Equity Research

NIRMAL BANG
a relationship beyond broking

2017 YEAR OF

2018.....?

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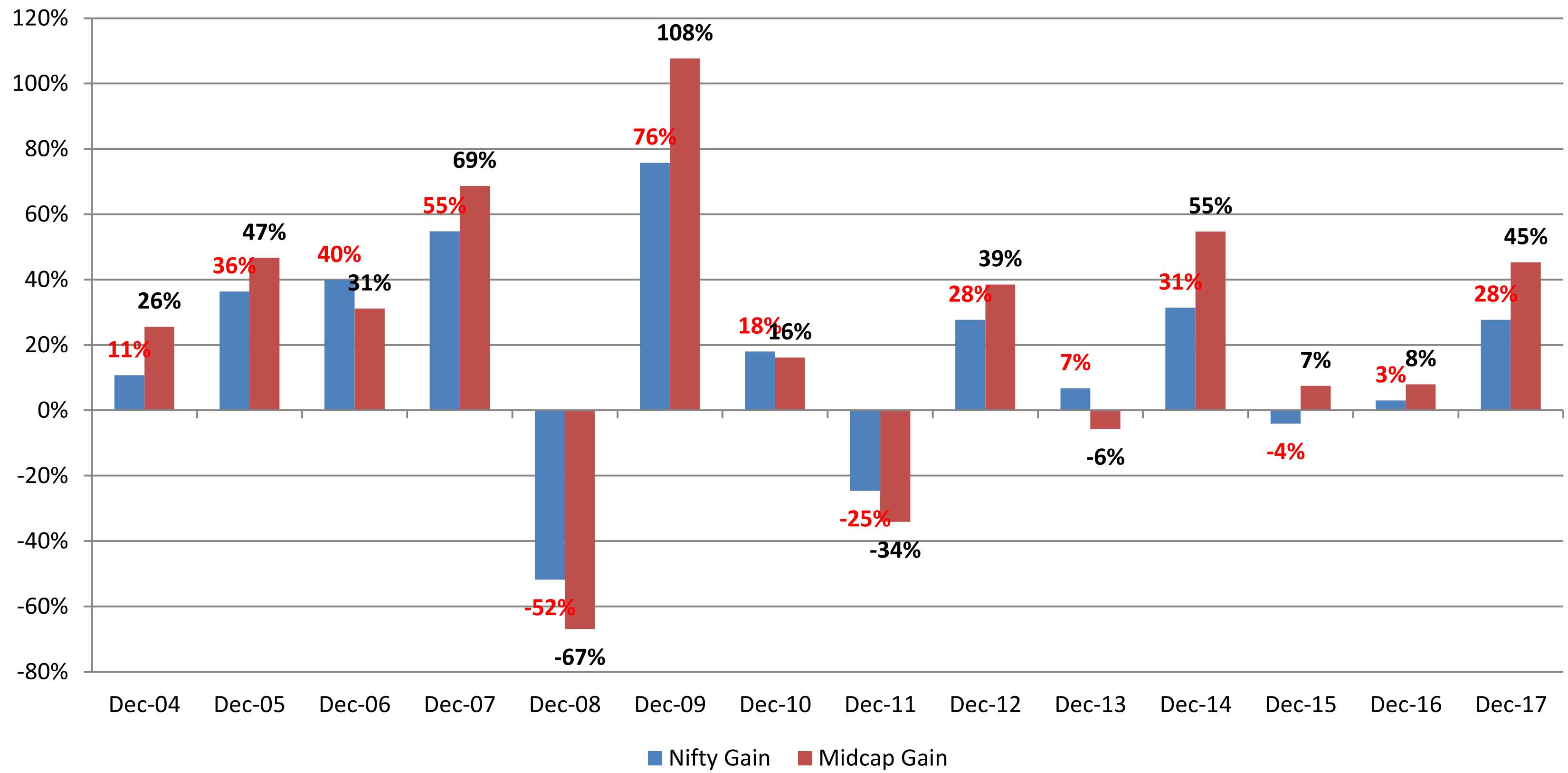
2017 year of Equity

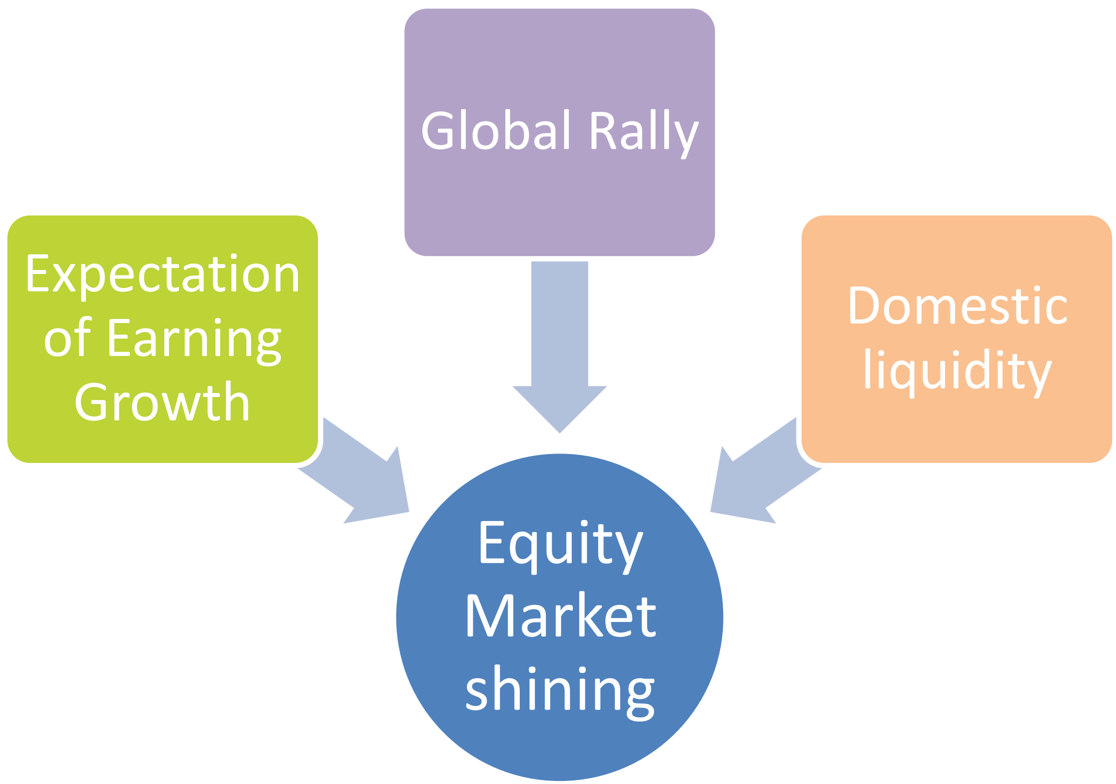
Score Card 2017		
Nifty	Up	28%
Mid Cap	Up	45%
Small Cap	Up	56%

2017 year of Equity



After a strong performing year we had seen lower performance in following year But trend in 2003-2007 was different. Can 2018 follow 2003-2007 trend?

What is Driving the market

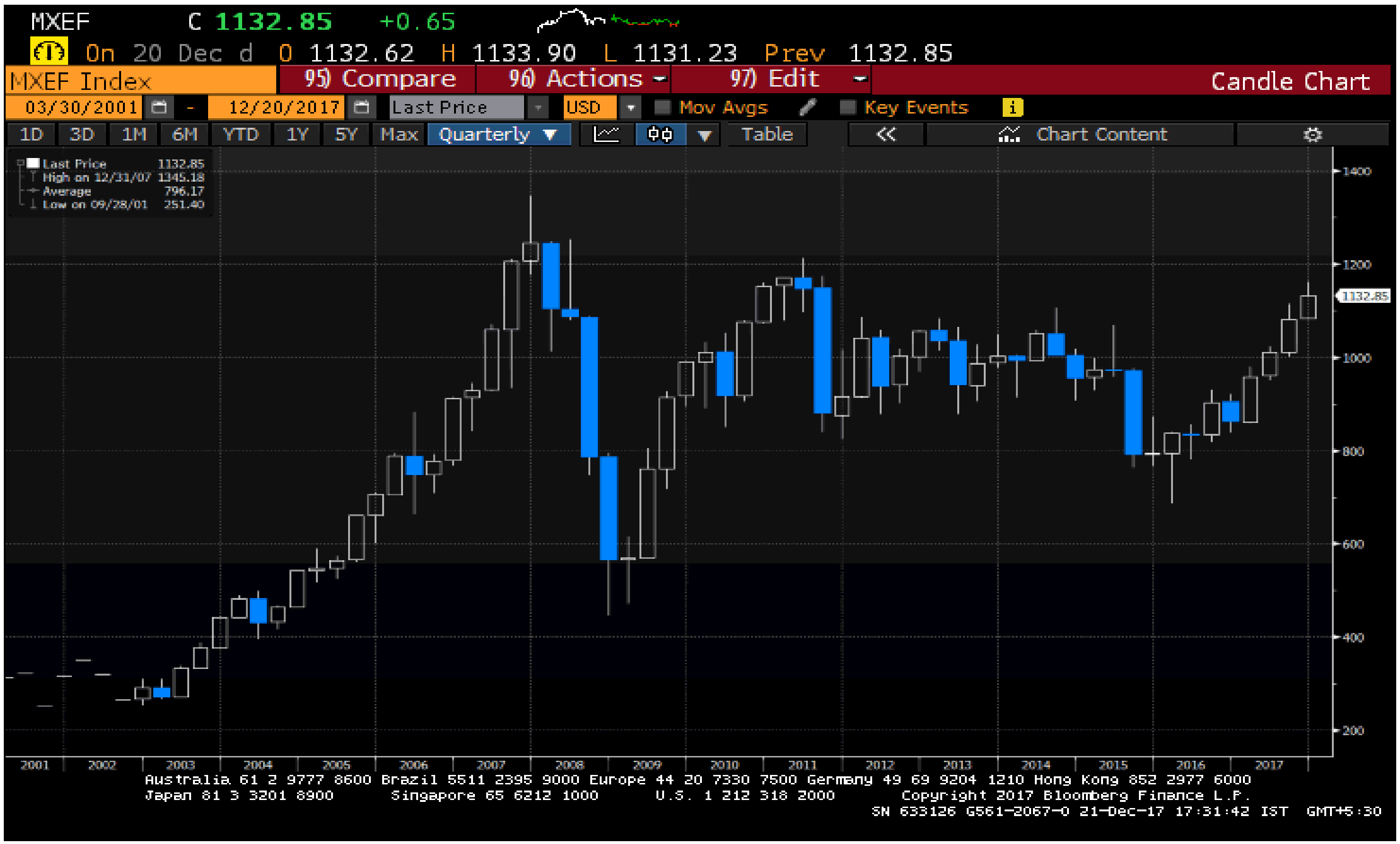


To understand future we need to under stand what is driving market now

Equity markets across the world have given good returns

Indices	YTD Return
MSCI World	19.66
MSCI EM	31.38
Kazakhstan Se	55.65
HANG SENG	33.44
NIFTY	27.65
Dow Jones	25.12
Greece ASE Athens	22.7
Poland WSE WIG	22.42
IBOVESPA	21.82
DAX	13.83
Taiwan Taiex	13.35

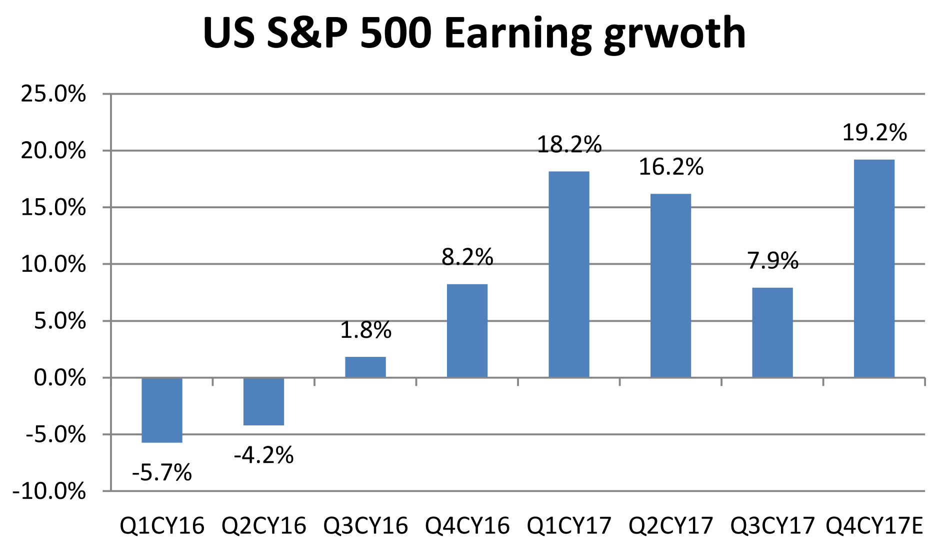
2003-to-2007 was a global rally…. 2017



To sustain rally in India in 2018 it has to be a global rally

Rally in US equity market is driven by Fundamentals

Year	S&P 500 Earning	Earning Growth
CY12	99.21	6.0%
CY13	105.98	6.8%
CY14	112.40	6.1%
CY15	108.79	-3.2%
CY16	108.80	0.0%
CY17E	125.12	15.0%
CY18E	137.51	9.9%

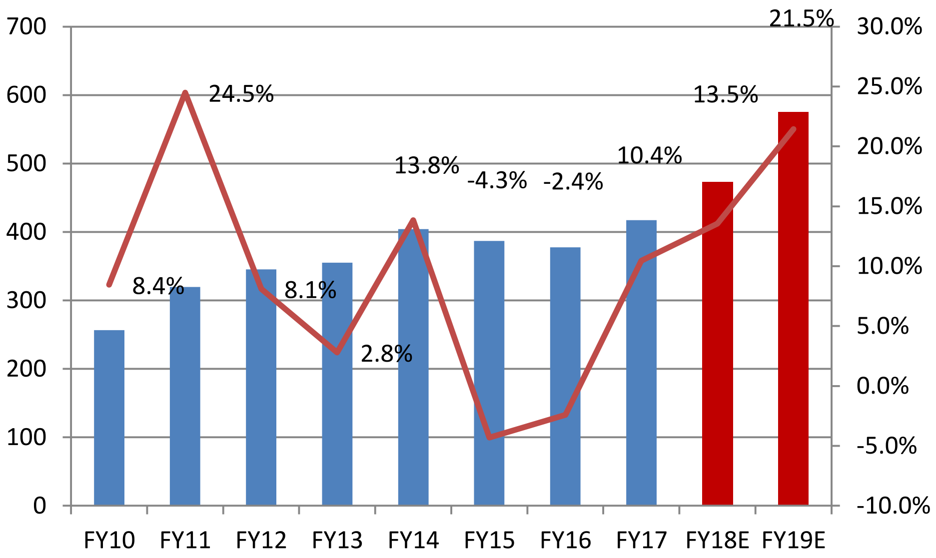


Unlike India, In US corporate earning growth is visible

Performance of US market seems sustainable

Recently FED increased the GDP expectation of CY18 to 2.5% from 2.1%

High Expectation Of Earnings Growth in India



Indian market is driven by more of expectation than actual

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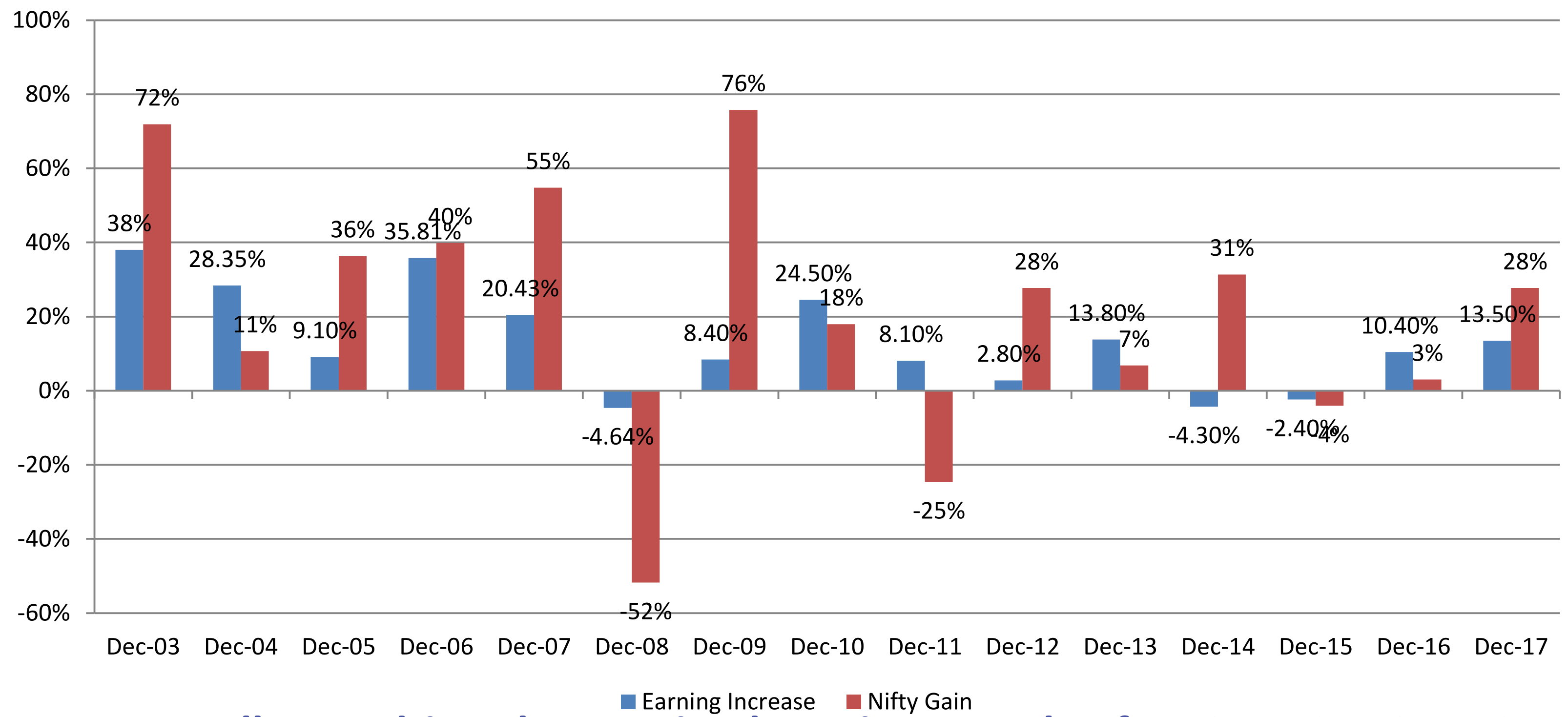
Earning growth Must



2003-2007 rally was driven by sustained earning growth of 38%, 28%, 9%, 36% and 20% in FY04,FY05,FY06, FY07 and FY08 respectively

For 2017 rally to continue in 2018 earning has to improve .

Stage Set For Higher Earnings Growth

- Low base
- Revival of Global demand
- Revival in rural demand
- Focus on infra spending and make in India initiative
- Low interest rate and high liquidity

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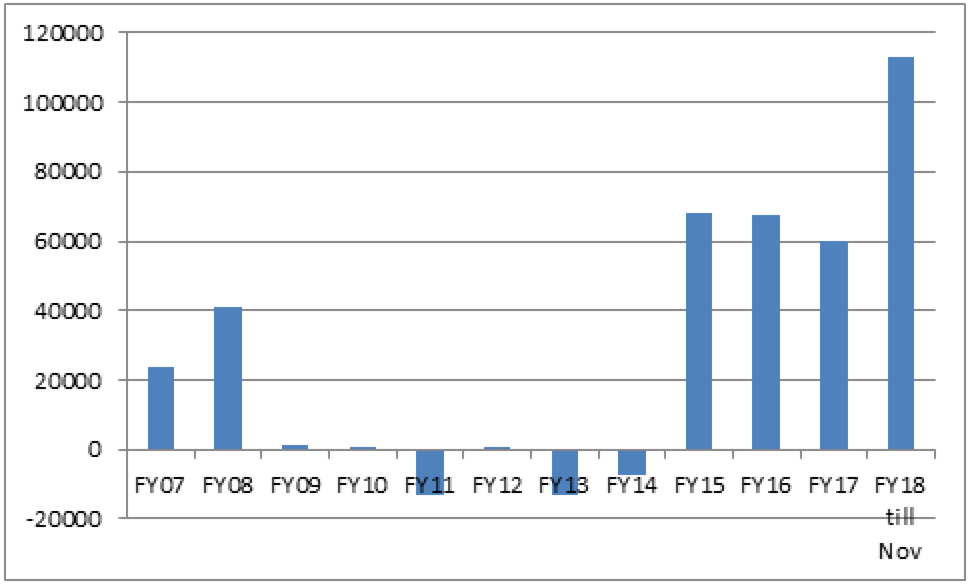
Domestic Liquidity To Support Market

Mutual Fund inflow is sustainable and long term

Rs. In Cr	FII	DII
Jan-17	(1582)	4749
Feb-17	8704	2361
Mar-17	26473	(4396)
Apr-17	(6627)	9247
May-17	(453)	3951
Jun-17	(3759)	6528
Jul-17	1465	4786
Aug-17	(15996)	16205
Sep-17	(23970)	21026
Oct-17	(7827)	10091
Nov-17	(13515)	9243
Dec-17	(3809)	4447
Total	(40895)	88238



2003-2007 Rally was supported by FII liquidity

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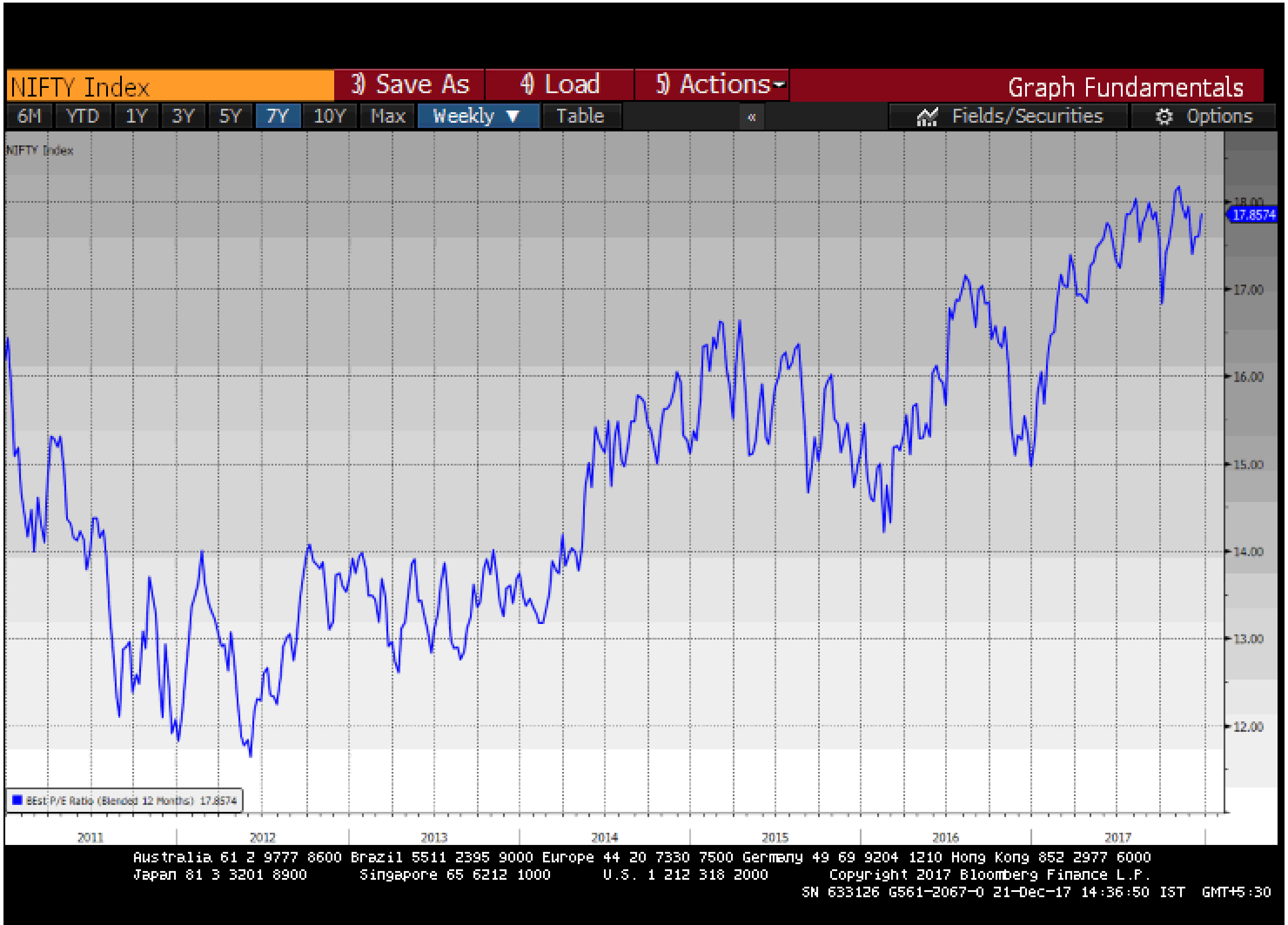
But Valuations Are At Multi Years High



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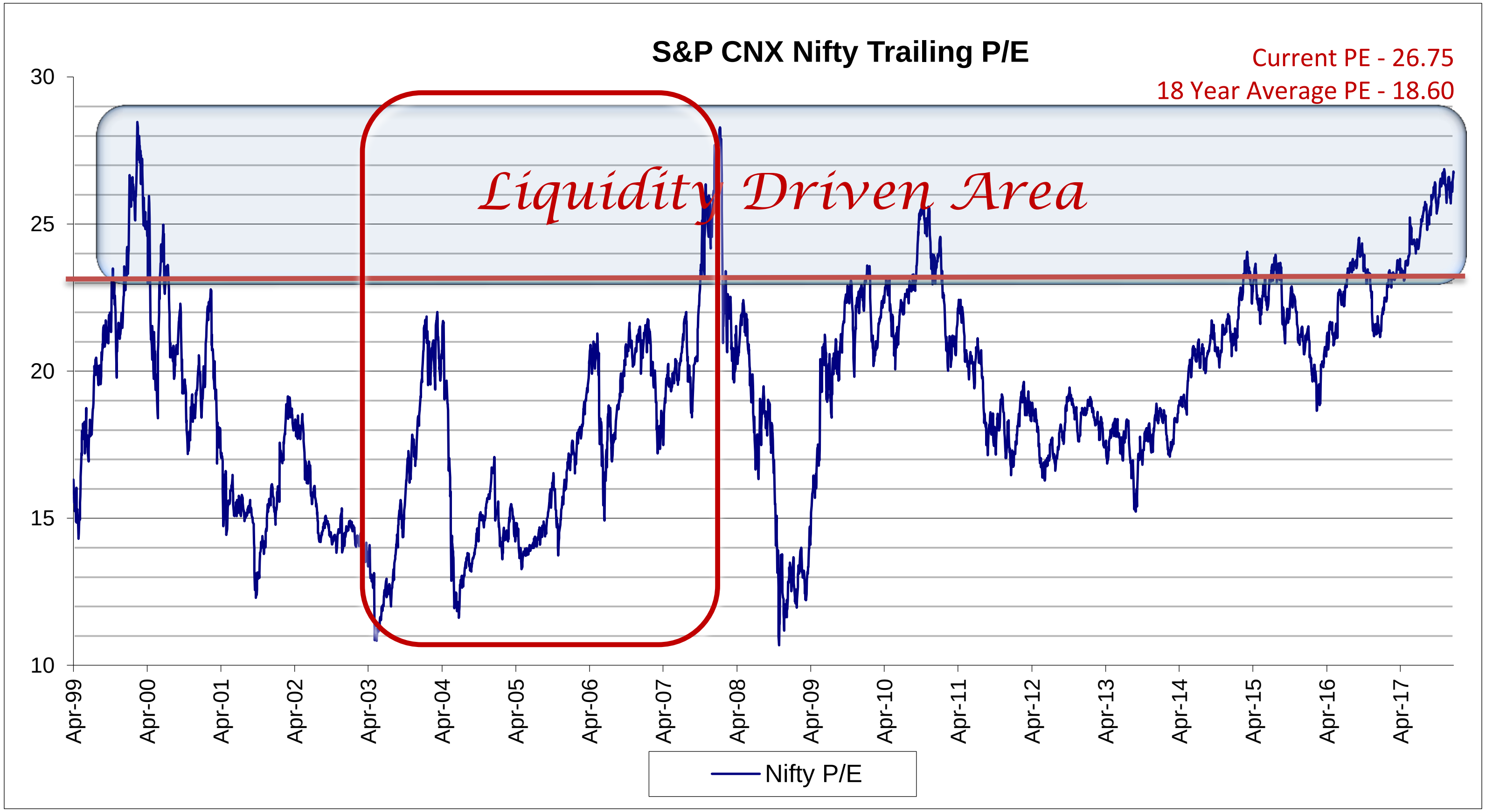
But Valuations in 2003-2007 were not high



Since current rally is not supported by earning, the valuation has moved to high point. To sustain the rally earning has to revive

Valuations across markets are multi year high

Index	Country	1 Yr Fw PE	7 Yr High PE	Var
MSCI World	World	16.98	17.10	0.7%
MSCI EM	EM	12.41	12.87	3.7%
S&P 500	US	18.10	18.10	0.0%
DAX	Germany	13.58	15.41	13.4%
Jakarta Comp	Indonesia	15.92	16.69	4.9%
Nifty	India	17.85	18.22	2.1%
Nikkei	Japan	18.19	19.64	8.0%
Hangseng	Hongkong	12.04	13.22	9.8%
FTSE	UK	14.45	16.31	12.9%

2003-2007 V/s 2017 -........

2003-2007	2017- ....
➢ Global Rally	➢ Global Rally
➢ Supported By earning growth	➢ Not Supported By earning growth
➢ Supported By FII liquidity	➢ Supported By Domestic liquidity
➢ Private Investment driving	➢ Private Investment Missing
➢ Stable Macro Environment	➢ Stable Macro Environment

To sustain this rally for longer period the earning should revive strongly and Global rally should continue

Near term Outlook

- US earning are likely to be better
- Domestic earning likely to improve
- Liquidity flow continue
- No major event before budget
- Near Term outlook is positive

Risks

- Correction in International markets
- Corporate earning should improve
- Geopolitical issue
- Initial Sign of pickup in inflation
- Reversal of QE / Increase in interest rate in US

Diwali Pick Return

Company	Rec Price	CMP	Return
Control Print Ltd.	382	483	26.3%
Minda Corporation Ltd.	144	191	32.8%
Rane (Madras) Ltd.	504	750	48.8%
S. Chand And Co. Ltd.	464	521	12.3%
Shemaroo Entertainment Ltd.	400	440	10.0%
Tata Global Beverages Ltd.	210	300	42.9%
Average Return			28.8%
Nifty	10235	10453	2.1%

S Chand and Company Ltd.

CMP: Rs 520 **Target: Rs 631**

Investment Rationale

- Highest growth in last 5 years - Over, FY12- FY17, Sales grew to Rs 684cr in FY17 led by both organic and inorganic way (CAGR 31.6%)
- Presence in the growing industry will support the growth of the company
- Strong Financials Support Inorganic Growth - S Chand reported constantly higher Ebitda margin of above 20% and requires limited investment in Fixed asset. From FY12-17, S Chand has invested almost around Rs 584 cr in acquisition and digital platform which lead to lower ROCE but excluding digital investment ROCE stands at 17.2% in FY17.

Year	Revenues (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	Adj PAT (Rs cr)	Adj Margin (%)	EPS (Rs)	PE (x)	EV/ EBITDA
FY16	537.8	12.8%	125.2	23.3%	52.2	9.7%	17.4	29.9	12.8
FY17	684.1	27.2%	170.9	25.0%	61.9	9.0%	20.8	25.0	10.4
FY18E	818.0	19.6%	204.4	25.0%	93.7	11.5%	27.0	19.3	8.2
FY19E	938.7	14.8%	237.8	25.3%	123.3	13.1%	35.5	14.6	7.2

Dilip Buildcon Ltd

CMP: Rs 987 **Target: Rs 1324**

Investment Rationale

✓Sales of BOT/HAM projects will free capital for growth

✓Consistent track record of early completion of projects

✓Industry leading margin and ROE

✓Improvement in working capital cycle

✓Capitalizing on market opportunities in Road sector

Year	Revenues (Rs cr)	Growth	EBITDA (Rs cr)	Margin (%)	Adj PAT (Rs cr)	Adj Margin (%)	EPS (Rs)	PE (x)	RoE (%)
FY17	5075	25%	992	19.5	361	7.1	26.4	37.4	19.5
FY18E	6760	33.2%	1260	18.6	505	7.5	36.9	26.7	21.6
FY19E	8772	29.8%	1643	18.7	769	8.8	56.2	17.6	25.1
FY20E	10897	24.2%	2059	18.9	1006	9.2	73.6	13.4	25.0

Shemaroo Entertainment Ltd.

CMP: Rs 425 **Target: Rs 612**

Investment Rationale

- From past few years, the company is constantly incurring high capex in buying the titles of movies, however, management guided , FY18 closing inventory to be lower than FY17 inventory, which indicates investment phase is getting over.
- New media segment is high margin business growing at a CAGR of 44.4% from FY12-17
- With 3585 titles, 948 perpetual rights & 2637 aggregate rights as on FY17, Shemaroo, has the largest content base in Bollywood which makes vital for a broadcaster to purchase contents from Shemaroo in order to run a meaningful Bollywood content service.

Year	Revenues (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	Adj PAT (Rs cr)	Adj Margin (%)	EPS (Rs)	PE (x)	EV/ EBITDA
FY16	375.1	16.0%	107.7	28.7%	52.2	13.9%	19.2	22.1	13.0
FY17	425.5	13.5%	127.6	30.0%	61.5	14.4%	22.6	18.8	11.7
FY18E	478.3	12.4%	147.4	30.8%	71.5	14.9%	26.3	16.2	10.0
FY19E	541.1	13.1%	177.5	32.8%	92.5	17.1%	34.0	12.5	8.1

DCB Bank Ltd.

CMP: Rs 195 **Target: Rs 240**

Investment Rationale

✓With completion branch expansion plan cost to income ratio to improve and will yield good returns in the future

✓Healthy Growth in Net Interest Income

✓Stable asset quality

✓Well capitalised and healthy Balance Sheet

Year	NII (Rs cr)	Growth (%)	PBP (Rs cr)	PAT (Rs cr)	EPS (Rs)	PE (x)	Adj BVPS (Rs)	P/ABV (x)	RoE (%)
FY16	619	21.9%	349	195	6.84	28.5	60.1	3.24	11.5%
FY17	797	28.7%	418	200	7.00	27.9	73.6	2.65	10.0%
FY18E	962	20.6%	516	256	8.34	23.4	88.8	2.20	10.1%
FY19E	1,211	25.9%	714	371	12.05	16.2	100.2	1.95	12.2%

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Thank You