

दीपवाली 2018

Stock Picks



MUHURAT TRADING : 5:00 PM TO 6:30 PM

**IOL CHEMICALS &
PHARMACEUTICALS**
TARGET PRICE : ₹ 174

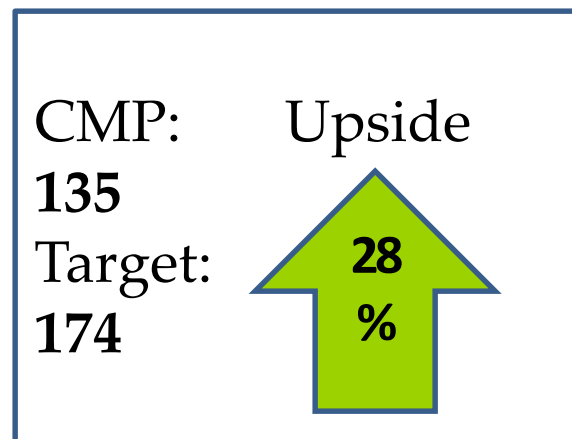
L&T FINANCE HOLDINGS
TARGET PRICE : ₹ 173

NESTLE INDIA
TARGET PRICE : ₹ 11859

**L&T TECHNOLOGY
SERVICES LIMITED**
TARGET PRICE : ₹ 2106



IOL Chemicals & Pharmaceuticals



CMP as on 2nd Nov. 2018

Stock Info	
Sector	Pharma.
Market Cap (RsCr)	702
52 Week High/Low	153/61

FINANCIAL SUMMARY

Y/E March	Sales (Rs Crs)	PAT (Rs Crs)	EPS (Rs)	P/E	RoE (%)	RoCE (%)
FY18	1001	28	4.9	25	12.8	4.5
FY19E	1301	62	11.1	12	22.4	8.9
FY20E	1627	85	15.2	11	23.5	10.6

Established in 1986, IOL Chemicals & Pharmaceuticals is India's one of the leading generic pharmaceutical company, and a significant player in the organic chemicals space. It has two business segments i.e. chemicals and pharmaceuticals.

Investment Rationale

IOL plans to invest Rs.200 crore over the next two years on capacity expansion. It plans to expand its flagship product– Ibuprofen’s capacity from 8,000 TPA to 12,000 TPA, keeping in view the recent approvals from USA and Europe. It also plans to enhance the capacity of its backward integrated products i.e. ISO butyl benzene from 9,000 TPA to 12,000 TPA, MCA from 7,200 TPA to 10,500 TPA and Acetyl Chloride from 5,200 TPA to 8,400 TPA.. Ethyl installed capacity 87000, current volumes 75000.

Key Metrics : Shortage of Ibuprofen in market and most of companies shutdown or stopped production due to environmental problems in Chinese market so there is increase in demand and Ibuprofen prices have gone up 25 to 40%.European markets price increase almost 50%.

Valuation: Value the company as an EV/EBITDA multiple, as currently stock is trading at 9 multiple. Expect that the company will trade at EV/EBITDA multiple of 7.5x FY20E EBITDA. Stock with buy recommendation with a target price of Rs 174.

L&T Finance Holdings



L&T Finance Holdings Ltd. is a NSE and BSE listed company and is also registered with RBI as an NBFC and CIC. It conducts its financial services businesses through various subsidiaries. L&T Financial Services is the brand name of L&T Finance Holdings Ltd.

Investment Rationale

Asset quality improved sequentially: Company's Asset quality improved sequentially with GNPA/NNPA declined by 83/38 bps QoQ to 7.1%/2.8% respectively and provision coverage ratio (PCR) improving to 62.5% up 49 bps QoQ

ALM: Company also has undrawn bank lines of Rs 4,146 Cr and Back up line from L&T of Rs 2000 Cr. From Sep 21, 2018 (date of market meltdown), LTFH has raised funds of ~Rs 18,468 Cr (Rs 4,041 Cr through market instruments and Rs 14,427 Cr through bank finance/ ICDs).

Focusing on Retail Growth: Bank's total loan book for the quarter grew 24% YoY to Rs 91,201 Cr, driven by strong growth in rural (71% YoY) and housing (40% YoY) segments.

Valuation: CMP the stock trades at 1.6x its FY19E BV and 1.4x its FY20E BV. We value LTFH at FY20E P/BV multiple of 2x to arrive at target price of Rs 165 share and maintain BUY rating on the stock.

CMP: **134**
Upside
Target: **173**



CMP as on 2nd Nov. 2018

Stock Info

Sector	NBFCs
Market Cap (Rs Crs)	24993
52 Week High/Low	203/111

FINANCIAL SUMMARY

Y/E March	NII (Rs Crs)	PAT (Rs Crs)	EPS (Rs)	P/E	RoE (%)	P/BV (x)
FY18	3683	1465	6.8	17	13.0	1.9
FY19E	4690	1895	9.2	14	13.2	1.6
FY20E	5920	2465	12.1	10	15.2	1.4

Nestle India

Nestle, a 62.8% subsidiary of its parent Nestle S.A. of Switzerland, is India's third largest FMCG company after HUL and ITC. The company set up its first factory at Moga, Punjab, to develop milk production. Over the years, Nestle has set up seven factories across the country and is now involved in manufacturing and marketing of a range of quality products.

Investment Rationale

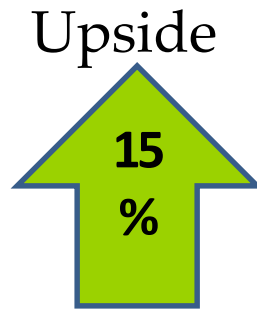
New Product launches : Aggressive new product launches in existing categories and foray into new categories (breakfast cereals, spreads and adult nutrition categories) are expected to give better revenue recognition in medium to long-term. Cost pressure is now rising led by crude and some agri-commodities, but appears manageable and would be mitigated by price hikes and cost-saving measures.

Strong Margin : soft commodity prices and cost-efficiency programme has helped NEST to grow its EBITDA and net earnings by 24% and 30% YoY despite of huge investment in marketing activity in during latest quarter.

Valuation:

Nestle focus on innovation, new launches, market share and premiumisation is forecasted to boost volume-led growth top line and market share focus is encouraging. As we roll forward to CY19, we assign 58x CY19E EPS to arrive at revised TP of INR11,658

CMP: 10230
Target: 11859



CMP as on 2nd Nov. 2018

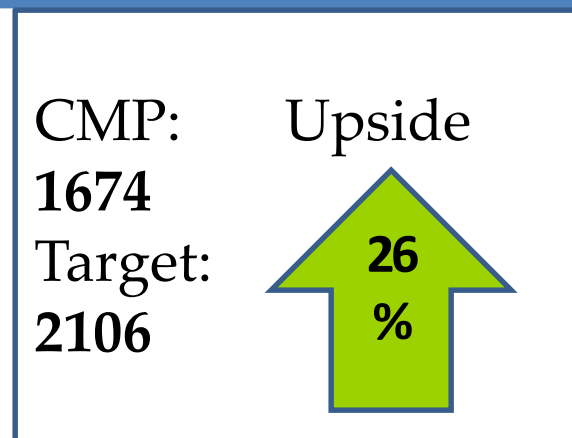
Stock Info

Sector	Packaged Food
Market Cap (Rs Crs)	93856
52 Week High/Low	6887/11700

FINANCIAL SUMMARY

Y/E March	Sales (Rs Crs)	PAT (Rs Crs)	EPS (Rs)	P/E	RoE (%)	EV / EBITDA
FY17	10009	1225	127	75	36	42
FY18E	11511	1669	173	58	44	34
FY19F	13343	1934	201	45	51	27

L&T Technology Services Limited



CMP as on 2nd Nov. 2018

Stock Info	
Sector	IT
Market Cap (Rs Crs)	17,423.
52 Week High/Low	1852/808

LTTS is a leading global pure play engineering research and development (ER&D) services company, offering design and development solutions throughout the product development value chain across various industries, including Industrial Products, Medical Devices, Transportation, Plant Engineering, and Telecom & Hi-tech.

Investment Rationale

During Q2FY19, the company has won 6 multimillion dollar deals across Industrial Products, Process Industry and Telecom & Hi-tech. The company experienced turnaround in the industrial products vertical, and now all its industry verticals are delivering double-digit growth. The patents portfolio of L&T Technology Services stood at 349 out of which 256 are co-authored with its customers and 93 are filed by LTTS

It has won a large deal worth USD 40 million to provide digital content management services to a technology company's industrial products segment.

Key metrics: Top-5 and -10 clients: The Top-5 and -10 clients grew 4.5% and 3.4% QoQ, respectively; growth outside the top-10 clients stood at 6.0% QoQ.

Valuation: The management of the company expects a healthy deal pipeline and good traction in focus areas such as Edge computing, Smart Manufacturing, IoT, Electric & Autonomous vehicles, stock will see a price target of Rs.2000 in 1 year P/E of 25x and FY20.

FINANCIAL SUMMARY

Y/E March	Sales (Rs Crs)	PAT (Rs Crs)	EPS (Rs)	P/E	RoE (%)	EV/EBITDA
FY18	3747	511	50.1	30	29	25
FY19E	5020	727	70.5	21	34	16
FY20E	5925	830	80.6	18	33	13

BONANZA RESEARCH

RATINGS, VIEWS AND RELATED RATIONALES

Buy - More than 10% upside

Sell - More than 10% downside

Hold - Between - 10% to 10%

Disclosure

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Corporate Office :Plot No. M-2, Cama Industrial Estate, Walbhat Road, Behind 'The Hub' Goregaon (E), Mumbai -400 063. Tel.: 022-67605500 / 600

Head Office :2/2 A, First Floor, Lakshmi Insurance Building, Asaf Ali Road, New Delhi - 110 002. Tel.: 011-30181290 / 94

Web: www.bonanzaonline.com