rs 10 crore will be required. As orders booked will last throughout the current fiscal, a price hike has been taken for glass-lined products.

The market size of the glass-line business is Rs 600 crore. There is 50% market share in the organized segment. As many as 1,550 glass units were produced in FY 2018. The output is set to cross 1,800 units in FY 2019. Around 90% of the installed capacity of the glass-line business is being utilized currently.

Glass-line units, contributing 65% to the total revenues, have strong order visibility, especially from the agro-chemicals and specialty chemical sectors. Lot of expansion is going on in the user segments. These customers need good quality equipment of bigger size. After-sales services now account for around 12% of the total revenues.

The margins of the heavy engineering segment are expected to be similar as those of the glass-line business if the momentum continues. Net sales of all product lines are projected to grow 15-20% in FY 2019.

Despite the stated intention to release consolidated numbers, these could not be provided for the June 2018 quarter as the financials of Swizz subsidiary Mavag AG are not ready. A new CFO has been appointed and consolidated accounts will be provided from Q2. Mavag has an order backlog as well. Its earnings before interest, depreciation, tax and amortization (Ebidta) margins were 20% and revenues US$ 15 million in FY 2018. The growth projection is 8-10% for FY 2019.

Overall Ebidta margins should be 16-17% in FY 2019 due to the export order book and better productivity of the glass-line division. Exports are likely to reach 15% of the total revenues going forward.

Harita Seating Systems

Growth to sustain in FY 2019

New products to strengthen position in the Indian CV, bus and tractor segments

Harita Seating Systems (HSSL) held its twenty second annual general meeting in Chennai on 13 August 2018. Chairman H Lakshmanan chaired the meeting. Highlights:

HSSL is part of the TVS group and manufactures seats for commercial vehicles, tractors, offload vehicles and buses. The six manufacturing plants are located at Hosur and in Chennai in Tamil

Nadu, Ranjangaon in Maharashtra, Jamshedpur in Jharkhand, Pant Nagar in Uttarakhand and Dharwad in Karnataka. There is 51% stake in Harita Fehrer, a joint venture between HSSL and FS Fehrer Automotive GmbH, an automotive foam producer in Germany, Europe.

HSSL has 45% share of seats for commercial vehicles (CVs), 12% for buses, 37% for tractors and 45% for off-road vehicles.

In the domestic automotive sector, the demand for medium and heavy CVs is expected to grow 10% and for light CVs 7% in FY 2019. The tractor segment is expected to expand 14% towards the latter half of the year if the monsoon is good. Consumption of buses t is also expected to increase 8% compared with de-growth of 19%. As such, there will volume growth in seats.

New products will strengthen the leadership position in the Indian CV, bus and tractor segments of the automotive industry. An original equipment manufacturer has approved pneumatic suspended seats for tractors and commercial vehicles. Supply will commence soon. New products were introduced for passenger seats of deluxe buses.

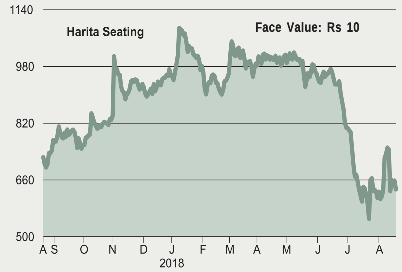
New initiatives include automated end of line testing for all product lines, final product audit for improving fit and finish of seats, development and manufacturing of high-end driver seats for agricultural tractors, development and manufacturing of high-end pneumatic and mechanical suspension seats for tractors and CVs and continuation of new product development cluster with mentorship from Automotive Component Manufacturers Association of India to improve new product delivery.

The strong growth in net profit in the fiscal year ended March 2018 was due to increase in contribution arising from favorable product-mix, introduction of lean manufacturing initiatives in house, ensuring improved deliveries, success of cost-saving projects, improvement in product quality and dividend income of Rs 5 crore from Harita Fehrer.

Any increase in prices of raw material is passed on to the customer in the immediate quarter. The price increase is taken every quarter. There will be no impact on demand for seats due to increase in axle payload in trucks. Increase in receivables was largely due to higher exports, where receivable days are higher compared with the domestic market. Two-wheeler makers buying foam from Harita Fehrer include TVS Motors. Products are also exported to Germany and China.

Considering rewards

A share-split or a bonus issue will be considered by HSSL at an appropriate time. If growth maintains, the dividend ratio will be increased



CMP Rs 634 as on 20 August 2018. One-year return: -14.34%
S&P BSE Small-cap index one-year return: 2.74%

Around 3% of the sales come from replacement market. Fleet owners are not giving high priority to replacement of seats with quality products. Capacity utilization is at about 75%. A share-split or a bonus issue will be considered at an appropriate time. If growth maintains, the dividend ratio will be increased.

Titagarh Wagons

Profit to improve

Lot of traction in orders for wagons from the private sector since the last four months

Titagarh Wagons hosted a conference call on 13 August, 2018. It was represented by CFO Anil Agarwal. Key takeaways:

The order book of Titagarh Wagon stood at Rs 2800 crore end June 2018. Indian and foreign orders were split into half. Of the India order book, about Rs 850 crore were standalone and Rs 550 crore worth of orders were for subsidiary Cimco.

Of the standalone order book, about Rs 260-crore orders were from Indian Railways (IR) and the balance from private players. Cimco got Rs 300-crore orders from IR and balance from private customers. The order book of the French subsidiary comprised euro 40 million and that of the Italian subsidiary is of euro 125 million. A majority of the order book is executable in the fiscal. Of the total standalone order book, wagon orders total Rs 500 crore, orders for coaches Rs 75 crore, bridges and defence orders Rs 85 crore and balance Rs 120-crore orders are for building ships.

Sales and profitability will improve in FY 2019. As wagon orders from IR were received only in the last week of December 2017, execution started by end of May 2018, affecting the margins of the segment. Cimco incurred loss of Rs 7 crore in Q1. A good execution plan going ahead will curtail the loss and return to profit.

The current order book of the Italian subsidiary is good enough till June 2019. A good number of orders were booked in Q1. Revenues of euro 100 million are expected in the current fiscal year. The French subsidiary was able to resolve lot of issues and work is now going well. Revenues of euro 40 million are projected in FY 2019. The break-even for both will be at the profitability level. So far the performance of both is in line with expectation. The French subsidiary is expected to get back to an earnings before interest, tax, depreciation and amortization margins of 7-8% next fiscal year.

A development order for propulsion systems has been received from Integral Coach Factory. The successful execution of the prestigious order will result in regular supply orders for propulsion systems, a Rs 2500-3000-crore market in India.

The IR order for 22,000 wagon is due by end of August. There is eligibility to participate along with the Italian subsidiary in the Mumbai metro order of Rs 5000 crore. Bidding is due. Bidding for the Pune Metro order worth Rs 1200-1300 crore bid is due by October 2018. The execution time for the Mumbai Metro is four years.

Lot of traction has been seen in orders for wagons from the private sector since the last four months. Currently, private sector demand is from wagon leasing and container train operators. Despite production capacity 6,000 wagons per annum, production is only 2,000 wagons, that is, 30-35% of capacity utilization. Sales turnover beyond Rs 700 crore will fetch Ebitda margins of over 10%.

Of the euro 125-million order book of Firema, the Italy subsidiary, about 65-70% is inherited contracts and balance new contracts. Losses expected from inherited orders were provided in H2 of FY 2018.

Mermecs SpA., Italy, a joint venture (JV), sells sophisticated diagnostic signaling systems. The market size is about US$ 2-2.5 million. The JV is primarily a marketing company. The basic equipment is manufactured by the Indian company. As such there is not much capex.

Hind Rectifiers

Rs 160-cr net sales in FY 2019

Increase in the product range for IR and no-IR customers will improve performance in FY 2019

Hind Rectifiers held its AGM on 13 August 2018. It was addressed by Chairman and Managing Director S K Nevatia. Key highlights:

The primary customer of Hind Rectifiers's products continues to be Indian Railways (IR), followed by power, steel, electricals and electromechanical components industries. The IR division makes several products such as electrical equipment, mechanical equipment, control software and electronics equipment.

Electrification and modernization of IR will provide a decent visibility of orders. The book is around Rs 175 crore. The aim is to achieve net sales of Rs 160 crore in the fiscal year ending March 2019 (FY 2019). There are no slow moving orders. No bad debt provisions are required.

Increase in the product range for IR and no-IR customers will improve performance in FY 2019. Expansion of the Nashik manufacturing facility was completed in FY 2018 at a cost of Rs 5 crore. Being a net importer of some key raw materials, rupee depreciation will hurt the margins.

The June 2017 quarter was affected by rains and the rollout of the goods and services tax. As a result, the June 2018 quarter saw strong sales and profitability. However, rising raw material cost and interest rate is a worry.

Ujjivan Financial Services

Micro loans to grow 20%

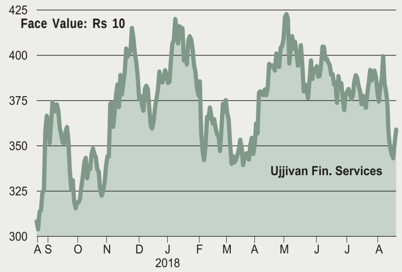
Expects overall loan growth of 30-35% in the current financial year

Ujjivan Financial Services conducted a conference call on 07 August 2018 to discuss the financial results for the quarter ended June 2018. Managing Director and CEO Ittira Davis and Ujjivan Small Finance Bank Managing Director and CEO Samit Ghosh addressed the call. Highlights:

The focus of Ujjivan Financial Services is entirely on converting into a bank for which it got a licence in October 2015. Good progress has been made on retail liability build-up, branch rollout, new product launches, recovery of written-off loan accounts and spreading the digital footprints. The performance for the quarter ended June 2018 was in line with the plan.

Set off

Ujjivan Financial Services's disbursements were strong in the June 2018 quarter, but the loan growth was subdued on account of higher write-offs



CMP Rs 359 as on 20 August 2018. One-year return: 11.77%
S&P BSE Mid-cap index one-year return: -23.33%

Disbursements were strong in Q1 of the fiscal year ending March 2019 (FY2019). But the loan growth was subdued on account of higher write-offs. As many as 87 branches have been converted into bank branches. The network stood at 462 branches end June 2018. Of these, 275 were bank branches and 187 asset centers. About 48 bank branches are located in unbanked rural areas. The aim is to increase the number of bank branches to 475 by March 2019. As many as 49 asset centers will be transformed into bank branches by end FY2019.

Half of the microfinance customers will be converted into customers of the bank in FY2019. The customer base of the microfinance segment stood at 4 million. Of these, 3.7 million are active. Nearly 37 lakh customers were written off in Q1, denting the customer base growth.

The employee base increased to 12,290 end June 2018 from 11,242 end March 2018. The increase in employee base and salary increment mainly contributed to the rise in expenses of the bank. The cost-to-income ratio is expected to be maintained at 70% in FY2019.

About 80% of the liabilities will be raised through deposits. Retail deposits will 35% of the total deposits by March 2019. Legacy borrowings of Rs 2000 crore are expected to mature entirely in FY 2019. The securitized loan book of Rs 600 crore at the beginning of FY 2018 was closed end March 2018. The outstanding securitized loan book stood nil end June 2018. Also, Rs 56 crore of loans have been written off.

Microfinance loan growth of 20% is expected in FY2019. Branches at locations that were closed after demonetization have been re-opened. Thus, the microfinance loan growth is expected to accelerate from Q2 of FY2019. The overall loan growth is expected to be 30-35% in FY2019. The consolidated net interest margins will be maintained at 10.6%.

Advanced Enzyme Technologies

Palm oil products beckon

Revenues to grow 13-15%, Ebitda margins to be 43-44% and Pat margins 25-26% in FY 2019

Advanced Enzyme Technologies conducted a conference call to discuss the financial results for the quarter ended June 2018. Managing Director C L Rathi, Chief Business Officer Piyush Rathi and Chief Financial Officer Beni Prasad Rauka addressed the call. Highlights:

The revenues of Advanced Enzyme Technologies spurted 38% to Rs 104.3 crore in Q1 of the fiscal year ending March 2019 (FY 2019) over a year ago. Revenues from the US were up 72%, India 9%, Asia 38%, Europe 38% and Others 176%. The US contributed 51% to the top line, followed by India at 41%, Asia (ex- India) 4% and Europe and others 2% each. Europe's revenue contribution is projected to inch up to 9% in FY 2019.

The revenue growth was driven by the human nutrition business: up 42% to Rs 78.8 crore and formed 78% of the total business. The animal healthcare division's revenues rose 23% to Rs 13.4 crore and accounted for 13% of the total sales. The foods segment's income spurted 20% o Rs 5.5 crore and consisted of 5% of the total revenues. The growth in revenues by these divisions was partially offset by the 16% decline in sales to Rs 4.1 crore from industrial processing, forming 4% of the total revenues.

The top-most account contributed 16%, while the top 10 clients around 45% to the total sales. Serratiopeptidase was the largest-selling product, contributing about 25% to the overall revenues.

Earnings before interest, tax, depreciation and amortization (Ebitda) were up 64% at Rs 48.7 crore. The Ebitda margins were at 47% as against 39%. Profit after tax (Pat) surged 91% at Rs 31.2 crore.

Revenues are expected to grow 13-15%, with 43-44% Ebitda margins and Pat margins of 25-26% in FY 2019. Going forward, there is big opportunity in new palm oil products. Sales will start kicking in from FY 2020. The human nutrition business is likely to grow in low teens in the near term. Benefit of reduction in the US tax rate from 39% to 28% will curtail the overall tax rate to a range of 26-28%.

Cochin Shipyard

Sitting on Rs 1962-cr orders

The ship-building order book was Rs 4622.60 crore and the ship-repair order book Rs 870 crore

Cochin Shipyard hosted a conference call on 14 August 2018. It was represented by Chairman and Managing Director Madhu S Nair. Key takeaways:

The ship-building order book of Cochin Shipyard was Rs 4622.60 crore on 13 August 2018. Orders to be executed amounted to Rs 1962 crore. Of the orders yet to be implemented, the share of the indigenous aircraft carrier order was Rs 616 crore. The ship-repair order book was roughly Rs 870 crore. The INS Vikramaditya account comprised Rs 520 crore and others Rs 350 crore.

Finalization of the technical specifications of the anti-submarine warfare shallow water craft corvette order of the Indian Navy, which is worth Rs 5392.00 crore, is taking time. The draft contract has been discussed and is expected to be finalized in a couple of months. The order for passenger vessels for Andaman is expected to be announced by September 2018.

Though declared lowest bidder (L1) for 56 coastal ships and for the Rs 348-crore border outpost project from the Ministry of Home Affairs, these projects are showing no signs of moving forward. Hence, these potential contracts have not been included in the order book.

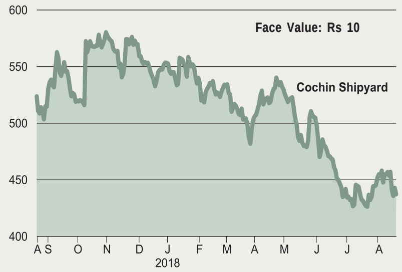
More than 15 requests for information have been submitted to the Indian Coast Guard and the Indian Navy. Once accepted, requests for proposal are invited. The process takes 18 months.

Of the ship-building revenues of Rs 454 crore, about 81% came from the defence sector. Of the Rs 204-crore revenues from ship repairs, about 60% comprised defence orders. The aim is to corner the maximum share of defence repairs. Work on INS Vikramaditya as well as Sagar Bhushan, which met with a fire accident, is getting executed.

Of the total ship-repair revenues in the June 2018 quarter, about Rs 114 crore was derived from repairs carried out on INS Vikramaditya. As per the Indian Accounting Standard 115, only cost and revenues were booked and not profit. The bulk of the ship-repair work on INS Vikramaditya will be completed by end of September 2018. The vessel will come back to Cochin Port on 25 May 2019 and stay for four weeks for some minor repair works and then sail to Karwar, Karnataka, where some more work will be carried out.

The order pipeline

Cochin Shipyard has been declared L1 for 56 coastal ships and for the Rs 348-crore border outpost project from the Ministry of Home



CMP Rs 437 as on 20 August 2018. One-year return: -17.91%
S&P BSE Mid-cap index one-year return: -23.33%

The focus is on finalization of phase III of the indigenous aircraft carrier contract with the Indian Navy and to conclude the deal by December 2018- March 2019. Work on the Rs 1799-crore dry-dock projects is going on. L&T has joined the project team. Work is gathering pace on the international ship-repair facility at the Cochin Port area. The Mumbai ship-repair facility, which was to be completed by August 2018, is delayed.

Greaves Cotton

Capex of Rs 100 crore

The OPM of 14.5% in FY 2018 will be maintained in FY 2019 despite commodity-price inflation

Greaves Cotton hosted a conference call on 14 August 2018. It was represented by Managing Director and CEO Nagesh Basavanhalli, CFO Neetu Kashiramka and Chief Strategiest-Marketing and Products Tarun Khanna. Key takeaways:

The engine volumes of Greaves Cotton grew 4.14% to 74,580 numbers in the June 2018 quarter compared with the June 2017 quarter. Generator set volumes were 1,300 numbers as against 1,100 numbers, diesel pump-set volumes 3,173 numbers versus 3,772 numbers and petrol-kerosene pump-set volumes 16,992 numbers compared with 15,830 numbers.

The contribution of the engines business to sales declined to 48% in Q1 of the fiscal year ending FY 2019 from 49% in Q1 of FY 2018 as the non-engines business registered strong growth. The share of aftermarket revenues was up 24% and others consisting of agri equipment, gen-sets and trading 28%.

The three-wheeler industry's engine volumes were up 15%, but diesel three-wheeler volumes could grow only 10% due to switch to the CNG segment on change in emission norms last fiscal year. Therefore, the engine volume growth of the dominant player in diesel engines was only 4%.

CNG engine sales spurted 200% to 1,300 numbers. The participation in the growth of the CNG segment is at the higher end, at 400cc, of the segment and not in the low-engine capacity market. A 4% price hike was taken in the engine segment.

CNG engines account for just 2% of the product-mix. The imminent introduction of Pinnacle Engines, at the lower end of the CNG engine segment, will boost volumes.

The after-market business registered double-digit growth in Q1 of FY2019. The shift towards CNG engines will continue. Greaves Care, an one-stop shop for services, repair and spares, currently has 74 outlets. The target is to reach 150 centers by the end of the current fiscal. -eHD pumpsets were launched pan-India. The planned capex of Rs 100 crore in the current fiscal year is mainly towards R&D. The operating profit margins of 14.5% in FY 2018 will be maintained in FY 2019 as well despite commodity-price inflation.

Kellton Tech Solutions

One-offs mar Q1

Comfortably placed for a high-teen growth despite lower Mauritius revenues

Kellton Tech Solutions held a conference call on 16 August to discuss the June 2018 quarter results. It was addressed by Chairman and Wholetime Director Niranjan Chintam. Highlights:

Consolidated net sales of Kellton Techn Solutions declined 3% to Rs 208.62 crore in the June 2018 quarter over the March 2018 quarter. Nearly 80% of the revenues were from the US. The operating profit margins (OPM) were down 170 basis points (bps) to 15.3%, resulting in operating profit (OP) falling 13% to Rs 31.92 crore. Profit after tax (Pat) slid 12% to Rs 19.64 crore.

Consolidated net sales were up 19% to

Rs 208.62 crore over the June 2017 quarter. The OPM went up 110 bps, leading to OP growing 28% to Rs 31.92 crore. Pat jumped 36% to Rs 19.64 crore.

Net sales were 2.4% lower over the March 2018 quarter due to strategic divestment of a subsidiary in the June 2018 quarter. The subsidiary had revenues of around US$ 9 million but low profitability and lower margins. The sale resulted in marginal gains.

Also, Phase 1 of the Mauritius government project of Rs 50 crore got completed in the March 2018 quarter. The phase had a billing of Rs 60 crore for the entire fiscal year ended March 2018 (FY 2018). Now orders for Phase 2 of Rs 30 crore have been received.

As many as 12 new clients were won in the June 2018 quarter, including one in the manufacturing sector, a software company and others in the healthcare, banking-financial-services-and-insurance and IT networking segments. Lot of traction is visible in digital transactions. Work is on various live projects and new technologies. The order book will last for a little over seven months, thereby comfortably placing for a high-teen growth in FY 2019 despite lower Mauritius government revenues in FY 2019.

The total debt of around Rs 140 crore is likely to get reduced or will remain at the same level going forward. The margins are projected to reach 17-18% going forward as more and more value-added services contribute. There are no plans to raise capital through qualified institutional placement for now. Funding requirement will be managed through internal accruals.

Pledged shares are not coming down due to banks' increasingly stringent norms. Cross-tax benefits for international subsidiaries and reduction in goods and services tax in India will result in lower tax rates. Acquisitions are on the radar. Buyouts will be based on customer base and capability rather than revenues.

Sudarshan Chemical

Focus on pigment business

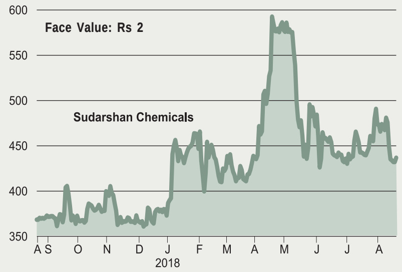
After getting out of manufacturing, to divest agrochemicals and formulation brand businesses

Sudarshan Chemical held a conference call to discuss the performance for the quarter ended June 2018. Managing Director Rajesh Rathi and CFO Vivek Thakury addressed the concall. Highlights:

The focus of Sudarshan Chemical will be entirely on the pigment business. Low-margin and non-strategic agrochemical business will be divested. The manufacturing business has been discontinued since April 2018. An agreement has been entered to transfer the formulation brand trading business. The transaction will close in the second quarter of the current financial year ending March 2018 (FY 2018).

Passing the buck

Sudarshan Chemical's price increase and tighter cost control will maintain profitability. Stability in raw materials pricing is likely by end Q3



CMP Rs 437 as on 20 August 2018. One-year return: 15.52%
S&P BSE Mid-cap index one-year return: -23.33%

The transaction to sell Prescient Color, a subsidiary, to Americhem Inc of the US was concluded on 1 June 2018. Selling of the master batch business demonstrates a commitment to grow the pigment business aggressively in the plastics industry through a no-conflict approach with customers. The gains from hiving off the masterbatch business are to be deployed to expand the pigment business.

Income from operations net of excise duty grew 14% to Rs 342.55 crore in the June 2018 quarter over a year ago. Profit before depreciation, interest and tax went up 25% to Rs 54.91 crore as major projects were launched to manufacture excellence benefits including lower utility consumption and plant maintenance cost. Wind mills installed in April 2018 boosted the operating profit margins to 16% from 14.7% in Q1 of FY 2018. Profit before tax was up 18% to Rs 39.31 crore.

The debt-equity ratio fell to 0.46 end June 2018 from 0.81 end March 2018. Raw material prices continue to rise and remained at elevated levels. Price increases are being taken to cover the increase in input prices with a lag. Thus, customer-price increase and tighter cost control are expected to maintain profitability. Stability in raw materials pricing is likely to come in by end of Q3.

Shankara Building Products

Sales grow 41%

As many as 65 of the 132 stores upgraded to have a larger spectrum of products

Shankara Building Products hosted a conference call on 16 August 2018 to discuss the June 2018 quarter results. It was represented by Executive Director Ravi Kumar. Key takeaways:

Three new stores were added in the June 2018 quarter, taking the total count to 132. The number of stores was 112 end June 2017. The total store area of stores rose to about 5.48 lakh square feet (sq ft) from 5.05 lakh sq ft end June 2017. The average store size now stands at 4,150 sq ft.

The process of upgrading stores continues. Five more stores have been put on the upgrade path. In total, 65 stores have been upgraded and have a wider spectrum of products. Low rentals and efficient space utilizations help to achieve breakeven per store faster.

Revenues grew 33% to Rs 785.2 crore, driven by 49% growth in retail to Rs 401.9 crore, 33% growth in enterprise to Rs 254.2 crore and 1% in channel to Rs 129.2 crore in the June 2018 quarter over a year ago. The retail segment accounted for 51% of the revenues, up from 46%. The operating profit margins declined to 6.2% from 6.6%.

Of the overall sales of Rs 785.2 crore, about 58.5% was derived from own products. Sales of steel and structured products increased 30%. Processing volumes rose to 78,500 tonnes from 73,000 tonnes, indicating 94% capacity utilization.

Comparable sales (sales from stores to have completed at least 12 months of operations) of the retail segment grew 29.6%.Sales growth of upgraded stores (opened on or before 31 March, 2017) was 41%. The average ticket size of the retail stores was up to Rs 30336 from Rs 22971. The average rental cost per month rose 11.5% to Rs 18.6 per sq ft.

The businesses of the two acquisitions, Vaigai Sanitation in Chennai and JP Sanitation, are getting stabilized, with key synergy being the new customer base. The staff is getting used to the enlarged product offerings. Capex of about Rs 30-35 crore in FY 2019 is to be spent largely on retail and warehousing. Capex on the processing side is Rs 30 crore. ■

Track interesting ideas with user-friendly tools

Capita Market magazine and Capitaline databases collect, standardize, analyze and disseminate financial, non-financial and stock market data covering the economy, sectors and companies in online and offline forms. As the power of data gets combined with market and corporate intelligence of our reporters, interesting ideas get generated.

Capita Telefolio is an online media-cum-database service through which Capital Market every week makes available these ideas backed by relevant data and information provided by Capitaline databases.

Wednesday Telefolio provides an idea every Wednesday and Friday Telefolio every Friday. Subscribers can log on to http://www.telefolio.com to view the latest idea and the past 52 ideas

Telefolio Plus subscribers can also access a detailed write-up on the idea along with more details about the company covered on http://www.telefolio.com.

Track record

Period ended 31 Mar 2018	Average Var (%) Telefolio	Sensex
12 Months	20	6
24 Months	44	16
36 Months	63	21
60 Months	140	32
As on 16 April 2018		

We also offer a premium online service Telefolio Gold (http://www.telefoliogold.com) to high networth individual clients, who want fewer but more convincing ideas and will like to follow them on a long term basis.

Various financial, non financial and stock market data and news related to our ideas are presented on http://www.telefolio.com and http://www.telefoliogold.com in a user-friendly way so that subscribers stay informed and can track the idea in detail and in time. Subscribers not only get good ideas but they get many tools to research and track them, saving a lot of efforts and time.

Various subscription options for Telefolio and Telefolio Plus are presented in the next page. Being a premium service exclusively for high networth individual clients, Telefolio Gold is available for subscription by invitation only. To get invited, kindly register yourself on http://www.telefoliogold.com .

Telefolio's Top ideas

In the last two years, while the S&P BSE Sensex has appreciated an average 16%, Telefolio ideas have gained an average 44%

Idea	Pub. Date	Pub. Price	Cur. Price 16-04-18	% Var	Sensex Var(%)	Idea	Pub. Date	Pub. Price	Cur. Price 16-04-18	% Var	Sensex Var(%)
Visaka Industries	13-May-2016	128	720	462	35	Merck	20-Jul-2016	701	1523	117	23
HIL	18-May-2016	522	2058	294	33	ITL Industries	18-Aug-2017	123	265	115	9
KEI Industries	18-Nov-2016	116	456	293	31	Kalpataru Power Tr	16-Nov-2016	219	469	114	30
PPAP Automotive	14-Dec-2016	157	590	276	29	GNA Axles	1-Sep-2017	260	550	111	8
Bharat Seats	17-Mar-2017	65	224	245	16	Autom Corp of Goa	12-May-2017	639	1313	105	14
Precision Wires Ind	6-Jul-2016	92	313	240	26	Triton Valves	14-Sep-2016	1056	2153	104	21
Visaka Industries	22-Feb-2017	222	720	224	19	Savita Oil Tech	23-Nov-2016	723	1436	99	32
HIL	18-Jan-2017	654	2058	215	26	Sharda Motor Ind	30-Dec-2016	1000	1945	94	29
Autom Corp of Goa	6-Apr-2016	430	1313	205	38	Bajaj Electricals	4-Aug-2017	325	619	91	6
GNA Axles	15-Mar-2017	192	550	186	17	Ruttonsha Intl Rect	9-Sep-2016	28	53	89	19
Morganite Crucible	15-Jul-2016	523	1494	186	23	BASF India	19-Aug-2016	1075	2015	87	22
Fineotex Chemical	27-Sep-2017	29	81	179	10	Power Mech Proj	21-Oct-2016	482	888	84	22
Shivalik Bimetal	13-Jan-2017	44	122	177	26	Minda Corporation	30-Sep-2016	100	181	81	23
Perfectpac	23-Aug-2017	114	311	173	9	M M Forgings	6-Sep-2017	602	1084	80	8
Ruchira Papers	1-Apr-2016	63	170	170	36	Grauer & Weil (I)	11-Jan-2017	35	63	79	26
JMC Projects (I)	19-Oct-2016	245	625	155	23	Nelcast	8-Mar-2017	52	92	77	19
DCM Shriram	25-May-2016	173	427	147	33	L G Balakrish & Bros	19-May-2017	681	1198	76	13
Precision Wires Ind	28-Apr-2017	129	313	143	15	Swaraj Engines	31-Aug-2016	1161	2035	75	21
Meghmani Organ	23-Sep-2016	42	101	141	20	WPIL	22-Jul-2016	352	612	74	23
Coromandel Intl	6-May-2016	222	534	140	36	Hind Rectifiers	17-Aug-2016	81	140	73	22
Goodyear India	20-May-2016	502	1198	139	36	Power Mech Proj	12-Apr-2017	528	888	68	16
JMC Projects (I)	31-May-2017	269	625	132	10	Munjal Auto Ind	16-Sep-2016	46	76	66	20
Sharda Motor Ind	11-May-2016	858	1945	127	34	EIH	8-Apr-2016	105	172	64	39
Automotive Axles	2-Aug-2017	725	1629	125	6	Samkrg Pist & Rings	2-Sep-2016	183	300	64	20
Roto Pumps	7-Oct-2016	52	114	119	22	Frontier Springs	29-Sep-2017	104	169	63	10

For complete list of ideas visit http://www.telefolio.com (Past performance is not an indication of future trends)

Pub. Date: Date of publication of the idea. Pub. Price: Price as on date of publication of that idea.

Capita Telefolio subscription options

Option No.	Subscription@ (Rs)	1 Year	2 Year	3 Year
1	F'day Telefolio	8,250* (52 ideas @ Rs 159 each)	13,000* (104 ideas @ Rs 125 each)	16,500* (156 ideas @ Rs 106 each)
2	W'day Telefolio	8,250* (52 ideas @ Rs 159 each)	13,000* (104 ideas @ Rs 125 each)	16,500* (156 ideas @ Rs 106 each)
3	F'day Telefolio Plus	10,750* (52 ideas @ Rs 207 each)	17,500* (104 ideas @ Rs 168 each)	21,500* (156 ideas @ Rs 138 each)
4	W'day Telefolio Plus	10,750* (52 ideas @ Rs 207 each)	17,500* (104 ideas @ Rs 168 each)	21,500* (156 ideas @ Rs 138 each)
5	F'day Telefolio + W'day Telefolio	14,500* (104 ideas @ Rs 139 each)	22,500* (208 ideas @ Rs 108 each)	**29,000*** (312 ideas @ Rs 93 each)
6	F'day Telefolio Plus + W'day Telefolio Plus	19,500* (104 ideas @ Rs 188 each)	31,250* (208 ideas @ Rs 150 each)	**39,000*** (312 ideas @ Rs 125 each)

Plus **FREE Capital Market magazine for 3 years Bumper Combo!**

And your benefits are...

If you opt for only W'day or F'day Telefolio, you pay Rs 8,250* for 52 ideas, costing Rs 159 each.
But if you opt for a 3-year combo **Telefolio** offer, you pay only **Rs 29,000*** for 312 ideas, costing only Rs 93 each.

Further, if you opt for a 3-year combo offer paying **Rs 29,000*** or **Rs 39,000***, you will also get 78 fortnightly copies (3-years subscription) of Capital Market magazine (costing Rs 5,850) FREE! + E-Book worth Rs 1000.

Online version Rs 1000

** inclusive of GST@18%*

SUBSCRIPTION COUPON

Capita Telefolio I want to subscribe for Option No____ for____Year **Rs** ______
(eg: Option No. **3** for **2** Year for **Rs 17,500***)

Name: ____________________

Company Name: ____________________ Designation: ____________

Address: ______________________________

Tel: ____________ Fax: ____________ E-mail: ____________

Enclosed cheque / DD Number ________ **Dated** ________ **Drawn on** ________

Bank Name ____________

Please send DD drawn only on Mumbai / Cheque favouring **Capital Market Publishers India Pvt. Ltd.**

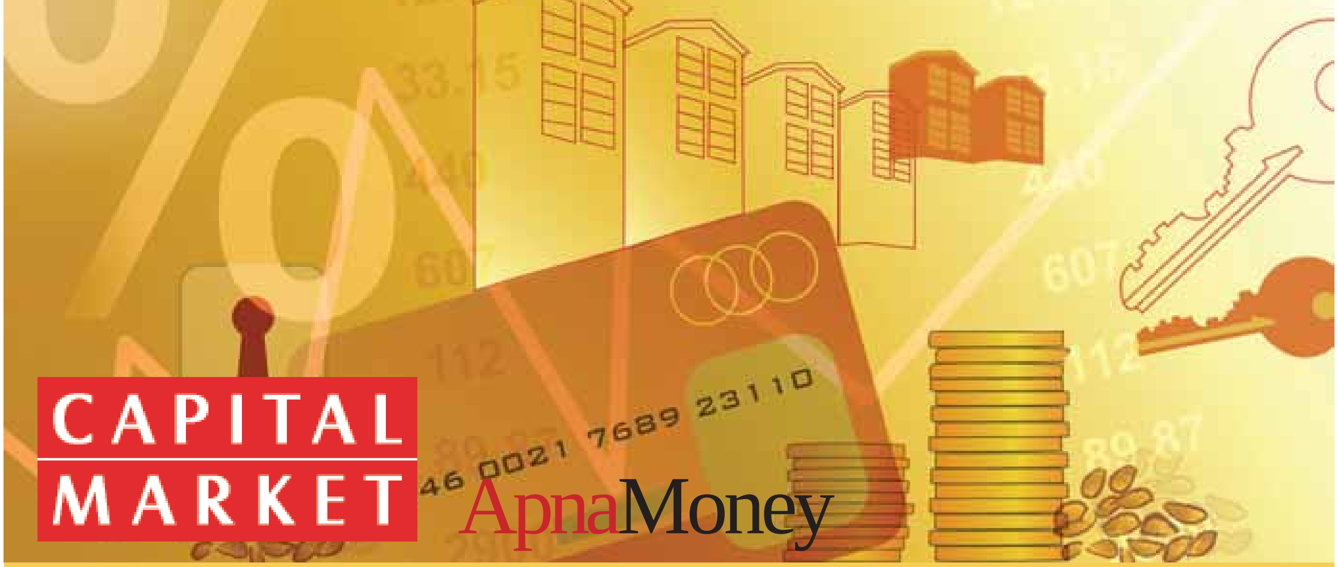
** inclusive of GST@18%*

In spite of the best efforts, sometimes Capita Telefolio ideas can go wrong. In such a case, Capital Market will not be held responsible for the losses (if any) suffered by subscribers. The subscription is not refundable.

Visit: http://www.telefolio.com

Capital Market Publishers India Pvt. Ltd.
401, Swastik Chambers, Sion-Trombay Road, Chembur, Mumbai - 400 071, Maharashtra, India Email: info@telefolio.com

Subscribe online: http://www.financeshop.capitalmarket.com



Taxation

Under-cover operation

The tax payer can discharge his onus by proving genuineness of trading transactions so the burden shifts to the IT department

Listed companies with a market price less than their face value are categorized as penny stocks. They are also called penny shares or cent stocks in some countries. These stocks are considered risky because of lack of liquidity due to smaller number of shareholders, large bid-ask spreads and limited disclosure of information.

There have been several cases of jacking of prices of penny stocks and shell companies so as to convert black money into white by showing long-term capital gains (LTCG). Hence, ordinary and small investors have to be cautious while investing in such stocks.

The illegal business of bogus LTCG involves three different people. First is the promoter, also known as syndicate member, who owns the initial shareholding, mostly in the name of paper companies that have issued shares through an initial public offer or purchased from the shareholders of a dormant company. Second is the share broker. The third is the entry operator who purchases these shares through paper companies by taking cash. At times a single individual may perform all the three functions.

The beneficiary is sold a fixed number of shares at a nominal rate. After the shares have been purchased by the beneficiary, the syndicate members start rigging the price gradually through brokers.

After a year, the beneficiary is contacted either by the syndicate member or the broker through whom the initial booking was done. He sells the shares, claiming exemption from LTCG tax. The beneficiary provides the required amount of cash that is routed through some of the paper companies of the entry operator and is finally parked in a company that will buy the shares from the beneficiary. The paper company issues cheque to the beneficiary.

In the merger method, the operators form a private limited company. Shares at par are allotted to the beneficiaries. The private limited company is merged with a listed penny-stock company by a high court order. The capital of the listed penny-stock company and the private limited company are so arranged that the beneficiaries post-merger get shares of the listed company in the ratio 1:1. Thus, the investor gets equal number of shares of the listed company.

The promoters of the listed penny-stock company run the syndicate. The brokers and the entry-operators through which the paper company's cash is routed are merely commission agents. Prices of shares are, thus, manipulated to 20-25 times the face value.

The investors hold the shares of the penny-stock listed company, which they got as a result of merger, for one year (statutory lock-in period for exemption under the Income Tax Act, 1961). They then sell the shares to one of the private limited shell companies of the operator. The investor thus makes LTCG. Though LTCG are booked while the share price is going up, the downward journey is used by the operators for booking bogus losses. People who have huge profit take the short-term capital loss (STCL) to set off their profit.

> Some assessing officers have treated LTCG as cash credits and as unexplained money and taxed at a higher rate and levied penalty

IT officials have denied benefits on penny stocks under the pretext that either the security or the broker dealing in them were being probed by the Securities and Exchange Board of India (Sebi) for manipulative practices.

In a few cases, the assessing officers have treated LTCG as cash credits under Section 68 of the IT Act, 1961, and, in a few cases, unexplained money under Section 69A of the IT Act. Addition on account of underling commissions under Section 69C of the IT Act also varies from 0.10% to 0.50% in different assessment orders. As the gains are treated as unexplained income, they were taxed at a higher rate and penalty is levied.

The tax payer can discharge his onus by providing evidences such as contract details, share certificates, demat accounts, trade details on stock exchanges and banking transactions. The tax payer is required to prove identity, creditworthiness and genuineness in spite of the fact that the transaction of sale of shares was made on a recognized stock exchange and was subject to the securities transaction tax. After the tax payer discharges his onus, the burden then shifts to the IT department.

In the case of Surya PrakashToshniwal, the Kolkatta IT Appellate Tribunal (ITAT) held that LTCG claimed as exempt under Section10(38) of the IT Act cannot be treated as bogus unexplained income if paper work is in order.

A recent ruling by the Mumbai ITAT directed IT officials to not take penny stock investors to task if a company they had invested in or brokers they were dealing with are being probed by Sebi. There are diverse judgments. Clarity from the Supreme Court will help.

— Tushar Doctor

Tax Matters

Will contribution to housing society's repair fund attract GST?

By T K Doctor & Zankhana P Mehta

I recently sold an apartment at Breach Candy in Mumbai. I made a good profit. Along with transfer charges, the housing society is demanding a huge amount towards major repair and common amending fund. Will my payments attract the goods and services tax (GST)?

— By Vasu dated 06/07/2018

A cooperative housing society whose annual collection exceeds Rs 20 lakh has to get registered under GST. In many cases, transfer fees charged by the society and paid by incoming and outgoing members on sale of apartment contribute significantly towards a society's annual collection.

The transfer fee is restricted at Rs 25000, as per the model bye laws under the Maharashtra Co-operative Societies Act, 1960. In reality, the fee runs into lakh or even more per transfer. If there are collections from transfer fees, there are chances that even small societies might have a turnover over the Rs 20 lakh and would need to register under GST.

Registering does not mean that the housing society has to charge GST in the monthly maintenance bills raised on its members. It cannot levy GST if the maintenance charge per apartment does not exceed Rs 5000 per month. The limit has been enhanced to Rs 7500 from 25 January 2018.

The housing society will not recover GST on reimbursement of expenses incurred and recovered from the members. These include various taxes paid by the society on behalf of its members such as municipal tax, property tax and water bill. Electricity charges are exempt from GST.

However, the housing society will have to levy GST on the contribution towards repair funds, carking parking charges, non-occupancy charges and transfer fees collected from its members as these are collected for supply of services meant for its members. So you will have to pay GST on transfer charges.

What is the difference between legal heir certificate and succession certificate?

— Suraj Ganatra, e-mail

Legal-heir certificate and succession certificate are entirely different. On the demise of the head of the family or a family member, the legal heir next in line including spouse, child or parent can apply for succession certificate.

> Housing society has to levy GST on contribution towards repair funds, non-occupancy charges and transfer fees

The main objective of the succession certificate is to facilitate collection of debts and securities due to a deceased on succession and afford protection to the parties paying debts to the representatives of the deceased person. The succession certificate establishes the authenticity of the heirs and gives them the authority to inherit debts, securities and other assets that the deceased may have left behind.

A succession certificate is not granted when there is a valid will. Also, a succession certificate is required when there is inheritance of immovable or movable property under various property laws. Such a certificate can be used for transferring electricity and telephone connection, house tax, bank account and filing of income tax returns.

To apply for succession certificate, a petition has to be filed by a family member before a competent court along with the requisite court fee and prescribed documents. The documents are the death certificate of the deceased person, time and place of death, the name of all legal heirs and relation with the dead person.

A newspaper notice, whose period is valid for 45 days, is issued by the court. Any person with a problem with it can file oppositions. If no objection is received, the court will issue the succession certificate.

If the deceased person is a government servant, then the legal heir certificate is issued for approval of family pension or to get appointments on concerned grounds. Legal-heir certificate is also provided for gratuity, pension, insurance, Employees' Provident Fund and retirement claims. Legal-heir certificates are not conclusive to determine the class of heir under laws of succession or titles of disputed property that belonged to the deceased.

Legal-heir certificates are issued by the tahsildar of the district to identify a particular deceased person's living heirs. The certificate can be obtained by filing an application with the taluka office along with the necessary fee and supporting documents. Online applications can also be filed by the child, spouse or parent.

The required documents to obtain legal-heir certificate are original death certificate of the deceased, identity card, ration card, name of family members and relationship and an affidavit on stamp paper worth Rs 20. About a month is needed to issue legal-heir certificate.

I am a very senior citizen. Suppose I make long-term capital gains (LTCG) of Rs two lakh and my gross income including LTCG is less than Rs 5 lakh. Am I supposed to pay LTCG tax?

— M K K Nair, e-mail

LTCG arising on transfer on or after 1 October 2004 but before 1 April 2018 of equity shares or units of equity-oriented mutual fund and the transaction is covered by the securities transaction tax is not chargeable to tax by virtue of Section 10(38) of the Income Tax (IT) Act, 1961.

The exemption given by Section 10(38) of the IT Act is not available if equity shares or units are transferred on or after 1 April 2018. Tax on LTCG arising on transfer of listed equity shares or units of equity-ori-

> Legal-heir certificates are not conclusive to determine the class of heir under laws of succession or titles of disputed property that belonged to the deceased

ented mutual funds on or after 1 April 2018 will be calculated as per special provision given in Section 112A of the IT Act.

As per section 112A, LTCG on equity shares or equity funds not exceeding Rs 1 lakh is not chargeable to tax. LTCG exceeding Rs 1 lakh will be taxable at the rate of 10% plus surcharge plus 4% health and education cess. All other LTCG are taxed at 20% plus 4% cess for the financial year (FY) 2018-19. The cess is 3% for FY 2017-18.

A basic exemption limit is available in some cases under Section 112 A of the IT Act. When tax is calculated under Section 112A, indexation benefit is not available. Deduction under Sections 80C to 80U of the IT Act is not available from these gains. For tax calculated under Section 112A, rebate under Section 87A of the IT Act is not applicable.

Basic exemption limit means income level up to which a taxpayer is not required to pay any tax. The limit is Rs 5 lakh for very senior citizen (80 years or above).

A resident Indian or resident Hindu undivided family can adjust LTCG against the basic exemption limit after adjusting all the other income. As you are very senior citizen (assuming you are resident) and your total income including LTCG of Rs 2 lakh is less than Rs 5 lakh, your LTCG of Rs 2 lakh will be absorbed in your basic exemption limit of Rs 5 lakh. So you are not liable to pay LTCG tax.

A resident Indian or Hindu undivided family can adjust LTCG against the basic exemption limit after adjusting all the other income

Recently, the Central government issued a new income tax returns (ITR) form for assessment year (AY) 2018-19 (financial year 2017-18). What are the changes specific to charitable trusts and non-profit organizations?

— Arvind, e-mail

Trusts have to disclose more information in ITR. Charitable or religious trusts filing ITR have to disclose the aggregate annual receipts of the projects and institutions run by the trust. However,, the table asking details about the name and annual receipts of institutes covered under Sections10 (23C) (iiiab), (iiiac), (iiiad) and (iiiae) of the IT Act, 1961, has been removed.

Date of registration or approval granted to the trust has to be provided. Amount utilized in the year for the stated objects out of surpluss accumulated in an earlier year has to be disclosed..

Details of fresh registration on change of objects under Section12A of the IT Act have to be provided. A new clause (ab) has been inserted in Section 12A(1) of the IT Act from AY 2018-19 to provide that when a charitable institution has been granted registration and, subsequently, it has adopted or undertaken modification of the objects that do not conform to the conditions of registration, it has to take fresh registration.

Consequential changes have been made in Form ITR7. If there are changes in the object, the trust will be required to furnish date of change in objects, whether application for fresh registration has been made within stipulated time period and fresh registration has been granted, date of such fresh registration.

Section 115 BBDA of the IT Act provides for levy of additional tax on dividend income received from domestic companies if it exceeds Rs10 lakh in aggregate. The scope of the section was extended by the Finance Act, 2017, by levying the additional tax on all resident tax payers except a domestic company, funds or institutions referred to in Section 10(23C) and a trust registered under Section 12A or 12AA.

Accordingly, necessary changes have been incorporated in Form ITR 7. All dividends in excess of Rs 10 lakh that are taxable under Section115BBDA of the IT Act have to be disclosed in Schedule OS (income from other sources) and Schedule SI (income chargeable to tax at special rate).

In Schedule TI (statement of income), all the corpus donations made by a trust to another registered trust has to be added back to the taxable income of the donor trust.

A registered taxable person has to display his registration certificate prominently at his principal and additional place of business

From AY 2018-19, Section13 A of the IT Act puts restriction on political parties against receiving cash donations in excess of Rs 2000. The new ITR7 requires to provide a declaration by selecting the 'Yes' or 'No' check-box to confirm whether it has received any cash donation in excess of Rs 2000.

New columns have been introduced in the ITR form to repost the details of goods and services (GST) paid and refunded. There is need to provide more details in the form for claiming capital gains exemption. A new field has been added to provide information on unquoted shares in accordance with amendment in Section 50CA of the IT Act.

Fields have been added to report the amount taxable as gift, disallowance of expenses in tax deduction at source (TDS) default and claim TDS credit when TDS has been deducted in the name of another person, from a common pool or other similar situations.

There is a new field to provide the details of late filing fees paid. Also, the new ITR form allows non-residents to furnish details of any one foreign bank account for payment of IT refund. It also requires reporting of income earned from carbon credits and tax. Thus, the IT department is seeking more information so as to facilitate e-assessments.

Our cooperative housing society recently registered under the goods and services tax (GST). Should we display the GST India (GSTIN) number?

— Sandeep Y, e-mail

Every registered taxable person has to display his registration certificate in a prominent location at his principal place of business and at every additional place of business, as per Rule 18 of the Central GST Act, 2017.

Failure to display the GSTIN number at the entry point of the principal place of business and at every additional place of business will attract penalty up to Rs 25000.

The replies are only in the nature of guidelines. The tax counsellors and the publication are not responsible for any decision taken by readers on the basis of the same. Readers may e-mail their queries on direct taxation to: *tax-matters@capitalmarket.com*

Mustard seed

All-round popularity

Strong domestic demand and export earnings indicated amid slump in output and the rupee

A good upside is expected in mustard seed futures on strong export demand for mustard meal, derived from the seed. The National Commodity and Derivatives Exchange (Ncdex) mustard seed futures are witnessing some gains. A bounce-back from near a three-week low of Rs 4120 per quintal extended in the second week of August 2018.

Prices had dropped end July-early August following a recovery in sowings of kharif (April-September) oilseeds. A buoyant export demand for rapeseed oil meal is capping the downside.

India's mustard seed production is estimated to have increased slightly to 8.04 million tonnes (mt) in the fiscal year ended March 2018 (FY2018) from 7.9 mt in FY 2017. As per the latest data compiled by Solvent Extractors' Association (SEA) of India, exports of oil meals were provisionally up to 1,48,983 tonnes in July 2018 from 1,25,904 tonnes in July 2017. Cumulative exports rose 24% to 8,98,872 tonnes in April-July from 7,25,250 tonnes a year ago. Exports, mainly to South Korea, Thailand and Vietnam, of rapeseed meal increased a sharp 123% to nearly 3,69,646 tonnes in the first four months of FY 2019.

The ongoing trade dispute between US and China has created uncertainty and is forcing China to look at other origins for its requirements of soybean and oil meals. It is relooking at the ban imposed on importing oil meals from India since the calendar year (CY) 2012, according to the SEA.

Mustard is a prominent oilseed in India and the world. Mustard finds plenty of local use, given its consumption in daily foods and other delicacies. Mustard oil, derived from mustard seeds, is popular in India. The seeds are crushed in solvent extraction plants to generate solvent oil. It is refined and sold in packages. The residue left after crushing the seeds is mustard meal, commonly used as animal food. The price trends in ready edible oil and mustard meal are closely linked to the supplies of mustard seed.

A come-back

A bounce-back from a near three-week low of Rs 4120 per quintal on the Ncdex extended in the second week of August 2018 on signs of overseas demand

Spot mustardseed prices in Jaipur, Rs per quintal

While it is quite early to take a call on the rabi (Ocober-March) sowing prospects and any supply response the growers initiate, the next few months will likely see a squeeze in domestic mustard seed supplies as inventories from the previous season run out. A continued surge in export demand for meal will propel domestic millers to crush more mustard in the near term.

The weakness in the Indian rupee is also an alluring factor. The currency has slumped to trade at a life-time low above 70 on strong demand for the US currency from importers. A sharp surge in trade deficit, too, has affected the rupee. Trade deficit soared to a near five-year high of US$18 billion in July 2018. Furthermore, depreciation of the Turkish lira against the US dollar has weakened the rupee further.

According to the United States Department of Agriculture August 2018 update for oilseeds, global rapeseed production is likely to decline 3.42% to 72.15 mt in marketing year (MY) 2019 (MY is different for major producing nations). Global rapeseed meal production is seen marginally up to 40.34 mt from 40.12 mt. However, export demand is projected to increase 4% to 6.10 mt. Exports from Canada are up to 4.7 mt from 4.5 mt. Indian exports are seen at 0.45 mt as compared with 0.4 mt.

Canada is the largest global rape seed meal producer and exporter. It producers a slight variant called Canola. Canola oil is renowned for its nutritional and culinary qualities. Canola meal is used as a high-quality protein ingredient for livestock, poultry and fish. The Agriculture and Agri Food Canada's June outlook report puts Canola supplies at 22.8 mt in the crop year 2017-18 (August-July) on slow pace of imports. As such, exports are forecast to decline from crop year 2016-17. The Canadian Grain Commission reported exports declining 0.6 mt in crop year 2017-18 over the previous year. Carry-out stocks are estimated to be up to 2.7 mt from 1.3 mt.

Seeded area for Canola in Canada is forecast to decrease to 9.2 million hectares (mha) in the crop year 2018-19 from 9.3 mha a year ago. Canola area in the Saskatchewan region is expected to fall 4% and in Alberta 2%. The area seeded in Manitoba is expected to increase 8%. Though down one mt from the previous year, production at 20.3 mt is forecast to be the second highest on record, assuming normal area abandonment and five-year average yields of 2.2 tonnes per hectare.

According to Food and Agriculture Organization's oil crops and oils and meals market assessment for July 2018, supply and demand balance is set to tighten for oil meals but will remain at a comfortable level for oils in MY 2017-18 compared with MY 20160-17. Oilseed production is poised to trail behind last season's record, mainly reflecting reduced yield levels in a number of countries following adverse weather conditions. Lower soybean production is expected to be only partly offset by gains in other oil crops.

Reflecting these developments, international prices of oilseed and oil meal went up in the first half of the season. Mustard seed prices at the benchmark Hamburg market averaged US $422 per tonne in July 2018, their highest in three months.

Outlook

Domestic mustard oil is set for firm consumption demand, particularly in the northern states. The onset of winter season might mark a strong surge in demand. The overall trend in retail consumption remains steady.

Canada's rapeseed meal exports are slowing down. India consumes around 21 mt of edible oils every year. Consumption is recording a CAGR of nearly 4%. Thus, the demand for broad edible oils complex is likely to stay elevated. The Wholesale Price Index for mustard seed surged 7.50% to a 21-month high of 140.80 in July 2018 over July 2017. The broad index for oil seeds also soared 10% to a 15-month high at 138.10.

The trend seems to be supportive for the oilseeds complex. Mustard might gain further in a seasonally lax period for supplies.

—Sachin Dabhade

see page 85

Power Mech Projects

Powering ahead

A strong order book, execution visibility and expanding international and non-power presence to boost growth

Hyderabad-based Power Mech Projects (PMP) was incorporated in 1999. The integrated power infrastructure services provider offers comprehensive erection, testing and commissioning of boilers, turbines and generators (ETC-BTG), balance of plant (BOP) works, civil works and operation and maintenance (O&M) services.

The track record consists of a wide range of erection and maintenance services projects for large power plants including 800-MW super-critical power plants. A large owned equipment base and strong project management systems and capabilities have enabled execution of large and complex projects in India and in overseas markets such as the Middle East, South Asia, South America, Africa, Gulf and the Middle East and North Africa (Mena) region.

Consolidated net sales rose 29% to Rs 461.93 crore in the June 2018 quarter over a year ago. Domestic revenues were up 14% to Rs 340 crore, while exports grew 97% to Rs 121 crore.

The civil segment's net sales spurted Rs 141 crore due to the construction work on the Rs 360-crore Vishakhapatnam project. The erection segment reported a net sales growth of 26% to Rs 181 crore, largely due to strong international erection orders. The O&M division's sales were up 6% to Rs 133 crore. The power sector accounted for around 70% of the revenues, with the non-power segment constituting the rest.

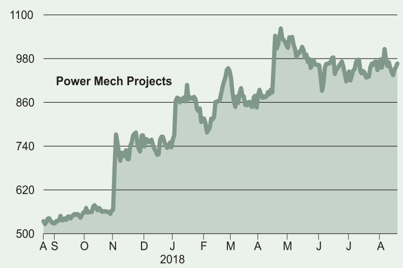
The operating profit margins were 40 basis points higher at 13.2%, resulting in operating profit growing 32% to Rs 60.75 crore. Higher exports and better execution lead to higher margins. Consolidated profit after tax jumped 35% to Rs 24.51 crore.

The order book of Rs 6400 crore end August 2018 was the highest ever in the history. Since the past several years, the order book would hover at Rs 3800-4000 crore. The significant jump provides strong visibility in earnings for the next two years.

Of the total order backlog, power orders comprise 65-68% and non-power orders the rest. Among the power orders, around Rs 2400 crore are mechanical and erection wins, Rs 1000 crore O&M contracts and around Rs 200 crore electrical works. Export orders accounted for Rs 1150 crore.

The Rs 6400-crore pipeline

From an average of Rs 3800-Rs 4000 crore, the order book of Power Mech Projects has shot up to the highest ever on inflows of Rs 1700 crore in FY 2019 so far



Share price on BSE in Rs

Power Mech Projects: Cons Financials

	1603(12)	1703(12)	1803(12)	1903(12P)
Net Sales	1378.21	1338.20	1547.83	1768.98
OPM (%)	13.2%	12.4%	13.1%	13.2%
OP	181.98	165.93	202.28	233.51
Other in.	5.54	7.70	6.72	9.49
PBDIT	187.52	173.63	208.99	242.99
Interest	32.90	32.93	35.88	35.90
PBDT	154.62	140.70	173.12	207.10
Dep.	39.03	40.93	42.84	43.53
PBT	115.59	99.77	130.28	163.56
Tax (incl deferred tax)	40.17	35.68	39.23	51.52
PAT	75.43	64.10	91.05	112.04
Share of profit from JV	0.28	0.56	-0.23	-0.10
MI	0.19	-0.03	11.37	12.00
PAT	75.51	64.68	79.45	99.94
EPS*	51.3	44.0	54.0	67.9

*Annualised on current equity of Rs 14.71 crore.
Face value of Rs10 each. Figures in crore.
Source: Capitaline Databases

The order inflow was Rs 36000 crore in the current fiscal year till August 2019. Nearly Rs 1700 crore of further orders are expected in the fiscal year ending March 2019 (FY 2019) given the participation and lowest bid (L1) positions in many. Thus, the order inflow is likely to exceed Rs 4500 crore in the current fiscal year as against the anticipated order inflow of Rs 3500 crore at the beginning of FY 2019.

Public sector orders for O&M were a big breakthrough. The large power projects that are floated currently come with a package including O&M services, where there is an edge. Further, around Rs 300 crore of tenders for non-power O&M are getting floated, opening up a first of its kind opportunity in the non-power segment for the only player in the business. Better economies of scale and higher O&M margins will bolster the headline margins.

To tide over the slowdown in the thermal power sector, selective openings are being explored in the non–power infra sector including in railway, transmission and distribution, roads and other industrial services. Thus, the non-power sector contributed to around 30% of the total revenues and comprised 32-35% of total order book end August 2018. The diversification into new projects has resulted in better economies of scale and lower working capital requirements, aiding in the overall higher margins.

Net debt stood at Rs 160 crore and the debt-to-equity ratio stood at 0.23 end March 2018. Most of the manufacturing and service facilities are already in place. No major capex is expected going forward.

International revenues accounted for around 20% of the total sales in FY 2018 compared with 15% in FY 2017.

Efforts are on to identify opportunities to bid and win international erection and O&M projects including through strategic partnerships.

We expect PMP to register consolidated EPS of Rs 67.9 in FY 2019. The scrip was trading around Rs 970 on 20 August 2018.■

CAPITALINE DATABASES TRANSFER PRICER

Capitaline Transfer-Pricer **www.capitaline.com**

Capitaline TP is a powerful analytical software tool available in both desktop as well as web-based versions, which enables extensive querying of over 35,000 companies and research for the purpose of Transfer Pricing analysis. With CBDT laws shaping India, Capitaline TP will play a significant role in enhancing the coverage of section contents and serve as a one-stop shop on transfer pricing issues. Capitaline TP provides the highly normalised and comprehensive data coverage required in transfer pricing analysis. The list includes public, private, co-operative and joint sector companies, listed or otherwise. Databases on various industries, their turnover, their business activities, their profit margins, their trends, and reviews on the industrys' progress, quarterly, half-yearly, and annually.

Capitaline TP Highlights:

- Capitaline TP database is widely trusted and being used by the income tax's transfer pricing department, major transfer pricing consultants and corporate houses.
- 300+ Industry classification.
- Classification as per 2008 NIC Activity & Codes.
- More than 30,000 products / services classified as per HS code.
- Know the profile and nature of business of the companies' or MNCs' associated enterprises.
- F A R Analysis (i.e., Functions, Assets and Risks Analysis)
- Industry Analysis of the tested party

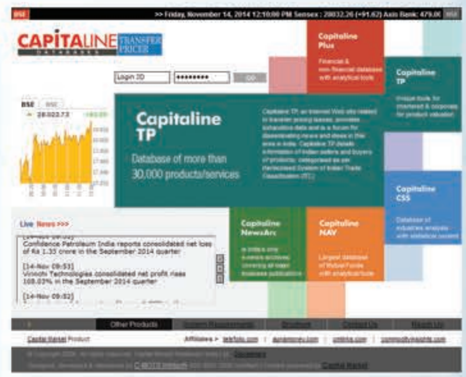
Select the most appropriate methods to examine the TP transactions from following:

1. Cost plus method
2. Resale price method
3. Profit split method
4. CUP method
5. Transactional net margin method

Simple steps in Capitaline TP using for Transfer Pricing Audit:

- Identify a Product /Activity for which TP audit has to be done
- Identify comparable companies based on criteria like Industry/ Product/ Segment/ NIC code/ ITC code
- Filter resulting companies further, on the basis of turnover, positive net-worth etc
- Eliminate or consider loss making companies based on PBT/ PAT
- Eliminate companies having related party transactions
- Use final set of companies to compare B/S and P/L using various statistical tools.

Based on final set Arithmetical mean of the profit margin consider for benchmarking and computation of Arm's Length Price.



TP Data Coverage

- Company's Annual Reports
- Director's reports
- Management Discussion and Analysis reports
- Notes to the Accounts
- Auditors' reports
- Profit and loss accounts
- Balance Sheet
- Related party transactions
- Nature of business
- Profit margins
- Production details: Finished Products, Raw Materials, Installed Capacity, and Capacity Utilised
- NIC classification
- HS classification
- Segment Details
- Peer Group Comparision
- Sector/Industry Trend

Screener module

A powerful screener module enables the Capitaline TP user to search companies based on different parameters.One can put multiple criteria to filter companies from the vast list of companies.

Search can be done on

Product code (ITC code), product name (HS classification), NIC activities, NIC codes, segment, business activities, or industry.

REGISTERED OFFICE:

Capital Market Publishers India Pvt. Ltd., 401, Swastik Chambers, Sion-Trombay Road, Chembur, Mumbai-400071

Tel: 91-022-2522-9720. Fax: 91-022-2522-0954 / 2523-0011 Email: tp@capitaline.com

RNI NO. 43797/86, Postal Regn. No. MNE/138/2018-20. License to post without prepayment WPP License No MR/Tech/WPP – 227/NE/2018.
Posted at Mumbai Patrika Channel Sorting Office, Mumbai – 400001 on Alternate Fridays & Saturdays. Published: Alternate Monday (20-08-2018)