

# 7 Seven Picks for the quarter

**LKP**  
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From the LKP Advisory Desk.....

With GST rolled out close on the heels of Demonetisation we are approaching the July-September quarter with cautious optimism even as the NIFTY trades at record highs of 9500.

Buoyed by the outperformance of 7 Picks for the last five consecutive quarters we have chosen to go with 7 Midcaps as opposed to our normal practice of choosing a mix of Largecaps & Midcaps.

Stocks	Sector	CMP (₹)	Target (₹)
Action Construction Equipment	Cranes	68	75
Arrow Greentech	WSF	565	650
GNFC	Chemicals & Fertilisers	269	300
GSFC	Fertilisers	114	130
Hinduja Global Solutions	BPM	516	580
Manappuram Finance	NBFC	98	110
Tinplate Company	Packaging	93	110

**ACTION CONSTRUCTION EQUIPMENT (ACE)**

**CMP: ₹68**

**Fundamental View**

- ACE with market leadership in Mobile & Tower Cranes has now grown its presence in Material Handling, Construction Equipment & Farm Equipment which makes it a perfect proxy to play the India growth story.
- Healthy Balance Sheet & Strong Brand Equity makes Action Construction Equipment a direct beneficiary of the pick up in Infra & Investment Cycle.

**Technical View**

- Stock is trading closer to its medium term moving average.
- The recent chart suggest a typical Relative Strength Index behaviour. The RSI line is taking support at the indicated trendline, which acts as a reversal point for price corrections.
- Currently, the stock is very close to its indicator trendline, suggesting a strong likelihood of a reversal.
- We recommend a BUY with a price target of 75



**ARROW GREENTECH**

**CMP: ₹565**

**Fundamental View**

- Arrow Green is an IPR driven company manufacturing Water Soluble Films and has very recently tripled its manufacturing capacity at its Ankleshwar facility.
- With over 30 patents registered in its name we are upbeat on its prospects as close to 80% of its revenues comes from Royalty & Consultancy. Strong free cash generation coupled with healthy return ratios makes Arrow Green a compelling choice.

**Technical View**

- A very interesting chart, this stock has recently broken out of a 1 and half year consolidation.
- Stock has confirmed the breakout from its downward sloping resistance line.
- With strong support coming from indicator breakouts, there is a strong possibility that this stock can swiftly move upwards.
- We recommend a BUY with a target of 650

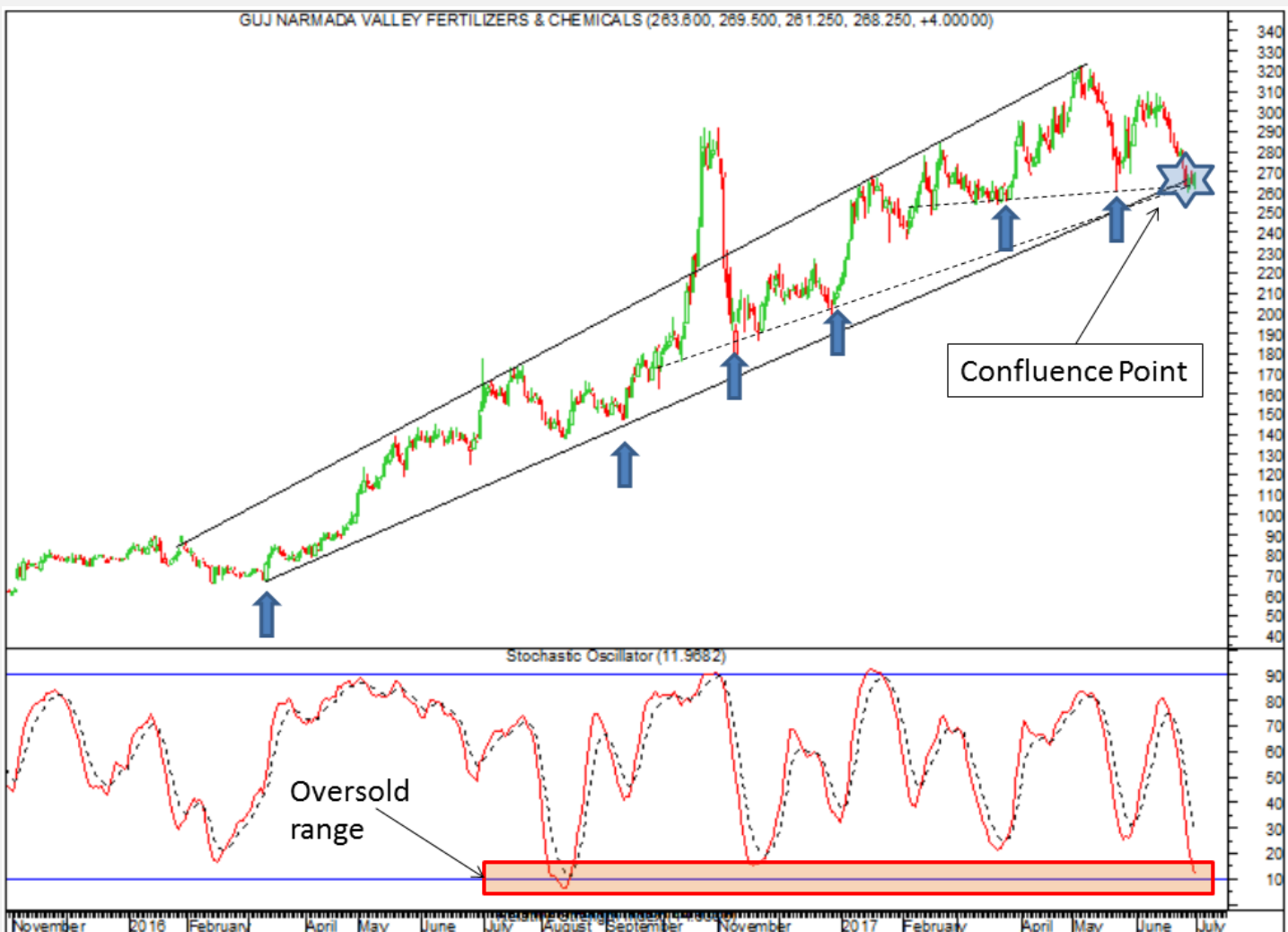


**Fundamental View**

- GNFC is one of the few companies in the Chemicals & Fertiliser space to report the highest absolute quantum of profits last fiscal and with TDI spreads profitable we expect the good performance to continue.
- The fertiliser business under the brand " Narmada " is expected to fare well in the DBT & GST regime and the stock trading at attractive valuations cum dividend is our pick in the Chemicals & Fertiliser space.

**Technical View**

- Even though primilinary charts may look a bit skittish for the stock, but a trendline analysis suggest a 'confluence' of trendline supports arising at current levels.
- Also, one of the key momentum indicators, Stochastics is entering into the oversold region, which could also propel a decent rally.
- We recommend a BUY with a target of 300



**GSFC**

**CMP: ₹114**

**Fundamental View**

- Rural Income being a key pillar of India's consumer cycle GSFC with 70% revenues coming from Fertilisers is well placed in the post DBT regime. We are optimistic on the prospects of GSFC receiving its Ammonium Sulphate subsidy to the tune of 1000crs from the GOI.
- GSFC is also the largest producer of Caprolactum and although low oil prices are not conducive for Capro-Benzene spreads we are positive on this business vertical as well. GSFC trading cum dividend at attractive valuations is a good investment bet.

**Technical View**

- The stock is trading in a rising channel since Aug last year.
- Currently the stock is trading at its lower end of the channel support, and 200 DMA.
- Even though the price patterns on daily chart may be sluggish, but the indicator pattern (Falling wedge) suggests that the price consolidation may be over, and stock may rise higher.
- We recommend a BUY with a target of 130



**HINDUJA GLOBAL SOLUTIONS**

**CMP: ₹516**

**Fundamental View**

- Hinduja Global Services = HGS provides a full suite of Business Process Management services and its Top 20 customers account for 72% of its 3700cr revenues.
- Healthcare & Insurance is a key business vertical for HGS accounting for 45% of its revenues, Telecom forms 24%, Consumer Products forms 14% and Financial Services is 7%
- HGS with Free Cash Flow to EBIDTA of 48% and net debt to equity of 0.15x is available at compelling valuations.

**Technical View**

- A flat sloped short term moving average on weekly charts, indicates that the stock should continue to remain in a range.
- Currently, the stock is trading at >10% away from its short term moving average. This could possibly lead to a mean reversion.
- We recommend a BUY with a price target of 580.



**MANAPPURAM FINANCE**

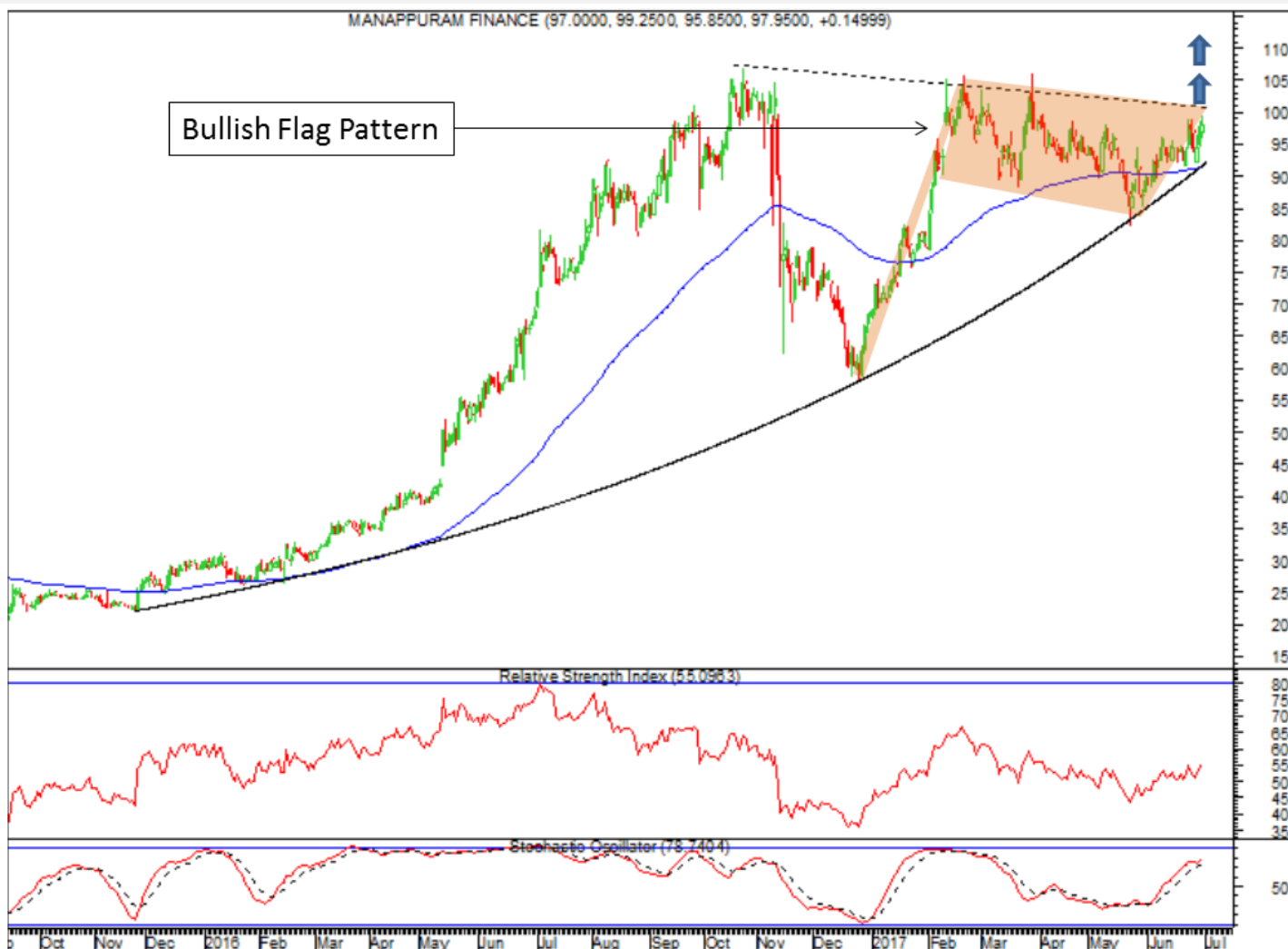
**CMP: ₹98**

**Fundamental View**

- With AUM of more than Rs136bn across its business verticals of Gold Loans, Micro Finance, Vehicle Finance & Housing Finance, Manappuram Finance has successfully grown its net profits at a CAGR of 50% over the past four years.
- With more than 60tons of gold holding and close to 3.5million customers, the well capitalised NBFC trading at 10x earnings with a book value of Rs40 is our pick in the NBFC space.

**Technical View**

- The charts for Manappuram are extremely attractive on longer term timeframe.
- With strong support near rising Semi log trendline, the stock is also forming a Bullish Flag pattern in the process since last few months.
- With trendline support the stock could possibly breakout of this consolidation and resume its long term uptrend.
- We recommend a BUY with a price target of 110



**TINPLATE COMPANY OF INDIA****CMP: ₹93****Fundamental View**

- Tinplate is a debt free Tata Group entity with a 43% dominant market share in a versatile flat steel packaging product operating at 85% capacity utilisation.
- Tinplate is now ending a two decade old arrangement with Tata Steel for converting the latter's HRC into Tinplate as the former is now in a position to undertake this on its own. Tinplate trading cum dividend can be accumulated as we expect improved profitability this fiscal.

**Technical View**

- Stock is trading near all time high levels.
- The stock has been making a series of higher highs and higher lows since last many years.
- Interestingly, even on short term charts the stock is forming a Bullish Flag pattern on daily time frame.
- We strongly recommend a BUY with a price target of 110





## LKP Seven picks performance

### LKP Seven picks for the quarter Q1-FY18

Name	Reco (₹)	Date	Price(₹)	Target(₹)	Price(₹) As on 30-Jun	Capital Invested (₹)	P/L (%)	P/L(₹)	Comments
Aurobindo Pharma	Buy	10-Mar-17	652	732	683	100,000	5%	4,824	closed
Balrampur Chini Mills	Buy	10-Mar-17	150	170	170	100,000	13%	13,333	Target Hit
GNFC	Buy	10-Mar-17	257	296	296	100,000	15%	15,175	Target Hit
ICICI Bank	Buy	10-Mar-17	271	308	308	100,000	14%	13,653	Target Hit
Raymond	Buy	10-Mar-17	633	708	708	100,000	12%	11,848	Target Hit
Triveni Engineering	Buy	10-Mar-17	73	84	84	100,000	15%	15,068	Target Hit
Usha Martin	Buy	10-Mar-17	17.5	21	21	100,000	20%	20,000	Target Hit
<b>TOTAL</b>						<b>700,000</b>	<b>13%</b>	<b>93,902</b>	
<b>NIFTY</b>		<b>10-Mar-17</b>	<b>8,935</b>		<b>9,521</b>	<b>700,000</b>	<b>7%</b>	<b>45,947</b>	
<b>OUTPERFORMANCE</b>						<b>700,000</b>	<b>7%</b>	<b>47,955</b>	

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