Weekly Wealth

BP WEALTH

23rd June, 2017

Week Gone By

- ⇒ The Reserve Bank of India (RBI) directed IDBI Bank, the lead bank of Lanco Infratech (LITL) to initiate Corporate Insolvency Resolution Process (CIRP) for LITL under the Insolvency and Bankruptcy Code, 2016.
- ⇒ On the domestic economic front, the GST Council on Sunday, 18 June 2017, reportedly put a fix to nagging issues and the government put at rest speculation about a possible delay in GST rollout, paving the way for the landmark tax reforms to kick in from 1 July 2017. The government will reportedly let companies to file late returns for the first two months to let them adapt to a new system.
- ⇒ A report on weekly jobless claims showed that fewer than 250,000 Americans applied for unemployment benefits in mid-June. Initial jobless claims rose by 3,000 to 241,000 in the seven days stretching from 11 June to 17 June 2017, Labor Department said.

Week Ahead

- ⇒ Developments related to roll-out of Goods and Service Tax (GST), progress of monsoon rains, domestic and global macroeconomic data, trend in global markets, investment by foreign portfolio investors (FPIs) and domestic institutional investors (DIIs), the movement of rupee against the dollar and crude oil price movement will dictate trend on the bourses in truncated trading week ahead. Domestic stock markets will remain closed on Monday, 26 June 2017 on account of Id-Ul-Fitr (Ramzan Id).
- ⇒ The market may remain volatile as traders roll over positions in the futures & options (F&O) segment from the near month June 2017 series to July 2017 series. The near month June 2017 derivatives contract expire on Thursday, 29 June 2017.
- ⇒ The progress of monsoon rains will be closely watched. The IMD said that for the country as a whole, cumulative rainfall during this year's monsoon upto 22 June has been 4% above the Long Period Average (LPA). The June-September southwest monsoon is critical for the country's agriculture because a considerable part of the country's farmland is dependent on the rains for irrigation.
- ⇒ The Indian Meteorological Department (IMD) in its second stage forecast of Southwest monsoon seasonal rainfall issued on 6 June 2017 had said that quantitatively, monsoon seasonal rainfall for the country as a whole is likely to be 98% of the long period average (LPA) with an error of ± 4%.
- ⇒ On the global front, the US durable goods orders for May 2017 will be released on Monday, 26 June 2017. New orders for US manufactured durable goods fell 0.7% month-over-month in April 2017, following an upwardly revised 2.3% jump in March. The US GDP growth rate will be declared on Thursday, 29 June 2017. The US economy expanded an annualized 1.2% on quarter in the first three months of 2017, better than the advance estimate of 0.7% growth.

Technical View

Nifty closed at flat at 9592 with a loss of 0.05%. Index ended the week on a flattish note. Price has formed an Evening star a bearish reversal candlestick pattern which suggests the recent peak to act as strong resistance and the short term trend to turn bearish. Index has earlier surpassed a long term down sloping trend line which is a bullish signal; the breakout has come after the index consolidated around this trend line and surpassed it with a gap up which increases the reliability of the breakout. RSI after consolidating near 70 levels has resumed its up move which is a bullish signal and compliments the bullish view of price. Going ahead till index has immediate resistance at 9650, for index to continue its up move it needs to sustain above this level which if it does will open the way for 9690-9750 while a failure to surpass the above resistance level will call profit booking towards 9550-9520-9450.

Source: Falcon, BP Equities Research

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DOMESTIC INDICES

	23-Jun-17	16-Jun-17	Weekly Chg (%)
Nifty	9,575	9,588	-0.1
CNX Nifty Junior	26,158	26,550	-1.5
Nifty 100	9,877	9,911	-0.3
Nifty 500	8,355	8,411	-0.7
Nifty Midcap 100	17,686	18,003	-1.8
Sensex	31,138	31,056	0.3
BSE 100 Index	9,891	9,920	-0.3
BSE 200 Index	4,158	4,177	-0.4
BSE 500 Index	13,208	13,288	-0.6
BSE Mid-Cap	14,864	14,807	0.4
BSE Small Cap	15,714	15,667	0.3

NIFTY TOP GAINERS (WEEKLY)

	23-Jun-17	16-Jun-17	Weekly Chg (%)
Tata Power	81.5	77.9	4.6
Reliance	1,435.9	1,388.8	3.4
Aurobindo Pharm	672.3	653.7	2.8
Sun Pharma	543.8	529.2	2.8
Ambuja Cements	243.3	237.3	2.6

NIFTY TOP LOSERS (WEEKLY)

	23-Jun-17	16-Jun-17	Weekly Chg (%)
ICICI Bank	291.9	316.5	-7.8
GAIL	354.2	378.4	-6.4
BPCL	630.8	673.8	-6.4
Lupin	1,060.0	1,131.1	-6.3
Eicher Motors	27,166.7	28,746.9	-5.5

WORLD INDICES

	23-Jun-17	16-Jun-17	Weekly Chg (%)
Nikkei index	20,133	19,943	0.9
Hang Sang Index	25,670	25,626	0.2
Kospi Index	2,379	2,362	0.7
Shanghai SE Comp	3,157	3,123	1.1
Strait Times Index	3,209	3,231	-0.7
Dow Jones	21,397	21,400	0.0
NASDAQ	6,237	6,166	1.2
FTSE	7,438	7,464	-0.3

FOREX

	23-Jun-17	16-Jun-17	Weekly Chg (%)
USD/INR	64.5	64.4	0.1
GBP/INR	82.1	82.3	-0.3
Euro (Rs.)	72.0	71.9	0.2
JPY/INR(100)	58.0	57.9	0.2

FII - ACTIVITY (Rs. Cr.)

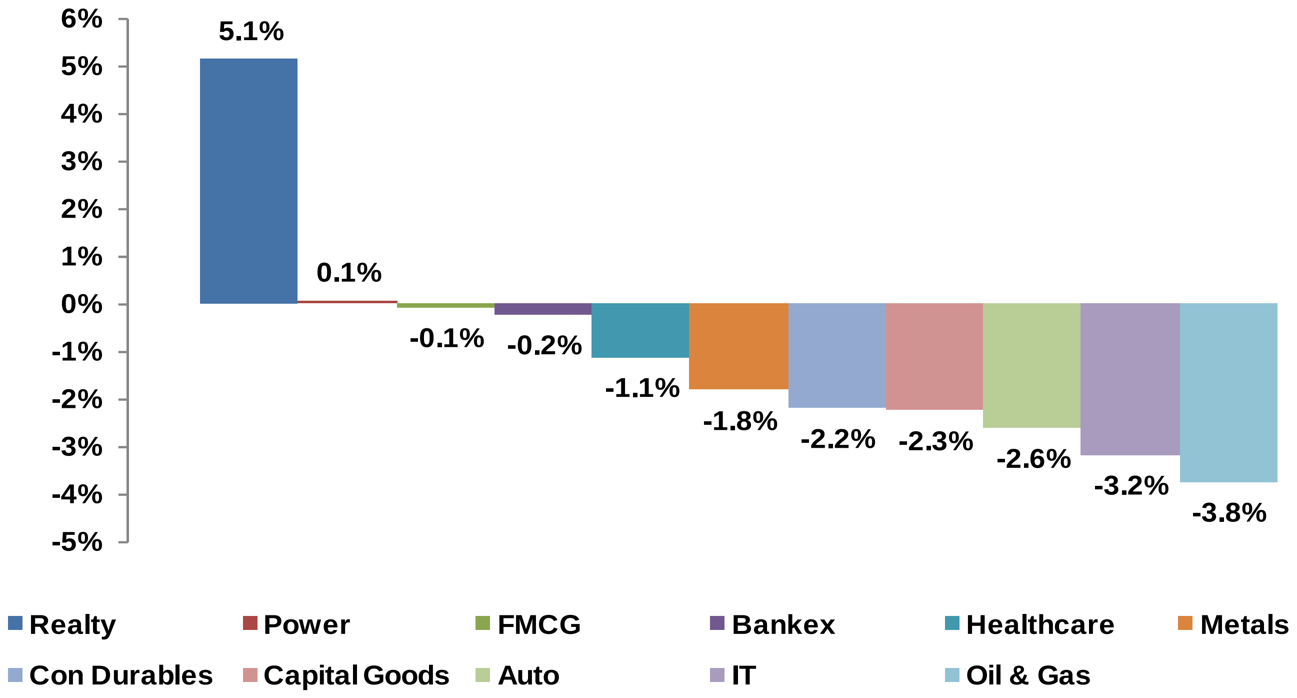
Date	Purchases	Sales	Net
19/06/2017	3,843.2	4,093.6	-250.4
20/06/2017	4,296.9	4,609.7	-312.8
21/06/2017	4,834.7	4,987.5	-152.8
22/06/2017	6,372.4	6,179.7	192.7
23/06/2017	4,875.8	4,605.9	270.0
MTD	83,224.0	85,504.8	-2,280.8

DII - ACTIVTY (Rs. Cr.)

Date	Purchase	Sales	Net
19/06/2017	2,539.6	2,009.7	529.9
20/06/2017	2,580.2	2,103.1	477.1
21/06/2017	6,554.0	6,595.3	-41.4
22/06/2017	3,449.7	2,994.5	455.2
23/06/2017	2,537.1	2,582.9	-45.8
MTD	49,502.0	44,790.8	4,711.2

Weekly Wealth

BSE Weekly Sectoral Performance



Source: BSE, BP Equities Research

TOP OPEN INTEREST GAINERS (WEEKLY)

	16-Jun-17	23-Jun-17	Weekly Chg (%)	16-Jun-17	23-Jun-17	Weekly Chg (%)
	Share Price (Rs)			Open Interest		
GODREJCP	1865.9	957	-48.7	875200	2208000	152.2
PCJEWELLER	503.3	506.4	0.6	1950000	3084000	58.1
EICHERMOT	28825.4	27199.1	-5.6	127275	174850	37.3
FEDERALBNK	120.9	115	-4.9	58377000	79464000	36.1
CHOLAFIN	1096.7	1065.1	-2.8	415500	548500	32.0

	16-Jun-17	23-Jun-17	Weekly Chg (%)	16-Jun-17	23-Jun-17	Weekly Chg (%)
	Share Price (Rs)			Open Interest		
ALBK	69.9	70	0.07	30850000	23060000	-25.2
BEML	1456.5	1541.4	5.8	3113400	2405400	-22.7
PETRONET	428.9	437.3	1.9	8725500	6819000	-21.8
ORIENTBANK	148.2	144	-2.7	19638000	15846000	-19.3
BANKINDIA	137.3	133.8	-2.5	35934000	30654000	-14.6

Source: NSE, BP Equities Research

Weekly Wealth

Bulk Deals

Date	Scrip Name	Client Name	Exchange	Deal Type	Quantity	Trade Price (Rs)
19-06-2017	JUBILIANT INDUSTRIES LTD	GOLDFLAG HOLDINGS PVT. LTD. .	NSE	SELL	60,000	278.1
21-09-2017	SUPRAJIT ENGINEERING ltd	SMALL CAP WORLD FUND	NSE	BUY	760000	326

Source: Company, BP Equities Research

Learning Curve

Why you should invest some of your funds in foreign equity

Till 2003, Indian savers could not invest anywhere outside India. You couldn't put your money into an American mutual fund, or buy shares of Toyota or Microsoft or make any other financial investment outside India. This changed in that year's Budget, when Finance Minister Jaswant Singh opened the way for Indians to invest abroad, both directly into stocks as well as through mutual funds. However, this is not an option that has become as popular as it deserves to. Let's see why that happened and why you should consider investing abroad. Foreign investments for individuals opened up a type of diversification that was new to Indian investors. Diversification is one of the central tenets of investing. The basic idea is that different kinds of investments—different by type of industry, company size and geography—generally tend not to do badly all at once. When some do badly, others do better. Professional investors have a whole theory about which types of investments are likelier to move together and which move in opposite directions, but common sense works well too. The logic of investing across different countries seems unbeatable. If the stock markets in one part of the world does badly, then having some money in another part would offer protection. When foreign investments were opened up, a lot of people expected that they would be a popular option. However, as it happened, the story turned out very differently. In the years that followed, the Indian stock markets went up many times. At the point when foreign investments were permitted, the Sensex was at 3,300 points. In the next four years and 10 months, it went up 6.2 times.

By contrast, the American S&P 500 index went up 1.8 times in the same period. Through that entire period, the Indian stock markets offered some of the highest returns in the world and there was no way Indian investors would be attracted to putting money into markets that were underperforming India. In fact, most atypically, even the foreign exchange rate favoured India during this period, when the US dollar fell from Rs 47.66 to Rs 39.37 to a rupee. Forex rates play a big role in foreign investing. The general long-period trend is for the rupee to lose value against the USD, and this helps Indians who invest abroad, with dollar gains acting as a booster dose to whatever is happening to your investment themselves. However, the 2003-2007 period was an exception, and that further made Indian savers think that foreign investments were not worth it. Then came the great financial crisis of 2007-08. Domestic stocks collapsed, but foreign ones collapsed just as badly. In fact, the entire financial crisis was triggered by American problems. Clearly, when the whole world crashes then having a little more in one market than the other wouldn't have saved you from anything. This is the flip-side of globalisation. If businesses around the world can share the spoils of global growth, then they must also pay a shared price for a global slump. This further put paid to the idea of global diversification. Or did it? It so happens that 2003-08 was just about the worst starting experience for investing around the world. First, the Indian markets had an exceptional bull-run, and then there was the rare synchronised global collapse. This experience was made worse by the fact that the Indian mutual fund industry made a series of ill judged choices when it came to the actual foreign investing mutual funds they launched. There were a plethora of specialty funds that were limited to investing in a specific sector, theme, narrow region, commodity or some such thing.

There were few general-purpose equity funds which could pick up the most promising stocks from any industry, anywhere in the world. Just like their domestic equivalents, these thematic funds were basically a marketing ploy which did not generate convincing returns. However, despite this experience, global investing is a worthwhile diversification. This was proven during the period immediately following the financial crisis. From the end of 2007 to the end of 2013, the BSE Sensex generated total returns of 4%, while a rupee investment in the US markets would have doubled your money. All in all, if equities are a part of your long-term investments, then a certain part of it (perhaps 10-20%) should be invested globally. There are a number of Indian mutual funds available for this. However, you should know that while equity fund returns from investments of over one year are tax free, this tax break is only available to those funds where at least 65% of the money is invested in Indian equities. This gives an advantage to those funds that invest in Indian equities, but allocate a small proportion externally. This frees the saver from having to decide how much to invest abroad. I would strongly recommend global diversification for all Indian equity investors. It may or may not turn out to be a good idea in any particular time frame, but overall, it will be a positive factor in your investment portfolio.

Source: Economic Times

PVR

Buy

BP WEALTH

Entertainment Sector

Company Overview

PVR Ltd was incorporated on April 26, 1995 as Priya Village Roadshow Ltd, pursuant to a joint venture agreement between Priya Exhibitors and Village Roadshow Ltd. The company established the first Multiplex Cinema in India, PVR Anupam, in Saket, New Delhi in June 1997. In 2002, as a part of an overall strategy to rationalize its operations across 18 countries, Village Roadshow Ltd sold their entire shareholding to Priya Exhibitors. Post this; the company changed its name to PVR Ltd. Since then, the company has come a long way and is today one of the leading multiplex chains in India with 136 screens spread across 32 properties. PVR also is into the film production and distribution business. PVR Pictures is a subsidiary of PVR Ltd, which has a 60% stake in the company and the balance 40% is held by JP Morgan Mauritius Holding Ltd and ICICI Venture in equal proportion. In order to diversify its revenue stream, PVR Ltd, is also venturing into retail entertainment and management of food courts. PVR is preferred by mall developers for its footfall generating capacity; this allows it to gain market share by getting access to high quality upcoming catchment area. PVR is also recognized for generating ancillary revenue for multiplexes in India by realizing potential of multiplexes as an advertising medium and high end variety of Food & Beverages (F&B) options.

Investment Rationale

Market Leader in Movie Exhibition Business

The company retains its leadership position with 25 % market share in Bollywood Box Office & 40% Hollywood Box Office. It has its reach in 50 cities all over India with approx 126 theatres. The company has been seen expanding its business since the past 5 years in which out of 579 movie screens, 400 have been established in the previous 5 years. PVR apart from other theatres also does have a guest participants of approx 75 million in which the no. of seats overall is 132,026 which implies that a particular seat serves ~568 guests in a year. PVR has already been placed first on the rankings based on regions in three out of four regions and placed 3rd in the eastern region of India. In India the number 1 Entertainment option is going for movies and thus we can also see this effect in the revenues of the business as 52% of revenue of PVR is by Box Office Ticket Sales out of which 70% is domestic and the rest is overseas. The numerical statistics of India in terms of screens per million population is quite low i.e. 7 and taking into the that 65% of the total Indian population is young (with mean age of 27 years), there lies a vast opportunity for the business to grow and increase its revenue by increasing the number of multiplexes all over India by targeting the Tier II & Tier III cities which will be a good boost to increase its revenues. The recent past trend has shown that single screens are shutting down as they are unable to survive paving way for the multiplexes to grow and grab the market.

Strong Financials & operating leverage benefits

PVR follows an asset-light model as it does not own any real estate for its multiplex. The expenses of PVR are mostly fixed in nature as we can see that in the past fiscal years the expenses have risen only because of increase in production rights and the other costs remaining flattish in nature, and hence we can say that the company is expected to receive operating leverage benefits. Thus with the growth opportunities mentioned in the previous rationale, we can say that with the increase in volumes of multiplexes and screens, PVR will experience a huge boom in profits due to its nature of its expenses. PVR has also witnessed that the growth of income from ancillary business has been much more than tickets business i.e. 45% & 32% respectively and majorly all of the ancillary business income is based on footfalls PVR has a high operating leverage. The company has also reduced its Debt-Equity ratio from 1.83 in FY15 to 0.76 in FY16 which will help the company reduces its interest's costs and thus improving its PAT margins.

Outlook and Valuation

With the strong balance sheet position and improving returns ratios we expect the company to report a strong financial performance in FY17-19E and it is also expected to maintain the revenue and PAT CAGR at 20.2% and 34.7% respectively going forward. We also expect GST to be a beneficial for PVR business and we expect it to add value to the business since the current entertainment tax is 26-27% and with a GST rate of 28%, though higher rate it is expected to improve tax efficiency gains for the business. Currently Multi-State VAT and service tax are not being offset as of now but this should not be the case once GST comes into action. Thus taking into account the above rationales of market leadership and strong financials we value the company at 30 times (inline with other consumer discretionary companies) P/E multiple at FY 19E EPS and give a target price of Rs. 1,903.

Stock Rating

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

Sector Outlook **Positive**

Stock

CMP (Rs)	1,502
Target Price (Rs)	1,903
BSE code	532689
NSE Symbol	PVR
Bloomberg	PVRL IN
Reuters	PVRL.BO

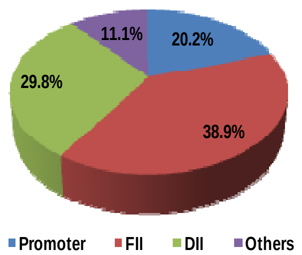
Key Data

Nifty	9575
52WeekH/L(Rs)	1660/891
O/s Shares (mn)	46
Market Cap (Rs Bn)	73
Face Value (Rs)	10

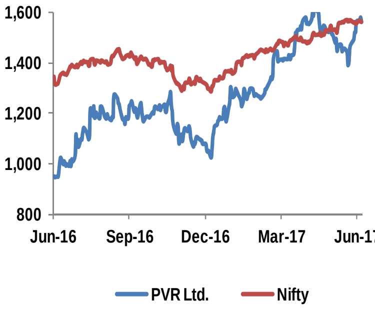
Average volume

3 months	230,800
6 months	218,890
1 year	204,430

Share Holding Pattern (%)



Relative Price Chart



Research Team

022-61596407

Key Financials						
YE March (Rs. mn)	**FY14**	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**
Revenue	**13,481**	**14,771**	**18,688**	**20,622**	**27,015**	**32,418**
Growth%	*67.2%*	*9.6%*	*26.5%*	*10.3%*	*31.0%*	*20.0%*
EBITDA	**2,050**	**1,953**	**3,239**	**1,471**	**4,052**	**4,538**
Growth%	*84.3%*	*-4.7%*	*65.9%*	*-54.6%*	*175.4%*	*12.0%*
Net Profit	**504**	**116**	**1,193**	**929**	**1,945**	**2,918**
Growth%	*13.7%*	*-76.9%*	*924.7%*	*-22.1%*	*109.3%*	*50.0%*
Diluted EPS (Rs.)	**11.0**	**2.5**	**25.9**	**20.2**	**42.3**	**63.4**
Growth%	*13.7%*	*-76.9%*	*924.7%*	*-22.1%*	*109.3%*	*50.0%*
Key Ratios						
EBITDA(%)	**15.2%**	**13.2%**	**17.3%**	**7.1%**	**15.0%**	**14.0%**
NPM (%)	3.7%	0.8%	6.4%	4.5%	7.2%	9.0%
RoE (%)	**7.8%**	**2.9%**	**29.1%**	**18.5%**	**27.9%**	**29.5%**
BV/Per Share (Rs.)	**140**	**87**	**89**	**109**	**151**	**215**
Valuation Ratios						
P/E (x)	*142.6x*	*617.3x*	*60.2x*	*77.3x*	*36.9x*	*24.6x*
EV/EBITDA (x)	**37.9x**	**40.5x**	**24.2x**	**807.2x**	**247.8x**	**209.2x**
Market Cap./ Sales (x)	*5.3x*	*4.9x*	*3.8x*	*3.5x*	*2.7x*	*2.2x*

Source: Company, BP Equities Research

Research Desk Tel: +91 22 61596407

Institutional Sales Desk Tel: +91 22 61596403/04/05

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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Corporate Office:
4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:
24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392