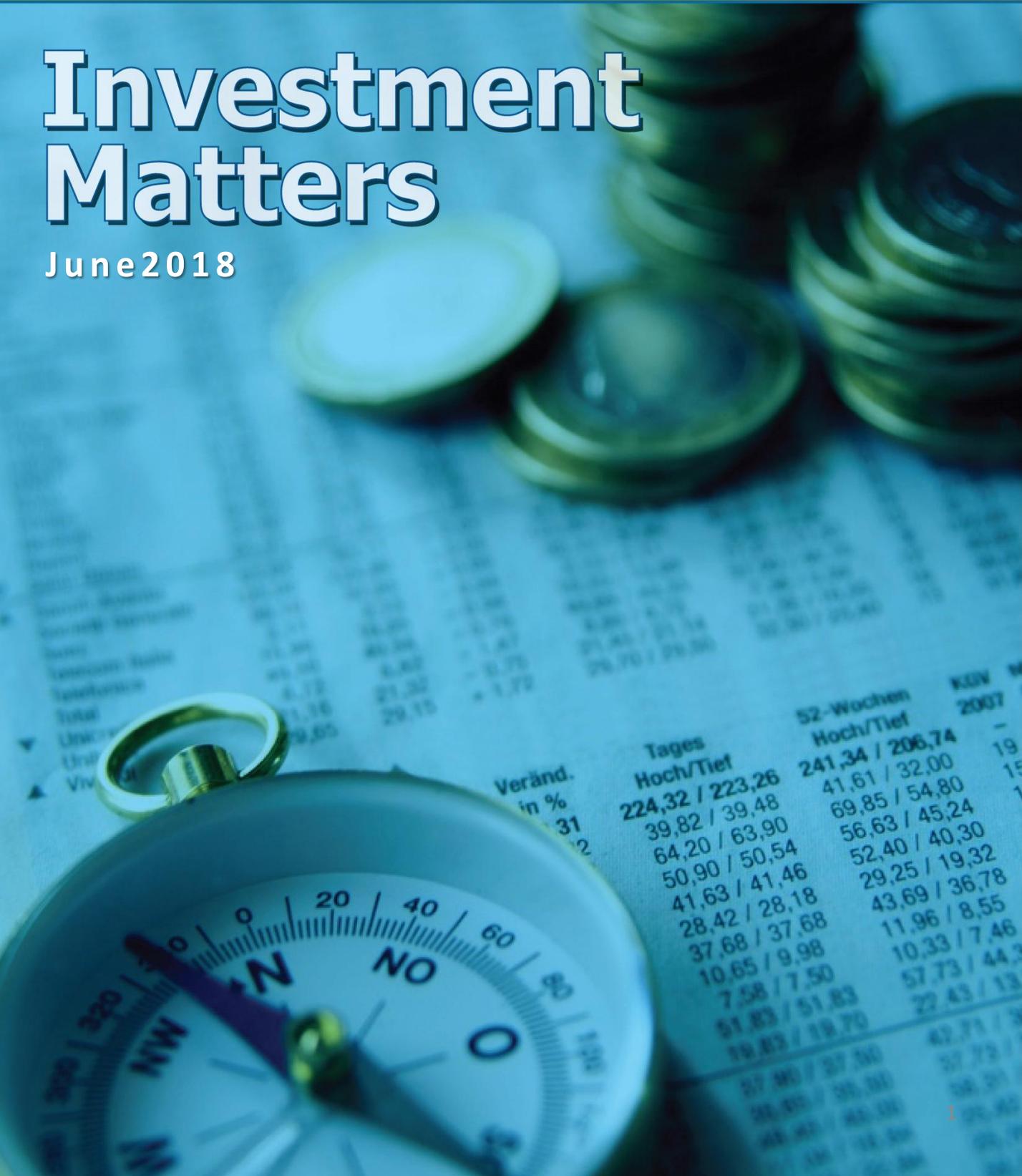


Investment Matters

June 2018



Veränd. in %	Tages Hoch/Tief	52-Wochen Hoch/Tief	KGV 2007
31	224,32 / 223,26	241,34 / 206,74	-
31-2	39,82 / 39,48	41,61 / 32,00	19
	64,20 / 63,90	69,85 / 54,80	15
	50,90 / 50,54	56,63 / 45,24	1
	41,63 / 41,46	52,40 / 40,30	
	28,42 / 28,18	29,25 / 19,32	
	37,68 / 37,68	43,69 / 36,78	
	10,65 / 9,98	11,96 / 8,55	
	7,58 / 7,50	10,33 / 7,46	
	51,83 / 51,83	57,73 / 44,3	
	19,83 / 19,70	22,43 / 13	
	37,90 / 37,50	42,71 / 3	
	38,40 / 38,30	37,79 /	
	48,40 / 48,30	58,21	
	18 / 18,30	25,40	
	25,30	25,7	

EQUITY OUTLOOK

We believe that it was a mixed bag quarter i.e Q4FY18 earnings season with Nifty earnings degrowing by - 2.5% ex Energy and Financials. Some of the prominent names in Nifty which led to lower earnings were Tata Motors, Coal India, Hindalco, Adani Ports, Vedanta, Dr Reddys, Sun Pharma, HCL Tech, Wipro, NTPC etc. Our investee companies had another strong quarter of performance with most business delivering 30%+ profit growth – a few standouts like ACC, Ashok Leyland, BASF, Bajaj Finance, Sundram Fastners, Grasim Industries, Gujarat Gas, Mahindra CIE, Qness Corp, Titan, Varun Beverages continue to deliver strong earnings on the other hand a few names as expected delivered a weak performance for the quarter like SBI, Federal Bank.

A gist of quarterly performance is given below. It is worth noting that we are optimistic of much improved performance for some of the companies which have not delivered growth during the current quarter like –

SBI –SBI Q4FY18 results as explained post Q3FY18 note was on the back of large NPA recognition which is more of an accounting entry rather than incremental deterioration in gross NPA figure. The bank currently has provision coverage in excess of 55% and intends to go towards 60% over the next 4 quarters. Growth in advances is improving, NIM are likely to move higher by 20-25 bps over the next 12 months, incremental provisioning will reduce going forward and hence profitability is likely to normalise towards 1% ROA and 15% ROE by FY20-21. The stock price today is very attractive and we expect to see a bounce back over the course of the next 12 months.

Federal Bank –Q4FY18 was a weak result from Federal Bank. This was on expected lines since RBI in Feb 2018 abolished all restructuring schemes like S4A, 5/25 etc and asked banks classify such assets as NPA. Federal Bank as per RBI guidelines classified more than Rs. 450 cr worth of such assets as NPA during the quarter. Important to highlight that all these accounts were given loans prior to 2011 and are not new loans. Incrementally we expect Federal Bank to report strong performance and hence would expect the stock price to bounce back over the course of next 12 months.

EQUITY OUTLOOK

Name	Sales			EBIDTA			PAT			EPS		
	Q4FY18	Q4FY17	% chg									
ACC *	35570	30997	15%	4235	3418	24%	2451	2115	16%	13.1	11.3	16%
AIA Engineering	7439	6476	15%	1666	1600	4%	1513	1151	31%	16.0	12.2	31%
Ashok Leyland	87725	66179	33%	10327	7300	41%	6674	4762	40%	2.3	1.6	40%
Bajaj Auto	67733	48973	38%	13152	9060	45%	10799	8018	35%	37.4	27.7	35%
Bajaj Finance	23651	16892	40%				7210	4492	61%	12.6	7.8	61%
Bajaj Finserv	88294	70434	25%				6855	5349	28%	43.1	33.6	28%
BASF India	13436	12738	5%	992	1218	-19%	674	451	49%	15.6	10.4	49%
CARE Ratings	944	764	24%	576	471	22%	399	384	4%	13.5	13.0	4%
Concor	15587	13733	14%	3466	2639	31%	2936	3357	-13%	12.0	13.8	-13%
Dishman Carbogen	4515	5342	-15%	1211	1467	-17%	511	428	19%	3.2	2.7	19%
Federal Bank	12474	11245	11%				1450	2566	-43%	0.8	1.5	-43%
Finolex Industries	8091	8876	-9%	1879	1785	5%	1209	1233	-2%	9.8	9.9	-2%
Grasim Industries	174380	99954	74%	35200	18732	88%	10338	7745	33%	15.7	11.8	33%
Greaves Cotton	4862	3921	24%	699	546	28%	567	469	21%	2.3	1.9	21%
Gujarat Gas	17778	14377	24%	2227	1463	52%	660	331	99%	4.8	2.4	99%
HDFC Bank	106577	90551	18%				47993	39901	20%	18.5	15.4	20%
Indian Energy Exchange	552	510	8%	435	352	24%	314	270	16%	10.4	8.9	16%
Info Edge	2407	2084	15%	593	632	-6%	566	369	54%	4.7	3.0	54%
ITC	104792	109995	-5%	41440	38754	7%	29327	26695	10%	2.4	2.2	10%
Kalpataru Power	19314	14962	29%	2092	1572	33%	1048	896	17%	6.8	5.8	17%
L&T Tech Services	10548	8123	30%	1640	1338	23%	1588	960	65%	15.6	9.4	65%
Mahindra CIE *	19107	15781	21%	2638	1889	40%	1329	819	62%	3.5	2.2	62%
Maruti Suzuki	209856	183334	14%	30150	25595	18%	20612	17105	21%	68.3	56.6	21%
Natco Pharma	7678	5778	33%	3833	2411	59%	2999	1767	70%	16.3	9.6	70%
Qess Corp	18908	12395	53%	1093	703	55%	765	330	132%	5.3	2.3	132%
Ramco Cements	12519	10166	23%	2722	2708	1%	1086	1345	-19%	4.6	5.7	-19%
State Bank of India	324691	283982	14%				-77182	28148	-100%	-8.9	3.3	-100%
Sundram Clayton	4536	3587	26%	1644	1189	38%	983	384	156%	48.6	19.0	156%
Sundram Fastners	9455	7920	19%	1659	1359	22%	952	877	9%	4.5	4.2	9%
Thomas Cook	25726	21874	18%	56	676	-92%	745	-2	200%	2.0	0.0	200%
Titan Co	39168	35075	12%	4554	2721	67%	3468	2024	71%	3.9	2.3	71%
TV18 Broadcast	7578	2789	172%	394	264	49%	38	-57	200%	0.0	0.0	200%
Ultratech Cement	90025	65953	36%	17028	12782	33%	6023	7020	-14%	21.9	25.6	-14%
United Spirits	21737	20250	7%	2741	2609	5%	2110	-1042	-302%	14.6	-7.2	-302%
Varun Beverages *	10948	8792	25%	1727	1372	26%	186	45	313%	1.0	0.2	313%

Source : BSE India; NSE India

Chandraprakash Padiyar

Portfolio Manager
Alchemy Capital Management Pvt. Ltd

DISCLAIMER

General Risk factors

All investment products attract various kinds of risks. Please read the relevant Disclosure Document / Client Agreement carefully before investing.

General Disclaimers

The information and opinions contained in this report/ presentation have been obtained from sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete.

Information and opinions contained in the report/ presentation are disseminated for the information of authorized recipients only, and are not to be relied upon as advisory or authoritative or taken in substitution for the exercise of due diligence and judgement by any recipient.

The information and opinions are not, and should not be construed as, an offer or solicitation to buy or sell any securities or make any investments.

Nothing contained herein, including past performance, shall constitute any representation or warranty as to future performance.

The client is solely responsible for consulting his/her/its own independent advisors as to the legal, tax, accounting and related matters concerning investments and nothing in this document or in any communication shall constitute such advice.

The client is expected to understand the risk factors associated with investment & act on the information solely on his/her/its own risk. As a condition for providing this information, the client agrees that Alchemy Capital Management Pvt. Ltd., its Group or affiliates makes no representation and shall have no liability in any way arising to them or any other entity for any loss or damage, direct or indirect, arising from the use of this information.

This document and its contents are proprietary information of Alchemy Capital Management Pvt. Ltd and may not be reproduced or otherwise disseminated in whole or in part without the written consent.

Edited by: Sachin Pawar (Ph: +91-22-66171742)

Alchemy Capital Management Pvt. Ltd., B-4, Amerchand Mansion, 16 Madame Cama Road, Mumbai 400 001. Ph: +91-22-66171700

CIN- U67120MH1999PTC119811, Email ID: contactus@alchemycapital.com