KARVY
STOCK BROKING

July 03, 2017

Value Invest
July 2017

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Value Invest

Value Invest July 2017					
NSE Symbol	**Sector**	**Market Cap (Rs. Mn.)**	**CMP* (Rs.)**	**Target Price (Rs.)**	**Upside (%)**
APARINDS	Electrical Equipment	28979	749	1014	35
FINCABLES	Electrical Equipment	70146	456	595	30
GHCL	Materials	22355	226	307	36
GREAVESCOT	Capital Goods	39146	162	203	25
JISLJALEQS	Agriculture Machinery	47552	103	134	30
MAYURUNIQ	Materials	16654	363	429	18
MIRZAINT	Consumer Durables	17871	153	187	22
MPSLTD	Publishing	11096	597	736	23
SQSBFSI	Information Technology	5450	513	631	23
TRIDENT	Textiles	38424	74	98	33

**As on Jun 30, 2017, Time frame 9-12 Months*

KARVY STOCK BROKING

Apar Industries Ltd

Bloomberg Code: APR IN

BUY

India Research - Stock Broking

Better Product Mix to Aid Margins

Govt focus on T&D: India's power sector is all set to take-off with government's strong focus on 24x7 power to all, revival of Discoms through UDAY scheme, amendments to national tariff policy and strong capital expenditure in Transmission and Distribution (T&D) projects. With the government thrust, Apar (with 70% of revenues from the power sector and leading presence in T&D segment) should strongly get benefited. The company has built a strong product basket focusing on high efficiency in T&D segment. Further, the government has shown its strong interest in building high efficiency T&D infrastructure with shift in favor of efficient transmission structures.

Premium products to provide growth: The company has a very strong focus on premium products like HVDC in conductors segment, Auto lubes in specialty oil segment and elastomeric cables in cables segment. Conductors EBIT margins rose from 4.7% in FY16 to 7.3% in FY17. The strong performance in the margins can be related to increase in sales of high efficiency conductors' sale which contributes 11% of total conductor's revenue. Cables segment has shown a robust growth of 36.6% in FY17 led by its two premium products power cables and Elastomeric cables which have grown 31.0% and 44.2% respectively). We expect very good growth in premium products which should benefit topline as well as bottomline.

Healthy financials, cash flows and debt free status: Apar's operating cash flows have grown at a CAGR of 54% during FY11-16. With this cash, Apar has reduced its debt by nearly half. In FY17, the RoE and RoCE stand at 15.7% and 12.4% respectively. We expect the RoE and RoCE to reach 19.2% and 16.5% respectively by FY19E. We expect the cash flows to improve which will further aid to reduce debt and improve the return ratios.

Recommendation (Rs.)	
CMP *(as on Jun 30, 2017)*	749
Target Price	1014
Upside (%)	35

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	28979 / 449
52-wk High/Low (Rs.)	908 / 502
3M Avg.daily volume	41174
Beta (x)	0.9
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	38.3
Face Value (Rs.)	10.0

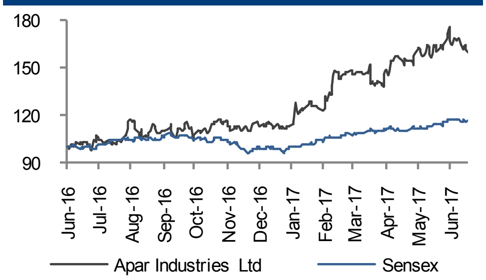
Shareholding Pattern (%)	
Promoters	58.0
FIIs	8.4
DIIs	18.4
Others	15.3

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(16)	(0)	30	40
Relative to Sensex	(15)	(4)	12	22

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	51219	50800	48320	56018	60692
EBITDA	2520	3628	4037	4593	5341
EBITDA Margin (%)	4.9	7.1	8.4	8.2	8.8
Adj. Net Profit	495	1192	1632	1987	2573
EPS (Rs.)	12.9	31.0	42.9	52.2	67.6
RoE (%)	6.8	13.9	15.7	17.4	19.2
PE (x)*	28.8	15.0	17.5	14.3	11.1

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Company Background

Apar Industries is a leading manufacturer of conductors, transformer oils and cables for the domestic and overseas power T&D sector. Apar operates in diverse field of electrical, metallurgical and chemical engineering. Apar's business can be divided into three segments namely (i) Conductors, (ii) Cables, (iii) Oils and Lubricants. Apar is a market leader in the transformer oil segment standing at 4th position globally. In the lubricants segment, Apar is known for marketing the world renowned ENI brand (eni S.P.A. of Italy) of lubricants. Apar has been recognized as a registered export house for conductors by Indian Ministry of Commerce and is the fifth largest manufacturer of conductors globally. More than 50% of revenues come from conductors segment followed by 35% of contribution from specialty oils and lubricant segment. Apar was the first company to introduce High Efficiency Conductors (HEC) in the market and is consistently growing the volumes of the conductors.

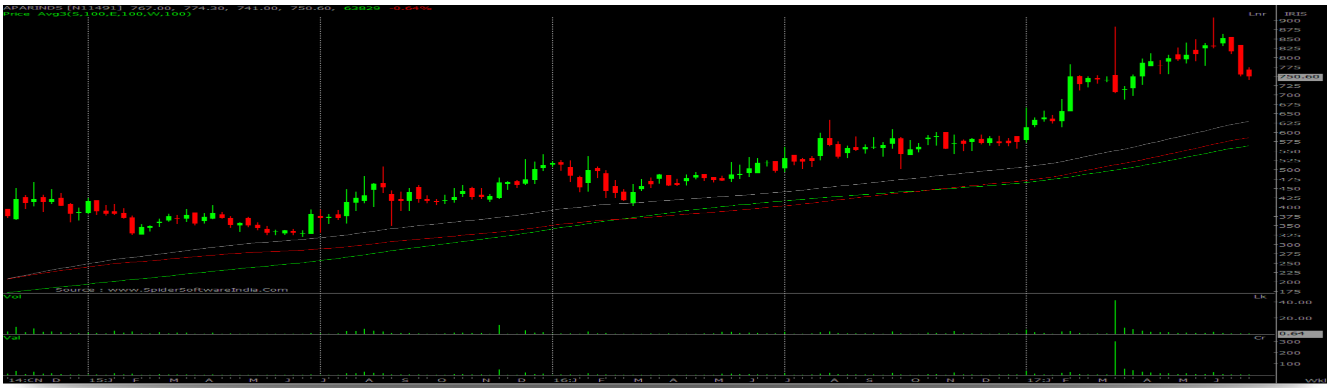
Valuation and Outlook

At CMP of Rs.749, Apar is trading at 11.1x FY19E EPS. In our view, the company is going to benefit from various factors like GST roll out, UDAY Scheme and increased expenditure on transmission and distribution segments. Considering the factors, we maintain our rating at **"BUY"** valuing the company at 15.0x FY19E EPS of Rs.67.6 for a target price of Rs.1014 representing with an upside potential of 35% over next 9-12 months.

Key Risks

- Cyclical nature of power business.
- Project delays from customer side.
- Volatility in raw material prices mainly with respect to exports.

APARINDS: Technical View



APAR Industries stock price over last few years has seen a vertical rally from the levels of sub Rs.82 in the month of August 2013 to the recent life time highs of Rs.908 in the month of May 2017, making it as one of the multi baggers in the recent times. The said price move has generated a whopping 10x returns over the last 3 and half years. However, in the recent past, the stock after clocking its life time high of Rs.908 during the starting of the month has corrected nearly 18% from the said highs and currently trading at Rs.760-770 levels, which we feel as a decent opportunity to enter who has missed the bus in the previous rally. At the current levels, the stocks 100 days moving averages are placed, which may be assumed that the stock has corrected decent enough and may be well poised for next up move from the current levels. Even on the oscillator front, they have cooled off to the decent levels from the overbought zone. Going forward, the stock has support near Rs.650-670 zone, where its previous major swing lows and long term moving averages are placed, and below it at around Rs.530-560 levels, while resistances are calculated at Rs.870-910 zone and above it at around psychological Rs.1000 zone.

KARVY STOCK BROKING

Finolex Cables Ltd

Bloomberg Code: FNXC IN

BUY

New Product Range to Aid Growth

Capex cycle to derive growth: The company is catering to the segments like agriculture, construction, power etc which require huge capex. The company has evolved from a wire and cables company into an electrical product company with the launch of various products like switches and LED bulbs. This is expected to derive earnings for the company in coming years. With the increased focus on industrial and infrastructure sectors, FCL is well placed to reap the benefits of the same.

New products to aid revenue growth: During Q4FY17, the company has expanded the product offerings of Fans, Switchgears and Water heaters. The management claims that the demand for the products is satisfactory and sees a very good growth in FY18E. The company has also launched its MCBs and distribution boxes as a part of its switchgear offerings. As the company stands at a leadership position, we expect the business from the new products to add significantly to revenues in the coming periods.

Diversified product range: Finolex is one of the few companies to have only "Product" business with diversified presence across housing, industrial, infrastructure (Power), telecom (Optic fibre cables), consumer goods (lighting, fans, switch gear) and agriculture. Finolex sells its product on cash-n-carry model.

Healthy financials and cash flows: The company has always shown a very good growth in operating cash flows. The cash flows have grown at a CAGR of 50% during FY12-16. The company has consistently improved its EBITDA margin to reach 13.9% from 10.1% in FY13. With such strong cash flows, the company has reduced its debt to zero. The RoE for FY17 is at 16.8%. We expect the EBITDA margins to be 16.5% by FY19E which would aid the RoE to be 18.5% by FY19E.

Recommendation (Rs.)	
CMP *(as on Jun 30, 2017)*	456
Target Price	595
Upside (%)	30

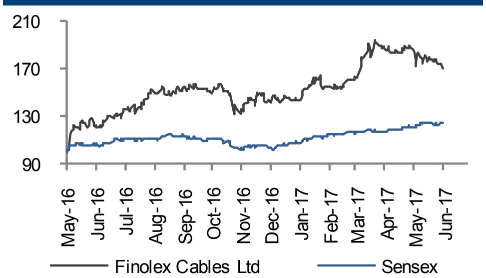
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	70146 / 1086
52-wk High/Low (Rs.)	573 / 352
3M Avg.daily volume (Mn)	0.1
Beta (x)	0.8
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	152.9
Face Value (Rs.)	2.0

Shareholding Pattern (%)	
Promoters	37.3
FIIs	6.4
DIIs	19.8
Others	36.5

Stock Performance (%)	1M	3M	6M	12M
Absolute	(10)	(11)	10	26
Relative to Sensex	(10)	(15)	(5)	10

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	24491	24610	26707	28999	32633
EBITDA	2598	3390	3714	4495	5384
EBITDA Margin (%)	10.6	13.8	13.9	15.5	16.5
Adj. Net Profit	1987	2488	3159	3776	4606
EPS (Rs.)	13.0	16.3	20.7	24.7	30.1
RoE (%)	15.7	17.0	16.8	18.2	18.5
PE (x)*	20.7	20.7	25.0	18.5	15.1

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Company Background

Finolex Cables Ltd is a flagship company of Finolex group. As India's leading manufacturer of electrical and telecommunication cables, it also offers a wide range of products for construction, automotive, agriculture, communication and power industries. The company started its operation with the manufacture of PVC (Poly Vinyl Chloride) insulated electrical cables for the automobile industry and now has been market leader in electrical cables segment. The company mainly operates through 4 divisions: (i) Electrical cables (ii) Communication cables (iii) Copper rods and (iv) Others- comprising switches. CFLs (Compact Fluorescent Lamps) and LED (Light Emitting Diode) lamps, through its facilities set up at Roorkee, Goa and Pune. Electrical cable segment has the highest contribution of 85% to total sales. FCL is also into manufacturing of copper rods (which act as a major raw material for manufacturing of cables and wires).

Valuation and Outlook

At CMP of Rs.456, Finolex cables is trading at 15.1x to FY19E EPS. We expect incremental sales from the new products launched to aid 10.5% CAGR sales growth over FY17-19E. We assign a multiple of 19.8x to FY19E EPS, and assign **"BUY"** rating for a target price of Rs.595 representing an upside potential of 30%.

Key Risks

- Competition from unorganized sector.
- Fluctuation in copper prices (which constitute 80% of the total raw material cost).

FINCABLES: Technical View

Finolex cables has rallied from Rs.450 levels in March 2017 to Rs.572 levels in April 2017 and corrected from there to Rs.476 levels, which it tested for multiple times. At the current levels, the stock has given an excellent opportunity for medium to long term investors to accumulate the stock around Rs.450-460 levels. Stock is taking strong resistance around Rs.520. If it manages to sustain above Rs.520, then Rs.555 will be the next resistance, support is at Rs.400 levels. A fall below that could drag stock to Rs.360 levels. Though the stock is currently trading below its shorter term moving averages 50 and 100 EMA, price-volume activity in the counter has been good and any dip towards Rs.430-435 must be utilized to accumulate further. The technical oscillators (MACD, RSI, and stochastic) are also suggesting that there could be another 3% to 5% fall from this point which can be utilized as a buying opportunity from an investment perspective.

STOCK BROKING

GHCL Ltd

Bloomberg Code: GHCL IN

BUY

India Research - Stock Broking

Capacity expansion augurs well for the growth: The company has completed phase I expansion plan of 0.1 Mn metric tons of soda ash division, upgraded home textile division and expanded wind Mill capacity to 27.2 MW in FY17 within timeframe. Under phase II, the company has plan to spend around Rs. 6000 Mn towards ramping up of overall business which will ultimately positively impact growth across business verticals.

Diversified business portfolio supports overall growth: The company has posted consolidated revenue growth of 10.8% to Rs. 29992 Mn as against Rs. 27073 Mn in FY16. During the year, EBITDA margin showed muted growth of 34 bps to 23.6% from 23.2% in FY16. PAT came at Rs. 3801 Mn from Rs. 2578 Mn in FY16 supported by higher other income and lower tax expenses in FY17. EPS came at Rs. 38.0 per share during FY17 from Rs. 25.8 per share in FY16, marked by 47.3% growth YoY. We believe that its diversified, yet synergetic business verticals, along with capacity expansion plan will help further improve its topline and bottom line, going forward.

High entry barrier business - an advantage: High fixed cost, high transportation cost, need of strong R&D setup and long gestation period (4-5 years) provide for entry barriers which put the company into advantageous position in terms of enhancing market share.

Robust balance sheet and return ratios: GHCL has registered average RoE of 29.1% in past 3 years and has improved to 31.9% in FY17. RoCE too has improved from average 25.4% to 26.7% over said period of time. On the back of sound financials, the company has maintained dividend payout ratio in the range of 15%-20% and the Net D/E ratio too has reduced to 0.9x in FY17.

Marquee customer base: GHCL has strong client portfolio for both business segments and strong credibility in the market which enables large replenishment orders from its big global retailers in US and Europe for textile division and big domestic players for inorganic chemical division.

Recommendation (Rs.)	
CMP *(as on Jun 30, 2017)*	226
Target Price	307
Upside (%)	36

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	22355 / 346
52-wk High/Low (Rs.)	299 / 184
3M Avg.daily volume (Mn)	0.2
Beta (x)	1.1
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	99.4
Face Value (Rs.)	10.0

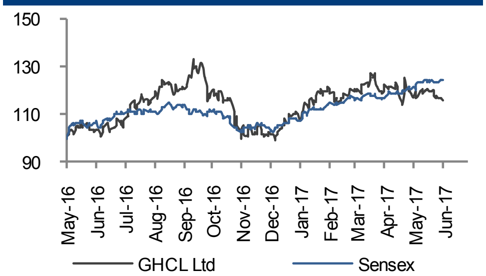
Shareholding Pattern (%)	
Promoters	18.5
FIIs	18.8
DIIs	6.7
Others	56

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(8)	(15)	(9)	21
Relative to Sensex	(7)	(19)	(21)	6

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	25386	27073	29992	32716	35859
EBITDA	5328	6294	7075	7478	8582
EBITDA Margin (%)	21.0	23.2	23.6	22.9	23.9
Adj. Net Profit	1819	2578	3801	4004	4779
EPS (Rs.)	18.3	25.8	38.0	40.2	48.0
RoE (%)	26.8	28.5	31.9	26.4	25.3
PE (x)*	3.4	4.5	7.0	5.6	4.7

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Company Background

GHCL Ltd was incorporated in 1983, headquartered in Noida and is being currently headed by Mr. Sanjay Dalmia, the Chairman. It is one of the leading manufacturers of soda ash with 23.0% domestic market share. There are two main business verticals, i.e., Inorganic Chemicals and Textiles. Inorganic chemicals vertical mainly produces soda ash which caters to demand from detergent & glass industries whereas Textile vertical is well integrated vertical which covers right from spinning of fiber, weaving, dyeing and printing till the finished products take shape for exporting. The company also has footprints in FMCG sector. It manufactures & sells salt variants, honey & spices. The company exports its product mix portfolio to US, Europe, Australia, etc. GHCL has one soda ash plant in Gujarat and one salt refinery in Tamil Nadu. It has three textile manufacturing plants- two in Tamil Nadu and one in Gujarat. The inorganic chemicals contributed 58.4% of the total revenues while home textile contributes 41.6% during FY16.

Valuation and Outlook

Given the backdrop of aggressive capacity expansion plan coupled with increasing utilization rate and healthy financials in terms of high RoE, high margin, consistent payment of dividend, we believe that the company will be witnessing good topline and bottom-line growth in years to come. Seeing the potential of the company, we have arrived at target price of Rs.307, valuing it on PE 6.4x of FY19E EPS for next 9-12 months which gives upside potential of 37%.

Key Risks

- Stiff competition.
- Fx-Fluctuations.
- Non-availability of Anti-Dumping duty after Jul 2017E.

GHCL: Technical View

GHCL has been witnessing rally after giving a breakout from Rs.38 levels on the charts and since then has been making higher highs and higher lows on the monthly charts which is good for the stock from a buying perspective in a longer term time frame. The stock might witness some correction on the monthly charts till Rs.197 levels from a medium term time frame. At current levels, the stock is facing resistance placed around Rs.278 levels and any breakout above the said levels would take the stock touch Rs.420-450 levels. The stock at current levels is comfortably trading above all of its major long term moving averages which suggests that there is an inherent strength in the counter from a medium to long term perspective. One should utilise dips towards Rs.197 for accumulating the stock in the long term perspective.

KARVY STOCK BROKING

Greaves Cotton Ltd

Bloomberg Code: GRV IN

BUY

Volume Pick-up and Easing Cost Pressures to Aid Growth

Greaves is expected to register a CAGR of 13.8% in revenue during FY17-19E: Greaves to gain from supply of engines to OEMs as the volumes are expected to pick-up largely aided market normalising from demonetisation impact and switching from BSIII to BSIV engines which has come in with a higher price in the rage of 8.0%-10.0%. Overall revenue growth for Greaves is expected to be at a CAGR of 13.8% during FY17-19E to Rs. 21,161mn by FY19E.

Traction in the Farm equipment and auxiliary power: Power Tillers and Pumps products form part of farm equipments which is witnessing significant traction in the market. FY17 volumes for Tillers came in at 3,800 and for pumps the same came in at 90,000; a growth of 8.6% and 12.5% respectively. Auxiliary power segment which constitutes of Power Generators in the 5KvA – 500 KvA range too witness significant traction with volumes during FY17 which grew by 60.0% albeit on a lower base. Greaves has completed phase I launch of power products and is moving the auxiliary power products launch into phase II of product placement.

Future proof R&D efforts and new product launches: Greaves is associating with international players for commercial development of LEAP engines which could take about 24-36 months post agreement with customers. This high developmental lead time is due to necessity for achieving desired standards. In continued efforts in the automotive segment, Greaves is developing BSVI compliant auto engine; which could be a technological fit between BSIV standards and BSVI standards for both 3W and 4W engines. To reduce dependence on diesel engines, Greaves continues efforts to develop CNG and other fuel type engines. In the farm equipment segment, indigenisation of tiller engines along with launch of multiple variants in different nodes could usher in further traction for Greaves products.

Recommendation (Rs.)	
CMP *(as on Jun 30, 2017)*	162
Target Price	203
Upside (%)	25

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	39146 / 606
52-wk High/Low (Rs.)	179 / 115
3M Avg.daily volume (Mn)	0.4
Beta (x)	0.9
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	244.2
Face Value (Rs.)	2.0

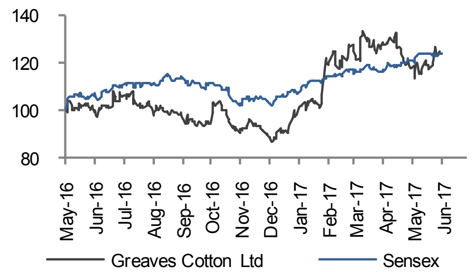
Shareholding Pattern (%)	
Promoters	51.0
FIIs	6.6
DIIs	27.0
Others	15.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	6	(8)	33	17
Relative to Sensex	8	(11)	14	2

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	16977	16161	16344	18449	21161
EBITDA	1991	2675	2434	2878	3322
EBITDA Margin (%)	11.7	16.5	14.9	15.6	15.7
Adj. Net Profit	836	2009	1807	2010	2357
EPS (Rs.)	3.4	8.2	7.4	8.2	9.7
RoE (%)	10	23	19.9	20.2	20.5
PE (x)*	42.5	15	19.4	19.8	16.7

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Strengthening of distribution network and new service line design:

Expanding the existing distribution network is being taken up in a planned and phased manner for all the segments. This apart, 'Greaves Auto Care' (a one stop shop for all 3W and LCV service needs and multi-brand spare parts) is being shaped-up and the estimated market size for spare parts business is at Rs.14,000mn to Rs.15,000mn which constitutes of 35%-40% of unorganised market. Greaves, at present, uses a mix of manufacturing and purchase of parts for sale in its multi-brand spare parts business segment which at present stands at 65% of the eco system and envisions taking it to 80% in a phased manner.

Company Background

Greaves Cotton Ltd. (GCL) is a leading diversified engineering company manufacturing machinery and equipment. Greaves business is organised as Engines division (including farm equipments) and Others (including international trading and aftermarket business). Engines division manufactures engines, gensets, farm equipments and spare products of varying capacities. Greaves has 11 manufacturing facilities which are spread across India. The company has recently setup a dedicated farm R&D centre in Gummidipundi, TamilNadu. Greaves thrust on R&D over the years has increased and the spending averaged to the tune of 1.4% of sales during FY08-FY16. International business is picking up at a steady pace.

Valuation and Outlook

Greaves domestic market to turn robust with BSIV implementation apart from new product launches like Leap engines, new geographical presence, potential addition of customers, 'Greaves Auto Care'-new service offering and fructification of R&D efforts for BSVI engines could all shape into FY18E, FY19E and beyond. We base our valuation to FY19E estimates and arrive at target of Rs.203 valuing Greaves at 20.9x of FY19E EPS of Rs.9.7 (the stock at present trading at 16.7x of FY19E EPS) representing an upside potential of 25% from a 12-15 months perspective.

Key Risks

- Slowdown in the revival of economic activity could significantly impact volumes.
- Rising costs could reduce margins further.

GREAVESCOT: Technical View

GREAVESCOT has been in a secular uptrend forming higher highs and higher lows. The stock has consolidated in the range of Rs.105-145 levels for almost two years and gave break out from that consolidation range in the last quarter. Thereafter the stock made high of Rs.178.55 levels and went into correction mode and in that correction from the highs of Rs.178.55 levels, the stock has retested the breakout area and appears to have resumed its larger uptrend. The stock is trading above its mean of monthly Bollinger band (20,S,2) and has witnessed expansion in volatility on the higher side, after the break-out from the consolidation range of Rs.105-145 levels. Going forward, the stock has key support near Rs.135 levels followed by Rs.115 levels and key resistance near Rs.195 levels followed by Rs.215 levels. Therefore, from 6-9 months perspective, we expect the positive trend to continue and any dips in the counter can be used to enter or further accumulate the stock.

KARVY STOCK BROKING

Jain Irrigation Systems Ltd

Bloomberg Code: JI IN

BUY

Buoyant Domestic and Export Markets

Improvement in operating performance and strong order book to further stimulate growth momentum: Jain Irrigation System Limited is engaged in the business of Hi-tech Agri Input Products, Plastic Piping & Products and Agro Processing. The company has registered an impressive operating performance during FY17 wherein its sales, EBITDA and PAT have grown at 7.0%, 14.9% and 262.1% helping the company record increase in EBITDA, EBIT and PAT margins by 93, 154 and 179 bps respectively YoY basis. The company has experienced an improvement in RoE, RoCE and EPS which came at 4.3%, 9.1% and Rs.3.7 respectively. The company has demonstrated positive growth across all business verticals. While Hi-tech Agri Input Products has recorded growth of 6.7%, Plastic and Agro Processing divisions have exhibited growth of 6.9% and 3.5% respectively on YoY. The management expects improvement in operational performance to continue on the back of;

- Buoyant domestic and export markets for MIS, continued institutional and project demand for PE pipes and brighter outlook for PVC pipes and Agro Processing business with improvement in domestic and global business conditions.
- Healthy order book of Rs.21070 Mn which includes orders of Rs.12866 Mn for Hi-tech Agri Input Products, Rs.3093 Mn for Agro Processing and Rs.5054 Mn for Plastic Division.
- Widespread distribution networks with about 6500 dealers spread across the country and presence in more than 120 countries.
- Well diversified product offerings comprising of MIS, PE & PVC pipes, plastic sheets, agro processed foods, tissue culture and solar systems.

Recommendation (Rs.)	
CMP *(as on Jun 30, 2017)*	103
Target Price	134
Upside (%)	30

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	47552 / 736
52-wk High/Low (Rs.)	120 / 69
3M Avg.daily volume (Mn)	6.1
Beta (x)	1.1
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	460.2
Face Value (Rs.)	2.0

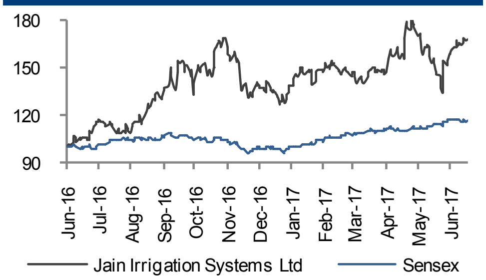
Shareholding Pattern (%)	
Promoters	30.8
FIIs	42.8
DIIs	5.4
Others	21.1

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(0)	7	17	38
Relative to Sensex	2	5	0	20

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	61527	64865	69393	76333	85324
EBITDA	7797	8183	9402	9794	11071
EBITDA Margin (%)	12.4	12.6	13.5	12.8	13.0
Adj. Net Profit	554	487	1762	1802	1839
EPS (Rs.)	1.2	1.0	3.7	3.8	3.8
RoE (%)	2.6	1.6	4.3	4.3	4.2
PE (x)*	51.4	59.0	25.5	27.3	26.8

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Company Background

Jain Irrigation Systems Ltd (JISL), incorporated in the year 1986, is an Indian multinational company with manufacturing plants in 29 locations and more than 11000 associates worldwide. It operates in diverse segments of agri business and also offers products in renewable energy segment. The Micro Irrigation System (MIS) is flagship product of the company wherein the company offers end-to-end water solution projects. The company manufactures PE pipes, PVC pipes and plastic sheets. The company also deals in agro processed products (including dehydrated onions & vegetables, processed fruits) and solar system (including solar water heating systems, solar panels, and solar water pumps). The company has ushered in large scale Integrated Irrigation Projects (IIP). The company does not merely sell MIS but also provides Agronomic extension support, after-sales services and all technical support for getting better crop returns. It is one stop shop for total agricultural needs.

Valuation and Outlook

JISL enjoys leadership position across business segments it caters to. The leading rating agency, CARE, has of late upgraded rating on the company to "CARE A; Stable (Single A Minus: Outlook: Stable)" for Long Term Bank Facilities from "CARE BBB+ Stable"; and "CARE A2"; for Short Term Bank Facilities from "CARE A3+". Given the backdrop of brighter business outlook and CARE rating, we have valued stock at P/E 35x of FY19E EPS and have arrived at target price of Rs.134 with **"BUY"** recommendation for next 9-12 months which gives an upside of 30%.

Key Risks

- MIS and agro processing are subject to risk associated with the vagaries of nature, seasonality and government policies.
- Fx-fluctuations risk as overseas business contributes 45% of total earnings.

JISLJALEQS: Technical View

JAIN IRRIGATION SYSTEMS has witnessed a sharp rally, after making a panic low of Rs.46.80 levels on Feb 17, 2016, towards Rs.108.60 levels clocked on October 30, 2016. The stock has given a return of more than 130% in a span of 8 and half months. The stock has again entered the correction phase and it found support around Rs.80 levels, slipping more than 25% from its recent highs of Rs.108.60 in a span of two months. The stock again saw a sharp recovery towards Rs.99 levels, failing to surpass the said levels multiple attempts. The stock is trading above its 200-DEMA and is expected to head back again towards Rs.99 levels, sustaining above which it may even test Rs.110-130 levels in the medium to long term.

KARVY STOCK BROKING

Mayur Uniquoters Ltd

Bloomberg Code: MUNI IN

BUY

Unique Product & Capacity Scaling-up to Ensure New Heights

Auto OEM exports and footwear to boost sales in FY18E:

Revenue from Auto OEM Exports and Footwear contributing ~75% in FY17 and we see the trend to continue in a similar pattern in FY18E and FY19E. Auto OEMs in US and other parts of the world show a huge demand supply gap and hence a tremendous volume growth potential for Mayur in the upholstery market and is supposed to add substantially to the top-line of the company.

Recovery in footwear segment helped improvement in topline: Mayur Uniquoters's Q4FY17 revenue has marginally improved by 7.6% at Rs. 1321 Mn vs. Rs.1228 Mn on QoQ basis, while we see a 3.4% increase on YoY basis. The expenses have increased due to hike in raw material prices. PAT in Q4FY17 is at Rs.187 Mn and has decreased from Rs. 235 Mn YoY, while marginally increasing by 0.3% QoQ due to the slowdown of footwear segment from demonetization and a very slow recovery from the last 2 months. The positives can be garnered in the auto replacement segment. However, with the recovery seen in the footwear segment and a guidance of improvement in exports by 8-10% and new plants in picture, we will surely see Mayur Uniquoters scaling new heights in FY18E-19E.

Establishment of Morena and Mysore Plants set to put the revenue guidance in perspective: As per plans, the company will start setting up the plant by end of July, 2017E post the permission from the Madhya Pradesh government in the Morena district. Rs. 200 Mn of capex is going to be incurred for construction and development. Backward integration of the knitted fabric used for PU/PVC coating will be continued with. A total of 6 production lines are supposed to be operated from here in near future and will be a significant contributor to business by way of higher realizations starting H2FY18E.

Recommendation (Rs.)

CMP *(as on Jun 30, 2017)*	363
Target Price	429
Upside (%)	18

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	16654 / 258
52-wk High/Low (Rs.)	462 / 336
3M Avg.daily volume	31054
Beta (x)	0.7
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	45.8
Face Value (Rs.)	2.0

Shareholding Pattern (%)

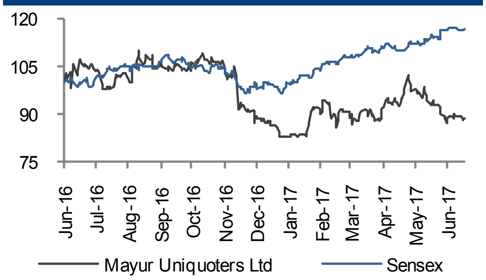
Promoters	30.8
FIIs	42.8
DIIs	5.4
Others	21.1

Stock Performance (%)

	1M	3M	6M	12M
Absolute	2	(4)	7	(15)
Relative to Sensex	3	(8)	(8)	(26)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	5063	5466	5285	5800	6644
EBITDA	1018	1306	1290	1404	1611
EBITDA Margin (%)	20.1	23.9	24.4	24.2	24.3
Adj. Net Profit	659	772	789	855	991
EPS (Rs.)	15.2	17.1	17.1	18.6	21.5
RoE (%)	29.7	25.0	21.9	20.8	21.2
PE (x)*	29.8	22.6	21.2	19.6	16.9

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Company Background

Incorporated in 1992 at Jaipur, Rajasthan and commencing operations in 1994, Mayur is in the business of making Poly Vinyl Chloride (PVC), Poly Urethane (PU) coated fabric which is more commonly known as Synthetic or Artificial Leather. Artificial leather is a substitute for genuine leather and has wide applications in automobiles, footwear, furnishing, fashion items, accessories etc. MAYUR's strong position in the organized segment along with integrated operation (backward integration), diverse product portfolio, standing product approvals from leading domestic & global automobile OEMs (Original Equipment Manufacturers) and established clients in the footwear segment. The credential of MAYUR is to successfully establish current and planned expansion projects to make the scale of operations grow significantly and grow on to be a more profitable business.

Valuation and Outlook

Taking into account that the footwear markets are slowly recovering, consistent revenues from the Auto OEMs (Domestic & Exports) and also from auto replacement segment and the scaling up of production facilities in both Morena, MP and Mysore, Karnataka, we maintain a **"BUY"** recommendation on the stock with an upside potential of 18% for a target price of Rs.429, by assigning a PE of 20x to the FY19E EPS.

Key Risks

- Rising raw material prices.
- Dependency on footwear industry.
- Slowdown in exports.
- Threat from Chinese imports.

MAYURUNIQ: Technical View

MAYURUNIQ after clocking a lifetime high of Rs.515 in 2015, the stock has been consolidating between a broad range of Rs.320- Rs.440. The said consolidation has been taking place after the stock witnessed a stellar rally in the past and now the stock is awaiting a fresh trigger to surge higher and break out of the trading range. The stock is currently trading above its 200 week SMA at Rs.337, suggesting overall positivity. On the other hand, the stock is trading just shy of the 50 week SMA at Rs.375 and once it crosses the Rs.375 mark we expect the stock to surge higher towards Rs.440- Rs.450 again where it has been facing fresh supply, in the past. In the month of June 2017, the stock has witnessed highest deliverable volumes after August, 2016 clearly suggesting that a strong up move is likely on cards and the stock can enter into uncharted territory in the long term.

KARVY STOCK BROKING

Mirza International Ltd

Bloomberg Code: MRZI IN

BUY

GST Impact to be Positive; "Red Tape" Brand to Keep Growth Intact

Mirza International revenue for Q4FY17 came in at Rs. 2059 Mn, registering 0.01% YoY increase, while decreased by 9.7% QoQ. EBITDA for the quarter fell by 25.3% YoY to Rs. 400 Mn with a corresponding margin contraction of 658 bps on the back of increased other expenditure standing at Rs. 548 Mn for the quarter increasing by 26.6% QoQ and 1.3% YoY and UK, RoW (Rest of the World) Exports decreased by 3% & 19%. EBITDA margin for the quarter stood at 19.4%. The PAT for the Q4FY17 came in at Rs.177 Mn, YoY decline of 39.1% and increased by 2.8% QoQ. For FY17 numbers, we see that revenue jumped by 0.7% to reach Rs.9357 Mn while EBITDA fell by 7.5% to Rs. 1605 Mn. The company reported net profit of Rs.712 Mn, down 8.8% YoY.

Bond street & "Red Tape" sport shoes to keep the growth story alive & kicking; GST impact to be positive: Branded Exports (Red Tape) for Q4FY17 were Rs.1060 Mn vs. Rs.790 Mn YoY in the climate of overall European markets consolidating and no new export opportunity, up by 34.2% while Branded Domestic (Red Tape) for Q4FY17 is at Rs.2440 Mn (4000 Mn pairs Sold) vs. Rs.1750 Mn, up by 39.4%. The company expects to have a target for growth in the domestic branded footwear segment at 100% by FY18E. Total revenue from the Footwear Segment for Q4FY17 was Rs. 7280 Mn vs. Rs. 7730 Mn, up by 0.6%. The count of Red Tape EBOs (Exclusive Brand Outlets) stands at 240 stores at the moment. Online presence in all major portals like Flipkart, Jabong, Myntra and Amazon still continued with. About 30000 Mn pairs were sold from the online platform. The effective tax rate before GST implementation varied between 25-28%; but post GST, Mirza falls under the 12% GST category which is a substantial decrease in tax rate and hence will have a positive impact on the sales volumes and the topline growth consequently.

Recommendation (Rs.)	
CMP *(as on Jun 30, 2017)*	153
Target Price	187
Upside (%)	22

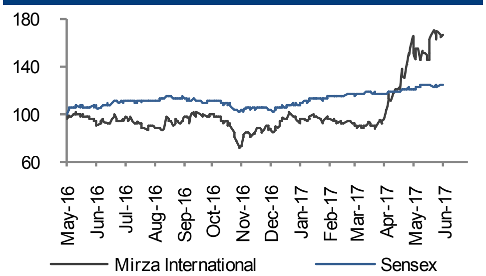
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	17871 / 277
52-wk High/Low (Rs.)	168 / 68
3M Avg.daily volume (Mn)	1.2
Beta (x)	1.1
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	120.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)	
Promoters	73.8
FIIs	0.6
DIIs	0.0
Others	25.6

Stock Performance (%)	1M	3M	6M	12M
Absolute	1	73	80	68
Relative to Sensex	5	71	55	46

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	9190	9287	9357	10932	12429
EBITDA	1426	1735	1605	2163	2612
EBITDA Margin (%)	15.5	18.7	17.2	19.8	21.0
Adj. Net Profit	512	781	712	1090	1364
EPS (Rs.)	5.5	7.2	5.9	9.1	11.3
RoE (%)	17.1	20.6	15.0	19.6	20.3
PE (x)	15.7	13.4	25.9	16.9	13.5

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Company Background

Mirza International was established in 1979 (promoted by Mr.Irshad Mirza, Chairman and Mr.Rashid Ahmed Mirza, Managing Director) is spread across 30 countries. The in-house design development team manufactures high quality products, which are stylish and comfortable, in the integrated facilities assuring Mirza as a reliable supplier to leading international brands. Mirza International is the leading Indian supplier of leather footwear to global brands since last 15 years. Approximately 75% of total revenue generated is derived from exports. 85% of the total overseas sales are private label goods supplied to leading international footwear companies. These international labels come to Mirza due to the ability to have quick deliveries, offer great build quality and maintain economic prices. At present, the company operations span across 30 countries around the globe. The main overseas markets are UK, France, Germany and USA. In UK, the company has garnered a 25% share in the men's leather footwear in the mid-segment category, due to the high market penetration underlining the strong acceptance for its products.

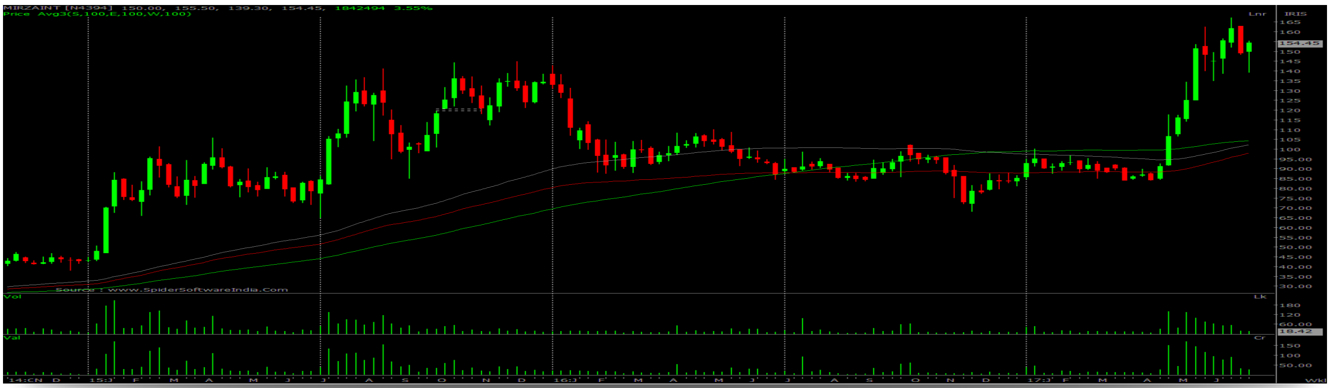
Valuation and Outlook

We have revised our estimates taking into account slowdown in exports along with recent demonetization. We maintain a **"BUY"** recommendation, valuing at 16.6x FY19E EPS with a target price of Rs.187 representing an upside potential of 22%.

Key Risks

- Slowdown in US and UK economies due to political risks.
- Lower realizations.
- Increase in price of raw materials.

MIRZAINT: Technical View



MIRZAINT has witnessed a breakout of sloping trend line from the levels of Rs.97 and surged to its all time high of Rs.167.50 levels generating more than 70% in the last 3 months. The surge in the price was backed by increase in average traded volumes indicating strength in its movement. The stock has breached the resistance placed around Rs.130-135 levels with a strong momentum. However, the stock has turned from its all time high and is witnessing correction. The next support is pegged around Rs.130-135 zone which is a crucial zone to look upon as it has turned into a support from the resistance after the breach and sustenance above it may witness splurge in the price. Even on the indicator front, the lower band of the Bollinger (20,2) is placed somewhere around Rs.134-135 levels suggesting it to be a strong support for the counter. For medium to long term perspective, bullishness is intact in the counter and after testing its all time high the stock might surge to the uncharted territory.

KARVY STOCK BROKING

MPS Ltd

Bloomberg Code: MPS IN

BUY

India Research - Stock Broking

Capitalizing on Outsourcing Opportunities in Digital Publishing

Declining print sales in major markets and gaining digital publishing favourable condition for the company: Changing consumer preference towards the digital book format leading to declining print, we believe that the company stands in sweet spot to take advantage in increasing flow of the global publishers outsourcing work to India and we expect the company to grow at 8.1% CAGR on consolidated basis during FY17-19E.

Successful turnaround after acquisition by rationalising employee cost and service locations: Successful turnaround with improved operating efficiency by downsizing its service locations and increasing the employee count at its low cost Dehradun facility. We expect the company to maintain its EBITDA margin in the range of 35-36% and grow at 13.5% CAGR in FY17-19E.

Inorganic growth is an appropriate path ahead, benefitting from the publishing industry consolidation: With 4 acquisitions in last 4 years, the company has opted for inorganic method to scale quickly in terms of range of services offered to its clients. We believe that this approach to be favourable as the publishing industry is under consolidation and also the company can quickly fill the gaps in its service offerings and help better the top contributing clients.

Zero Debt, Strong financial position with healthy free cash flows: MPS Ltd's ability to maintain its high operating margins, with minimal Capex requirements, has lead to healthy free cash flows, resulting in the strong financial position for the company over the years. The company has zero debt on its book and we expect the company to maintain the same during FY17-19E.

Recommendation (Rs.)	
CMP *(as on Jun 30, 2017)*	597
Target Price	736
Upside (%)	23

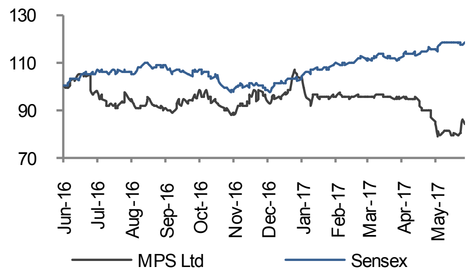
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	11096 / 172
52-wk High/Low (Rs.)	799 / 556
3M Avg.daily volume	18638
Beta (x)	0.7
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	18.6
Face Value (Rs.)	10.0

Shareholding Pattern (%)	
Promoters	67.8
FIIs	6.1
DIIs	5.8
Others	20.4

Stock Performance (%)	1M	3M	6M	12M
Absolute	3	(13)	(12)	(16)
Relative to Sensex	4	(17)	(24)	(27)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	2239	2572	2887	3068	3375
EBITDA	804	910	931	1056	1198
EBITDA Margin (%)	35.9	35.4	32.2	34.4	35.5
Adj. Net Profit	614	712	700	773	867
EPS (Rs.)	33.0	38.3	39.8	41.5	46.6
RoE (%)	35.3	26.6	23.6	21.3	21.9
P/BV (x)	6.9	4.4	3.7	2.9	2.7
PE (x)	28.6	17.2	17.2	14.4	12.8

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Company Background

MPS Ltd is engaged in the business of providing publishing solutions viz, typesetting and data digitalization services for the overseas publishers and supports international publishers through every stage of the author-to-reader publishing process and provides a digital-first strategy for the publishers across content production, enhancement and transformation, delivery and customer support. It offers diverse geographic spread catering to US and European countries. Earlier, in the year 2011, the company was acquired by the Adi BPO services Ltd from the HM Publishers holding Ltd. It has expanded through inorganic expansion and acquired three companies in USA namely Elements LLC, Electronic Publishing Service Inc, TSI evolve Inc and MagPlus under its US subsidiary MPS North America LLC.

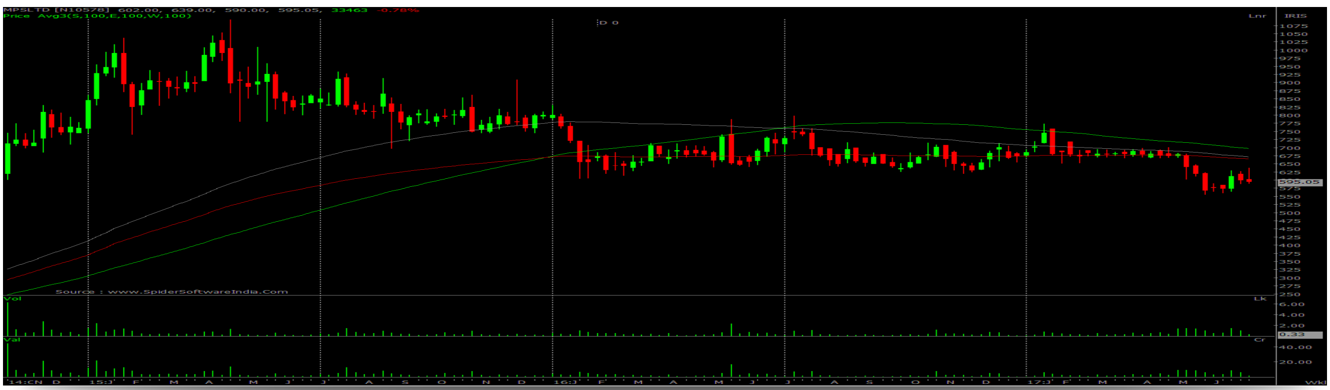
Valuation and Outlook

MPS Ltd's commitment to the inorganic approach for growth is evident by its decision to withhold the dividend payout during the year. We expect the operating performance continue to be impacted in the near term due to the recent acquisition until the associated costs get streamlined. We maintain our positive view on the company and assign **"BUY"** recommendation with the target price of Rs. 736 resulting in the upside potential of 23% on consolidated FY18E EPS of Rs.41.5 for a period of 9-12 months.

Key Risks

- Concentration risk due to dependability on few clients.
- Currency volatility could impact revenue estimates.
- Outcome of inorganic growth.

MPSLTD: Technical View



MPSLTD gave breakout above its consolidation range of Rs.565-580 this month and continues to hold above the upper band of the gap on notable volumes. On the daily chart, the stock is trading above its 21 DEMA indicating upside potential in the near term. After giving breakout from the above stated range, the stock has been consolidating largely in the range of Rs.595-605 and any breakout above this consolidation range would take the stock higher. On the daily chart, 14 day period RSI is placed at 48.50 and there is no divergence seen between the indicator and the stock price indicating that the positive momentum in the stock would continue if the consolidation range is breached. Further, on the daily chart, MACD is placed above its signal line strengthening the buy sentiment in the stock. On the downside, the stock has crucial support of Rs.565 levels while immediate resistance is placed around Rs.605-601 levels followed by Rs.625-630 levels.

KARVY STOCK BROKING

SQS India BFSI Ltd

Bloomberg Code: SQSI IN

BUY

India Research - Stock Broking

Benefits from SQS Group Drive Growth Opportunities

Expecting inorganic growth through SQS AG: European market is the major focus since the parent (SQS AG) presence is in Europe which results in the migration revenue, driven by new client additions and ramp-up of certain past deals that have moved offshore, improved market offerings around digital solutions, accelerators and automation tools which may help to achieve profitable growth.

Expecting sustainable profitability and revenue growth: We expect EBITDA margins would be at a range of 16-19% in FY18E & FY19E and the EPS is expected to reach at Rs. 33.2 by FY19E. The current net profit stood at Rs. 231 mn in FY17 which may reach Rs. 274 mn level by FY18E. The company's RoE & RoCE are expected to improve to 25.1% & 38.6% by FY19E as the company is maintaining low debt and increasing profitability, thereby the company is expected to witness improvement in RoE & RoCE.

Focus continues to be on Europe Market: In terms of strong business potential and increased client acquisition, inorganic additions through group, SQSI is expecting business momentum to be driven by its increased focus in DACH (Austria, Switzerland and Germany) region and possible leverage from the group's new acquired entities in the US market. We estimated the revenue to reach Rs. 2867 mn and Rs. 3307 mn for FY18E & FY19E respectively.

Expecting business momentum in FY18E through incremental opportunities: FY17 was quite challenging as the company has witnessed many challenges over the year starting with Brexit which was unexpected and thus has an impact on depreciation of British Pound. We expect the company is still in line to deliver performance driven by new client additions and ramp-up of certain past deals that have moved offshore, improved market offerings around digital solutions, accelerators and automation tools which may help to achieve profitable growth.

Recommendation (Rs.)	
CMP *(as on Jun 30, 2017)*	513
Target Price	631
Upside (%)	23

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	5450 / 84
52-wk High/Low (Rs.)	1040 / 489
3M Avg.daily volume	13368
Beta (x)	0.7
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	10.7
Face Value (Rs.)	10.0

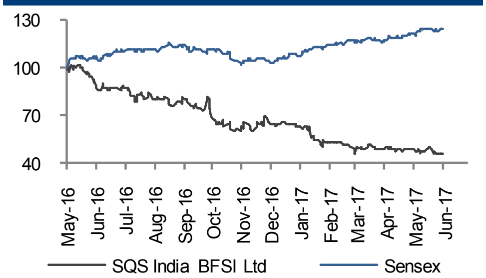
Shareholding Pattern (%)	
Promoters	53.9
FIIs	1.3
DIIs	0.8
Others	44.0

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(3)	(6)	(29)	(50)
Relative to Sensex	(3)	(10)	(39)	(56)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	2142	2642	2599	2867	3307
EBITDA	371	541	408	471	599
EBITDA Margin (%)	17.3	20.5	15.7	16.4	18.1
Adj. Net Profit	216	369	231	274	354
EPS (Rs.)	20.9	34.9	21.6	25.6	33.2
RoE (%)	20.6	35.0	19.6	20.9	25.1
PE (x)	27.4	26.1	25.3	20.0	15.5

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Company Background

SQS India BFSI Limited (formerly Thinksoft Global Services) was acquired by SQS Software Quality Systems AG in November 2013. SQS has a three decade experience specifically in software testing serving to verticals like BFSI, Retail, Manufacturing, Energy & Utility and Telecommunications. The company is an India based software service provider primarily delivering software validation and verification services to the banking and financial services industry worldwide. The company has achieved over 15M person hours of track record in Financial Services testing. SQS India has total employee strength of over 1000 with client base of more than 200 across 23 countries. The company has invested in five wholly owned subsidiaries in Singapore, USA, Germany, UK and UAE for market development and service delivery in the respective regions. With over 7,000 completed projects, SQS has a strong customer base, representing the companies such as half of the DAX-30, almost a third of the STOXX-50 and 20 FTSE-100 companies.

Valuation and Outlook

SQS India BFSI is expected to benefit from SQS brand leverage, incremental migration revenue from parent and better prospects for independent testing/quality companies. We believe its profitability will improve further as the migration revenue share increases going forward. At CMP of Rs. 513, we assign P/E multiple of 19.0x to FY19E EPS on the back of benefit from SQS brand leverage, demand environment in BFSI and strong business presence in Europe; and we continue to maintain our **'BUY'** recommendation for a target of Rs. 631 representing an upside potential of 23% in a 9-12 months period.

Key Risks

- Foreign exchange rate fluctuations.
- Uncertainties in economic, business and geo-political conditions.
- Financial services domain risk.

SQSBFSI: Technical View

SQSBFSI has seen significant rally from its all time low of Rs.32.10 levels till it clocked its life time high of Rs.1291 levels on January 8, 2016, post which stock witnessed significant fall from above said higher levels and corrected towards low of Rs.489 levels which is nearly 62% of said rally and very strong support in price corrections. On the momentum setup 14 day period weekly RSI has formed a base in oversold territory and which is also supported by consolidation in price. The MACD on weekly chart is trading above the signal line in negative territory and inching towards equilibrium line, reflecting strength in the up move. Currently the stock is trading near its support zone of Rs.480-510 levels; any breach below the said levels may take the stock towards the low of Rs.400 levels. On the higher side, stock may find immediate resistance near Rs.580-600 levels, followed by Rs.650 and Rs.700 levels.

STOCK BROKING

Trident Ltd

Bloomberg Code: TRID IN

BUY

Robust Manufacturing Capacity; Focusing on Increasing Asset Utilization

No further capex plan; Cash flows to be utilized to repay debt: In FY17, the company has repaid a total debt of Rs. 5760 Mn which includes Rs. 2270 Mn of high cost debt. Currently, the company has long term debt of Rs. 20480 Mn; out of which ~75% i.e. Rs. 15520 Mn is covered under the Technology Upgradation Fund Scheme (TUFS). As a practice, the company has aimed to continue to repay high cost debt first; which indicates disposing the term debt ahead of repayment schedule which will strengthen the balance sheet and also help to reduce the overall interest costs. Also, Trident has improved dividend payment on the back of higher free cash flow generation.

Focusing on expanding utilization along with higher realization orders: In paper segment, for FY17 revenues increased by 5% to Rs. 8724 Mn with significant improvement in EBITDA. EBITDA margins expanded by 569 basis points YoY mainly driven by better realizations due to higher demand. The capacity utilization for Yarn is at ~93% and with the increased capacity; Bath & Bed Linen recorded ~50% & 29% of utilization and capacity utilization in Paper stood at 89% in FY17. Management guided that by changing sales mix towards higher margin business of terry towel and bed linen, the company could be able to achieve the utilization levels of 55-60% & 40-50% by FY18E.

Healthy volume in textiles drives overall sales: The revenue is expected to grow at 11.9% CAGR over FY17-FY19E to Rs.58725 Mn owing to superior volume growth in home textiles. Management pointed that EBITDA margins could be at a range of ~18.0-22.0% in FY18E & FY19E which could be possible with the higher share of value added products, rising captive consumption of yarn, rising share of high-margin home textiles and increase in utilization.

Recommendation (Rs.)	
CMP *(as on Jun 30, 2017)*	74
Target Price	98
Upside (%)	33

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	38424 / 595
52-wk High/Low (Rs.)	92 /42
3M Avg.daily volume (Mn)	0.9
Beta (x)	1.1
Sensex/Nifty	30922 / 9521
O/S Shares(mn)	509.6
Face Value (Rs.)	10.0

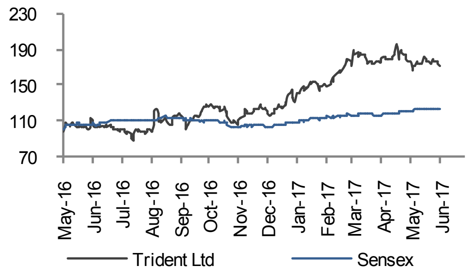
Shareholding Pattern (%)	
Promoters	67.8
FIIs	1.6
DIIs	2.2
Others	28.5

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(8)	(15)	28	48
Relative to Sensex	(8)	(19)	10	29

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	37553	36840	46944	51189	58725
EBITDA	6608	7189	8882	10431	12539
EBITDA Margin (%)	17.6	19.5	18.9	20.4	21.4
Adj. Net Profit	1179	2291	3372	4141	5292
EPS (Rs.)	2.5	4.5	6.6	8.1	10.4
RoE (%)	10.1	14.2	17.4	17.9	18.7
PE (x)*	9.3	11.4	13.0	9.1	7.1

*Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price*

Company Background

Headquartered in Ludhiana (Punjab), the company operates in two major business segments of home textiles and paper; with manufacturing facilities located in Punjab and Madhya Pradesh. Keeping in view the increasing requirements of continuously expanding operations, the company has manufacturing capacities of Terry towels with 688 looms, bed sheets with an operating capacity of 500 looms, yarn capacity of ~0.56 Mn spindles and 5504 rotors. Trident is generating captive power to meet the demands of the industry with the production capacity of 50 MW. The company has a customer presence in more than 75 countries spread across six continents. The company's prominent international customers include nine of ten largest American retailers, six leading European retailers and five of the seven largest Australia and New Zealand-based retailers.

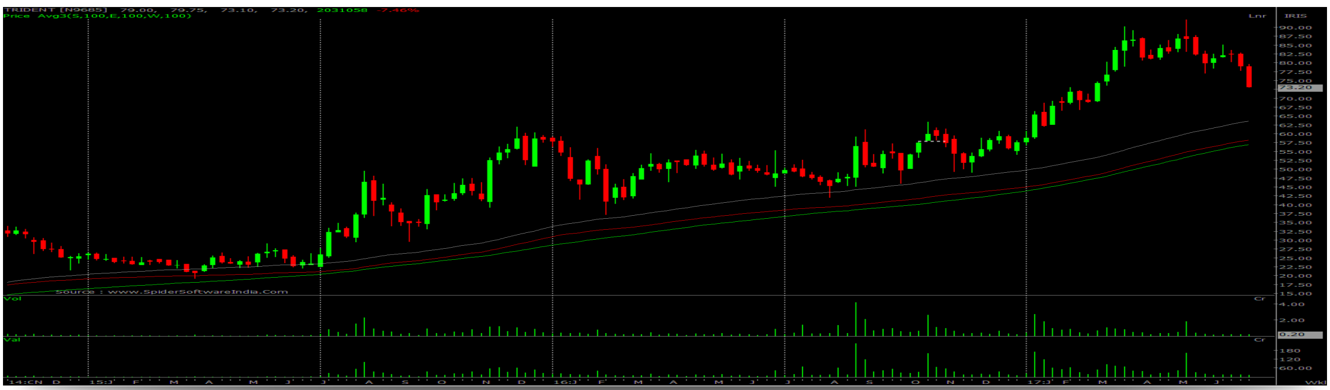
Valuation and Outlook

Considering rising share of high-margin home textiles, increased utilization, economies of scale and debt repayment plan for the next two years, we continue to maintain our positive outlook on Trident and we maintain our **"BUY"** rating with a target price of Rs. 98, based on 9.4x P/E FY19E, representing an upside potential of 33% in next 9-12 months.

Key Risks

- Increase in cotton prices may have bearing impact on the company's profitability.
- Majority of the company's revenue is generated by exporting products to developed economies namely USA, UK and EU. Demand crunch in these economies would impact the company's order book in any given year.
- Significant changes in the currency exchange rates could affect the financial performance of the company.
- The company faces a regular competition from China and ASEAN countries in the cotton yarn and home textiles segments while catering to multi-brand retail chain stores and overseas producers.

TRIDENT: Technical View



Trident witnessed steady rise from sub Rs.20 levels to an all time high of Rs.92 in last two years time frame. In the mid of May'17, stock price clocked an all time high of Rs.92 and post which stock witnessed profit booking in last couple of weeks. Technically, on projecting retracement from the swing low of Rs.49 to a high of Rs.92, in the recent correction stock price has retraced only 38.2% of entire move, which depicts underlying strength in the counter. Currently, stock is holding above its long term moving average 200-DEMA which is currently placed near Rs.71 levels. On the weekly momentum setup, 14-period RSI after testing overbought territory gradually drifting towards oversold territory. On the downside, stock has an immediate support near Rs.70-71 levels, followed by Rs.63-65 levels. On the higher side, stock may find immediate resistance near Rs.85 levels, followed by Rs.92 levels, which is an all time high, above which stock will enter into an uncharted territory and may find resistance near Rs.100 -102 levels in medium to long term perspective.

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The objective of 'Value Invest - Midcap' is to deliver superior returns over an extended time frame. The investment philosophy works on simple but superior fundamental and technical research.

The 10 midcap companies in this product in our opinion reflects superior businesses with consistent future cash flows, run competently and have potential for exponential stock price growth.

We also track short-term price distortions that create long-term value, driven by sound economic fundamentals of the company. This reflects stocks that have margin of safety will converge to their intrinsic value over a period of time and will reflect superior returns.

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The product is being given to the clients in the form of non-binding investment recommendations so that they can decide to capitalize on the robust fundamentals and future plans of the company, which is being discussed in the report.

Stock Ratings		Absolute Returns
Buy	:	> 15%
Hold	:	5-15%
Sell	:	<5%

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