

## Economic Freedom at Midnight-2017

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The Central Hall of the Parliament is known to have hosted the famous “Tryst with Destiny” speech on the midnight of India’s independence on August 15<sup>th</sup>, 1947. The historic Central Hall again witnessed the launch event of **Goods and Services Tax (GST)** at midnight on June 30<sup>th</sup>, clearly reckoned as the **Economic Freedom** for the country.

While we have time and again reiterated our bullish view on the long term prospects of the Indian capital market and the economy as a whole, there can be a **temporary blip** following the new tax regime in action. We have seen markets react on the news of events like Brexit and demonetisation however the Indian market started its one way up move since December without any significant correction. The liquidity driven rally led to many stocks rallying altogether into a different orbit but now the Nifty corrected over 1% in the month of June with many quality stocks tumbling over 10%.

With no clear vision of the probable impact of the GST on the earnings growth and with experts trying to predict the same in all possible manners, there can be short term weakness on the indices, however the long term trend remains intact. Investors waiting on the sidelines with cash need to use these temporary hiccups as opportunity to choose quality stocks with staggered buying. To aid our clients in this approach we have brought forward a list of stocks collated by *moneycontrol.com*:

### **KEC International (Power transmission and Equipment)**

The Company’s FY17 financial performance was marked by healthy working capital and significant decline in the debt levels. With strong order book and managements focus on improving margins, company is expected to post healthy PAT with improved ROE in coming years.

### **Eicher Motors (Automobiles)**

Eicher Motors’ Royal Enfield motorcycle (which contributes ~88% of consolidated PAT) volumes have grown at an astonishing CAGR of 52 percent in the period CY12-FY17. Going ahead, capacity expansion, dealer expansion & capturing under –penetrated 250-750 cc segment in the export market can lead to robust volume growth in coming years too.

### **Larsen & Toubro (Heavy Engineering/Construction)**

With the Company’s continued focus on profitable order executions, optimization of working capital, restructuring of its business portfolio with the aim to enhance its ROE, the company’s operational performance, termed as the “barometer of Indian economy” is poised to improve.

### **United Phosphorus Ltd. (Chemicals/Fertilizers)**

It is the largest agrochemicals manufacturer in India and ranked among the world’s top 5 agrochemical manufacturers. Its strong focus on brand building and customer reach are helping the company in increasing its market share in major addressable markets. Good recovery in the south cone and Latin America would help the company to maintain robust performance going forward.

### **Transport Corporation of India (Logistics)**

Transport Corporation of India Limited (TCI) is an integrated supply chain and logistics solutions, provider. The Company's segments include Freight Division, Supply Chain Solutions Division, Seaways Division, Energy Division and Global Division. Currently, the company is subject to increased tax liability due to the double taxation system. With the implementation of GST, this will change the cascading effect, reviving the revenue growth.

## Greenply Industries (Plywood)

Currently around 60% of the plywood industry in India is unorganized. We believe there will be a gradual shift from the unorganized to the organized sector hence helping the company to gain market share. Greenply Industries is well poised to play out a leading trend change in the interior infrastructure space over the next few years. For the next 2 years, the company is in capex mode.

## Exide Industries (Batteries)

Exide is a largest Lead Acid storage battery manufacturer in India. The Company manufacture batteries for automotive, industrial, and submarine applications in India and abroad. Exide is likely to be a key beneficiary of GST implementation in India. It is likely to benefit from a) Lower indirect tax outgo and b) Entry into the un-organized market which forms ~40% of aftermarket segment.

The company has also tied up with Sydney based company, Ecoul to set up manufacturing plant of Lithium ion batteries for electric vehicles, since India is primed to become a major electric mobility market in the years to come.

## Jubilant Foodworks (FMCG)

With increasing discretionary spending, changing preferences and more corporate jobs, the long term potential of food service industry appears bright. Jubilant Foodworks can capitalize the same with dominant position with its cost effectiveness and strong same store sales growth (SSSG), and is a key beneficiary of urban consumption revival.

### Market Tweets

- Premji Invest, the private equity investment fund of Wipro Chairman **Azim Premji**, will buy 2.2 percent stake in **Aditya Birla Capital Ltd.** after the planned merger of Aditya Birla Nuvo Ltd. and Grasim Industries Ltd. is completed, and the financial services business of Grasim is hived off into Aditya Birla Capital.
- Credit rating agency, **CARE** has revised rating assigned to **Transformers & Rectifiers (India)**'s long term bank facility from '**BBB+**' to '**A-**' with stable outlook worth Rs 10.02 crore and short term bank facility rating of the company revised from '**A3+**' to '**A2**' with stable outlook worth Rs 150 crore. Transformers and Rectifiers (India) is one of India's leading transformer manufacturer.
- Ace investor **Porinju Veliyath** has picked up a stake in **Raunaq EPC International**. According to BSE bulk deal data, Porinju bought **35,000 shares** of the pipeline and storage infrastructure solutions provider at an average price of Rs.143.26 on June 28<sup>th</sup>.
- **Shiva Cement** shares jumped 16.43% on Thursday, June 29<sup>th</sup> after the **JSW Cement Ltd.** increased its stake in the company to over 50%. On Wednesday, June 28<sup>th</sup> JSW Cement bought 25 lakh shares of Odisha-based Shiva Cement at a price of Rs 21.25 through block deal.
- The rating agency **ICRA Ltd** on June 29<sup>th</sup> has revised the outlook on long term rating to '**Stable**' from **Negative** for **Maharashtra Seamless Ltd**'s Rs. 718.5 crore working capital limits. Maharashtra Seamless Ltd (MSL), flagship Company of DP Jindal Group, manufactures Seamless Pipes, ERW Pipes, and Coated Pipes in India.
- Credit-rating agency **Crisil** on Thursday, June 29<sup>th</sup> had taken 8.9% stake in local rival **Credit Analysis & Research (CARE)**, which can be seen as the first step towards a potential acquisition of the company in the future.