

Week Gone By

- ⇒ Among US stocks, all three major stock indexes closed at records on Friday, 17 February 2017 with the Dow Jones Industrial Average eking out gains to extend its record-setting streak to a seventh session. The euphoria surrounding President Donald Trump's proposed economic policies fueled by optimism around the prospect of tax cuts and increased infrastructure spending have helped to push US stocks to all-time highs. Meanwhile, US markets remain closed today, 20 March 2017 for the Presidents Day holiday.
- ⇒ IMF reduced growth forecasts to 6.6% for fiscal year 2016-17 and to 7.2% in 2017-18.
- ⇒ The financial markets are waiting on the Fed's Jan. 31-Feb. 1 policy meeting minutes due later in the day for fresh hints on the US central bank's stance towards interest rates. Last week, Fed chief Janet Yellen indicated the Fed is likely to speed up the pace of its interest rate rises if the job market remains healthy and inflation stays on track.

Week Ahead

- ⇒ The government will announce data on Q3 December 2016 gross domestic product (GDP) on Tuesday, 28 February 2017. The GDP had risen 7.3% in Q2 September 2016.
- ⇒ State-run oil marketing companies (PSU OMCs) and auto stocks will be in focus as PSU oil marketing companies will undertake fuel price revision next week.
- ⇒ Markit Economics, an independent, global provider of some of the world's most influential business surveys will unveil the result of a monthly survey on the performance of India's manufacturing sector for February 2017 on Wednesday, 1 March 2017.
- ⇒ Auto stocks will be in focus as auto companies will start reporting sales volume data for February 2017, starting from Wednesday, 1 March 2017.
- ⇒ The data on preliminary estimates of US Q4 December 2016 gross domestic product (GDP) will be announced on Tuesday, 28 February 2017.

Technical View

Nifty closed 1.34% higher at 8940. Index has surpassed the resistance from a down sloping trend line which is drawn connecting the previous peaks, behavior close to this level will be closely watched for medium term trend. Earlier index has surpassed 78.60% retracement of its previous down move and is now expected to test its previous peak of 8970. Going ahead index now faces immediate resistance at 8970, for index to continue its upmove it needs to sustain above this level which if does will open the way for 9020-9120 while support comes at 8880-8820-8780.

1-Nifty 50 - 23/02/17



Weekly Wealth

DOMESTIC INDICES

	23-Feb-17	17-Feb-17	Weekly Chg (%)
Nifty	8,940	8,822	1.3
CNX Nifty Junior	24,377	24,251	0.5
Nifty 100	9,219	9,110	1.2
Nifty 500	7,730	7,638	1.2
Nifty Midcap 100	16,358	16,169	1.2
Sensex	28,893	28,469	1.5
BSE 100 Index	9,240	9,124	1.3
BSE 200 Index	3,875	3,828	1.2
BSE 500 Index	12,213	12,068	1.2
BSE Mid-Cap	13,532	13,423	0.8
BSE Small Cap	13,588	13,468	0.9

NIFTY TOP GAINERS (WEEKLY)

	23-Feb-17	17-Feb-17	Weekly Chg (%)
Idea Cellular	119.6	105.9	12.9
Reliance	1,182.8	1,075.5	10.0
Axis Bank	528.2	489.1	8.0
BPCL	717.7	679.0	5.7
Asian Paints	1,009.0	960.8	5.0

NIFTY TOP LOSERS (WEEKLY)

	23-Feb-17	17-Feb-17	Weekly Chg (%)
Bharti Infratel	297.9	307.8	-3.2
Ambuja Cements	232.0	238.2	-2.6
NTPC	165.5	169.8	-2.5
ACC	1,438.1	1,465.7	-1.9
Power Grid Corp	199.2	202.6	-1.7

WORLD INDICES

	23-Feb-17	17-Feb-17	Weekly Chg (%)
Nikkei index	19,371	19,235	0.7
Hang Sang Index	24,115	24,034	0.3
Kospi Index	2,108	2,081	1.3
Shanghai SE Comp	3,251	3,202	1.5
Strait Times Index	3,138	3,108	0.9
Dow Jones	20,710	20,560	0.7
NASDAQ	5,861	5,815	0.8
FTSE	7,295	7,274	0.3

FOREX

	23-Feb-17	17-Feb-17	Weekly Chg (%)
USD/INR	66.8	67.1	-0.3
GBP/INR	83.4	83.2	0.2
Euro (Rs.)	70.5	71.4	-1.2
JPY/INR(100)	59.1	59.4	-0.5

FII - ACTIVITY

(Rs. Cr.)

Date	Purchases	Sales	Net
20/02/2017	3,008.5	3,441.9	-433.4
21/02/2017	4,031.4	5,467.2	-1,435.8
22/02/2017	5,860.9	6,120.1	-259.2
23/02/2017	9,571.3	9,178.9	392.3
MTD	93,254.4	85,550.7	7,703.7

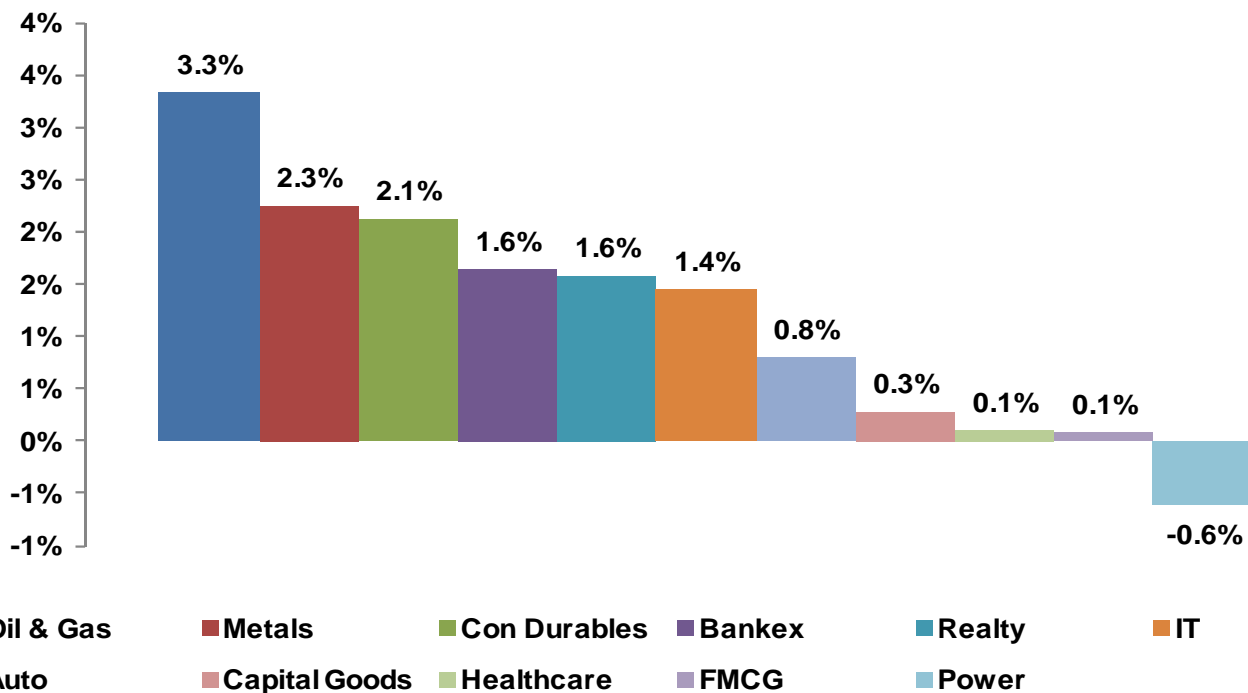
DII - ACTIVITY

(Rs. Cr.)

Date	Purchase	Sales	Net
20/02/2017	2,689.5	1,861.6	827.9
21/02/2017	2,984.2	1,448.8	1,535.4
22/02/2017	3,705.5	2,787.5	918.0
23/02/2017	4,954.4	5,399.4	-445.0
MTD	53,587.3	53,184.2	403.1

Weekly Wealth

BSE Weekly Sectoral Performance



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

	17-Feb-17	23-Feb-17	Weekly Chg (%)	17-Feb-17	23-Feb-17	Weekly Chg (%)
	Share Price (Rs)			Open Interest		
BEL	1536.4	1513.7	-1.5	2,379,150	3,941,100	65.7
DCBBANK	138.4	154.4	11.6	3,096,000	4,815,000	55.5
ALBK	70.9	73.6	3.8	16,100,000	22,980,000	42.7
PIDILITIND	687.0	692.3	0.8	22,608,000	32,268,000	42.7
ANDHRABANK	54.1	55.7	3.0	21,700,000	30,920,000	42.5

TOP OPEN INTEREST LOSERS (WEEKLY)

	17-Feb-17	23-Feb-17	Weekly Chg (%)	17-Feb-17	23-Feb-17	Weekly Chg (%)
	Share Price (Rs)			Open Interest		
MINDTREE	478.8	472.9	-1.23	3,273,000	1,641,000	-49.9
TORNTPOWER	208.3	202.0	-3.05	539,200	374,400	-30.6
HEXAWARE	212.5	220.9	3.98	6,114,000	5,100,000	-16.6
POWERGRID	203.8	200.4	-1.67	65,737,000	54,929,000	-16.4
CEATLTD	1135.0	1166.3	2.76	2,634,800	2,247,700	-14.7

Source: NSE, BP Equities Research



Weekly Wealth

Bulk Deals

Date	Scrip Name	Client Name	Exchange	Deal Type	Quantity	Trade Price (Rs)
21-02-2017	Max Fin Serv Ltd	BIRLA SUN LIFE FRONTLINE EQUITY FUND	NSE	BUY	1,383,915	560.0

21-02-2017	Max Fin Serv Ltd	SBI MAGNUM BALANCED	NSE	BUY	2,300,000	560.0
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Source: Company, BP Equities Research

Weekly Wealth

Learning Curve

NPS vs ELSS: Which will help build a bigger retirement corpus?

Adrian is an equity analyst in his late thirties. He earns well and is able to afford a high standard of living. He holds some equity shares and fixed deposits with banks. He has some savings but would now like to build a bankable retirement corpus. It is also time for him to make his annual tax savings. He is contemplating investing in NPS, since it provides the additional tax benefit of Rs 15,000 in the 30% bracket too. However, his friend has advised him to consider ELSS. Adrian is unsure as ELSS is not a retirement product. Adrian must not mix retirement planning with tax planning. He has to start planning for retirement with a corpus estimation, which will lead him to a required rate of return. In other words, he must choose his investments based on the required rate of return. The bigger the corpus, the higher the required rate of return. The bigger the corpus, the higher the required rate of return. The higher rate of return, the greater the benefit of compounding, which will accelerate growth in the corpus. If Adrian's objective is to accumulate a corpus large enough to support his current standard of living even after retirement, he will need to invest in instruments that will have the potential to provide a high rate of return. NPS is a long-term saving instrument, apt for retirement planning. But its return potential is limited by the fact that equity allocation is capped at 50%. The potential in terms of returns is higher in ELSS, which is a pure equity portfolio. The question for Adrian to consider is this: How does the NPS' advantage of a ready retirement solution and higher initial tax break compare with the return potential of ELSS (proxy for equity)? Moreover, the disadvantages faced at withdrawal make NPS relatively less attractive. Adrian must be prudent and avoid jumping into investment decisions purely based on available tax benefits. With ample time on his side, he can maximise his return potential by taking a higher allocation to equity, which might surpass the additional tax benefit provided by NPS at the time of investment. ELSS provides him the comfort of a pure equity product, with EEE taxation. After all, there is nothing that stops him from using ELSS for building his retirement corpus.

Source: *Economic Times*

Sugar

Company Background

Triveni Engineering & Industries Limited (TEIL) is a focused, growing corporation having core competencies in the areas of sugar and engineering. The Company is one amongst the largest sugar manufacturers in India and the market leader in its engineering businesses comprising high speed gears, gearboxes, and water treatment solutions. With 7 sugar mills, 6 co-generation units and 1 distillery spread over 8 locations in Uttar Pradesh, we progressively engage with over 250,000 farmers through our cane marketing and development programs. Our two major business segments – sugar and engineering - are mutually exclusive in terms of growth factors and environment. The sugar business is immune to the upheavals in the global economy, and is dependent only on the sugar cycle. Our engineering businesses cater to the two most critical industries – power and water.

Investment Rationale

Engineering Business steadily improving

Even in the current challenging macro environment for the capital goods industry, they have maintained their leadership position in the high speed gears and gearboxes segment upto 70 MW capacity and speed of 70,000 rpm in their gear business. Their long association with GE Lufkin which prefers to buy goods from low cost country and globally small companies has helped TEIL to provide a technical edge over its competitors and to make steady inflows into the regional market as well as they have also conformed to their international standards at the Mysore facility. The financial performance of this business has been steady over the years in the slowly growing capital goods economy compared to its peers. We expect the capital goods industry to revive soon and thus the order intake for Triveni Engineering should improve considerably since it has a strong market leadership in its segment and globally the small power companies are growing which have a trend to produce renewable energy and biomass fuel where majority of these gears are used. Coming to the Water business, they have significantly enhanced their focus towards improving their operating efficiency by reducing delivery time. The order intake in the year FY 16 has witnessed a robust growth of 92% over FY 15 which has secured a strong revenue growth going forward as well as the turnover of the 1st Half of FY 17 is 41% higher at Rs.758 million. The company has also participated in various tenders and expects and order booking which will help to earn revenue beyond its breakeven points and the company is also exploring export opportunities to improve its performance.

Sugar segment turnaround to continue

The company produces higher quality refined sugar from 2 units and white sulphitation sugar from other 5 units. Uttar Pradesh being largest producing sugar state and natural favourable conditions for sugar, the company enjoys Geographic advantage. The land is highly fertile and is fit for cane cultivation and besides that all sugar units are under canal irrigation leading to reduce dependency on monsoons. The mills are located near major consumption centers leading to lower transportation cost and ultimately higher profitability. The company realigns product mix strategy as per market requirements which helps to earn a premium for the products and better price realization. The mismatch between excess sugar production over sugar consumption is improved due to global sugar shortage and bad monsoon (drought in Brazil and Thailand) and also the sugar prices has increased which is expected to continue further due to production decline. One big positive in this industry is Government's shift towards more conducive regulatory policies that is the central government has made mandatory export for sugar, the company will be eligible for subsidy and maintain the domestic sugar prices stable. Also the government has mandated ethanol blending which translates into an ethanol demand and will create profitability. Augmenting power generation through three incidental co-generation power plants over the past years at competitive capital cost, has also generated additional revenue through increased volume of power export to the grid.

Valuations and outlook

The outlook for sugar continues to remain positive due to government incentives and despite challenging macro environment for the capital goods industry, the segment is gradually improving. The company is planning to demerge the sugar segment which will help to enhance the focus and leverage the growth prospects of the respective businesses. We have valued TEIL based on SOTP valuations to account for its different business segments and its investment in Triveni Turbine Ltd. Sugar and Engineering segment is valued at 6 times FY18E EPS 10.5 that is Rs. 63 per share. Triveni Turbine Investment is valued @ 21.82% (35% discount) on Market cap of 4000Cr that is Rs. 22 per share. Based on our valuations the value of TEIL comes to Rs 85 an upside potential of 20%.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (Rs)	71
Target Price (Rs)	85
BSE code	532356
NSE Symbol	TRIVENI
Bloomberg	TRE IN
Reuters	TREI.BO

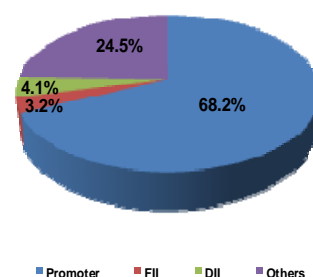
Key Data

Nifty	8,962
52WeekH/L(Rs)	85/36
O/s Shares (mn)	258
Market Cap (Rs bn)	18
Face Value (Rs)	1

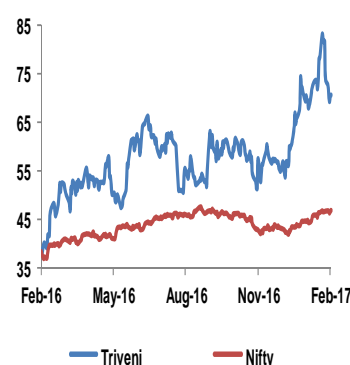
Average volume

3 months	1,179,860
6 months	1,080,600
1 year	1,408,460

Share Holding Pattern (%)



Relative Price Chart





Weekly Wealth

Key Financials (Consolidated)				
YE March (Rs. mn)	FY15	FY16	FY17E	FY18E
Revenue	20,787	19,383	24,367	26,792
Growth%	-34.6%	-6.8%	25.7%	10.0%
EBITDA	-5	1,482	4,386	4,715
Growth%	100.6%	28795.2%	195.9%	7.5%
Net Profit	-1,521	-98	2,437	2,706
Growth%	-13.8%	-93.6%	2585.7%	11.1%
Diluted EPS (Rs.)	-5.9	-0.4	9.4	10.5
Growth%	-13.8%	-93.6%	2585.7%	11.1%
Key Ratios				
EBITDA(%)	0.0%	7.6%	18.0%	17.6%
NPM (%)	-7.3%	-0.5%	10.0%	10.1%
RoE (%)	-23.1%	-1.5%	27.3%	23.3%
BV/Per Share (Rs.)	26	25	35	45
Valuation Ratios				
P/E (x)	-12.0x	-186.9x	7.5x	6.8x
EV/EBITDA (x)	-6382.5x	23.8x	7.8x	7.0x
Market Cap./ Sales (x)	0.9x	0.9x	0.8x	0.7x

Source: Company, BP Equities Research



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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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