

IOL Chemicals and Pharmaceuticals Ltd.

BSE: 524164 | NSE: IOLCP | ISIN: INE485C01011 | SECTOR: PHARMACEUTICALS

Result update:	Q4-2019
CMP:	Rs. 210.40
Target price:	Rs. 400
Upside:	90%
Rating:	BUY

Investment rationale:

- Planned 30% p.a. capacity increase per annum in its flagship product, Ibuprofen, to enhance global market share
- Margins to expand with improved operating leverage, reduction in crude oil prices, as demand for Ibuprofen manufactured from IOLCP increase

Outlook and valuation:

We remain positive towards growth prospects of IOLCP as the company is one of the largest Ibuprofen manufacturers in the world with nearly 30% market share.

At CMP of Rs. 210.40, the stock is trading at 5.0x its TTM EPS of Rs. 42.10. It is quoting at sales to market cap of 1.4x, which makes it attractive compared to the sales growth it has been experiencing (48% CAGR during FY2017-FY2019) and the potential sales growth it can achieve driven by its capacity expansion plans. We expect the PAT to grow at 38% to Rs. 325.6 Cr in FY2020 and by 36.0% to Rs. 443.8 Cr in FY2021 with expected margin expansion due to improved operating leverage. **We recommend BUY with a price target of Rs. 400.**

Jiya Eco Products Ltd.

BSE: 539225 | NSE: | ISIN: INE023S01016 | SECTOR: MISCELLANEOUS

Result update:	Q4-2019
CMP:	Rs. 77.50
Target price:	Rs. 230
Upside:	197%
Rating:	BUY

Investment rationale:

- The company's new pellet capacity addition to increase the total pellets' capacity by 2.5x
- The company intends to extend its bio-mass stoves' offerings to SME brass and tiles manufacturers from Jamnagar and Morbi, Gujarat, respectively to drive pellet's sales

Outlook and valuation:

We remain positive about the growth prospects of JEPL as it offers cost effective substitution of bio-mass with processed bio-mass solid fuel, to deliver similar energy value as that of the fossil fuels.

At CMP of Rs. 77.50, the stock is trading at 12.5x its TTM EPS of Rs. 6.20. It is quoting at sales to market cap of 1.0x, which makes it attractive compared to the kind of sales growth it has been experiencing (72% CAGR during FY2014-FY2019) and the potential sales growth it can achieve due to increasing penetration of its installed stoves in the addressable markets. We expect the EBIT to grow at 44% to Rs. 41.09 Cr in FY2020 and by 16.0% to Rs. 47.59 Cr in FY2021 with expected increase in average realisation per ton of sales and volumes. **We recommend BUY with a price target of Rs. 230.**

Embassy Office Parks REIT

BSE: 542602 | NSE: EMBASSY | ISIN: INE041025011 | SECTOR: CONSTRUCTION & CONTRACTING - REAL ESTATE

Result update:	Q4-2019
CMP:	Rs. 368
Target price:	Rs. 400
Upside:	12%
Rating:	HOLD

Investment rationale:

- It is the first REIT from India, partly sponsored by one of the largest Private Equity (PE) firms in the world, BlackStone
- Tenant occupancy of 94.3% in 72% of "A" grade offices in India being with it, diversified presence across metros, 42% of its gross rentals accruing from MNCs, and 90% of Net Distributable Cash Flows (NDCF) dispensed every quarter / 6 months, indicate strong revenue growth and shareholder's returns

Outlook and valuation:

We remain positive towards steady earnings growth prospects of Embassy office parks REIT as it is one of the largest REITs in Asia.

At CMP of Rs. 368, the REIT unit is trading at 1.01x its latest NAV calculated as of FY2019. The company has nearly 2.4 msf of additional commercial real estate assets to be added to its portfolio by FY2021 and 5.5 msf of such new developed assets to be added beyond FY2022. The company's gross assets' value (GAV) is expected to rise with consistently higher occupancy of its assets and re-leasing and lease renewals at escalated rentals, thereby giving increase in NAV at 6-8% p.a. **We recommend a HOLD with a price target of Rs. 400.**

Rail Vikas Nigam Ltd.

BSE: 542649 | NSE: RVNL | ISIN: INE415G01027 | SECTOR: MISCELLANEOUS

Result update:	Q4-2019
CMP:	Rs. 26.15
Target price:	Rs. 31
Upside:	20%
Rating:	BUY

Investment rationale:

- RVNL has completed 49% of the sanctioned projects (159 projects) from Ministry of Railways, as of FY2018, since its establishment in 2003, and another 5 projects remain unsanctioned as of FY2018
- It has increased the pace of completed rail infrastructure km in FY2018. Its sales realisation per km of rail infrastructure laid and electrified has grown at an average rate of 25%

during FY2014-FY2019. The company can complete its infrastructure laying works at a similar pace gradually over the next five years, achieving 85% of the initially assigned projects' work by FY2024E

Outlook and valuation:

We remain positive towards earnings growth prospects of RVNL as the company is successfully completing its railway infrastructure laying and electrification. We believe the company can complete 85% of its projects given by Ministry of Railways by FY2024E.

At CMP of Rs. 26.15, the stock is trading at 7.7x its TTM EPS of Rs. 3.38 compared to its peer set (NCC, PNC Infratech, and NR Constructions) trading at TTM PE of 12x, which makes it attractive at current levels. We expect the PAT to grow at 29% to Rs. 907.53 Cr in FY2020 and by 27.0% to Rs. 1,153.22 Cr in FY2021, with expected gradual completion of 85% of its projects by 2024E and average realisation per laid km and electrification rising. **We recommend BUY with a price target of Rs. 31.**

Bank of Maharashtra

BSE: 532525 | NSE: MAHABANK | ISIN: INE457A01014 | SECTOR: BANKS - PUBLIC SECTOR

Result update:	Q4-2019
CMP:	Rs. 16.60
Target price:	Rs. 17.0
Upside:	3%
Rating:	HOLD

Investment rationale:

- The bank has been improving on its asset quality. The provision coverage ratio (PCR) has improved to 81.49% in FY2019 from 58.71% in FY2018, which indicates improved asset quality
- The bank has been trying to curtail down its expenses as it has shut down some of its branches for efficient use of resources without compromising on the customer service

Outlook and valuation:

The bank has received Rs. 4,703 Cr of equity infusion from Government of India (GoI) during FY2019, which has held up the bank's net-worth to Rs. 5,859.73 Cr as of FY2019 from Rs. 6,159.92 Cr as of FY2018. The bank has received similar equity infusion by GOI in FY2018 and FY2017 also of Rs. 3,173 Cr and Rs. 300 Cr, respectively. The Common Equity Tier I (CET I) ratio stood at 9.88% as of FY2019, which is above the regulatory requirement as well. Overall, improving asset quality and the healthy expansion in NIMs are expected to turn Bank of Maharashtra into an operationally profitable one in FY2020 and ahead and hence make it an attractive player in the PSU banks' space. However, the stock is trading at 0.97x its book value compared to peer set trading at an average PBV of 1x. **Hence, it's a HOLD.**

L&T Technology Services Ltd.'s (LTTS)

BSE: 540115 | NSE: LTTS | ISIN: INE010V01017 | SECTOR: COMPUTERS - SOFTWARE MEDIUM & SMALL

Result update:	Q4-2019
CMP:	Rs. 1,706.00
Target price:	Rs. 1,604.00
Downside:	6%
Rating:	HOLD

Investment rationale:

- L&T Technology Services Ltd.'s revenue has grown at a CAGR of 18% during FY2015-FY2019, driven by healthy deal wins, ramp up of orders and also favourable currency changes
- The company has been winning deals in high growth spaces, which is expected to help LTTS achieve above industry revenue growth over medium – long term

Outlook and valuation:

While the company's USD revenue grew at 26.5% in constant currency terms in FY2019, it has guided for a 14-16% USD revenue growth for FY2020. The company's operating leverage and efficient working capital has enabled it to record average ROE of 31% during FY2015-FY2019 and strong cash flows generation has enabled the company to give away dividends at an average payout of 41% for the same period. The company is available at a TTM PE of 23.5x against its peer set quoting at an average TTM PE of 21.5x. Considering the company generates higher ROEs than the industry, the higher PE it traded at was warranted, however it should not exceed 22x, given a 31% ROE and higher asset turnover generating company called Oracle Fin Services is trading at 20.5x. **Hence, L&T Tech is a HOLD.**