

7 Seven Picks for the quarter

LKP
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From the LKP Advisory Desk.....

Greetings & Welcome to this edition of 7 Picks for Q3.

Markets are a slave of earnings and this quarter shall witness the short term impact of the Twin Reset -DeMo & GST. While the Reset would indeed recalibrate the engine of India's economic growth and create an equilibrium for the economy to propel higher, the short term pain would be felt this earnings season, which therefore makes 7 Picks for Q3 more challenging.

Q1 of this fiscal witnessed a 5.7% GDP which is the slowest in last 5 years. Increasing Imports due to supply chain disruptions and its adverse effect on CAD is keeping the street worried as to the prospects of the 3.2% fiscal deficit being breached.

7 Picks for Q2 witnessed a 100% strike rate and outperformed the indices and we are pleased to present an interesting mix of Ideas in this edition.

Wishing you all a very Happy Diwali and Prosperous Samvat Year.

Stocks	Sector	CMP (₹)	Target (₹)
Banco Products	Auto Parts	208	232
DCM Shriram	Diversified	423	467
Exide	Auto Parts	206	225
GSPL	Gas	200	225
Petronet LNG	Gas	230	255
Triveni Engineering	Diversified	85	97
VRL Logistics	Logistics	363	400

BANCO PRODUCTS

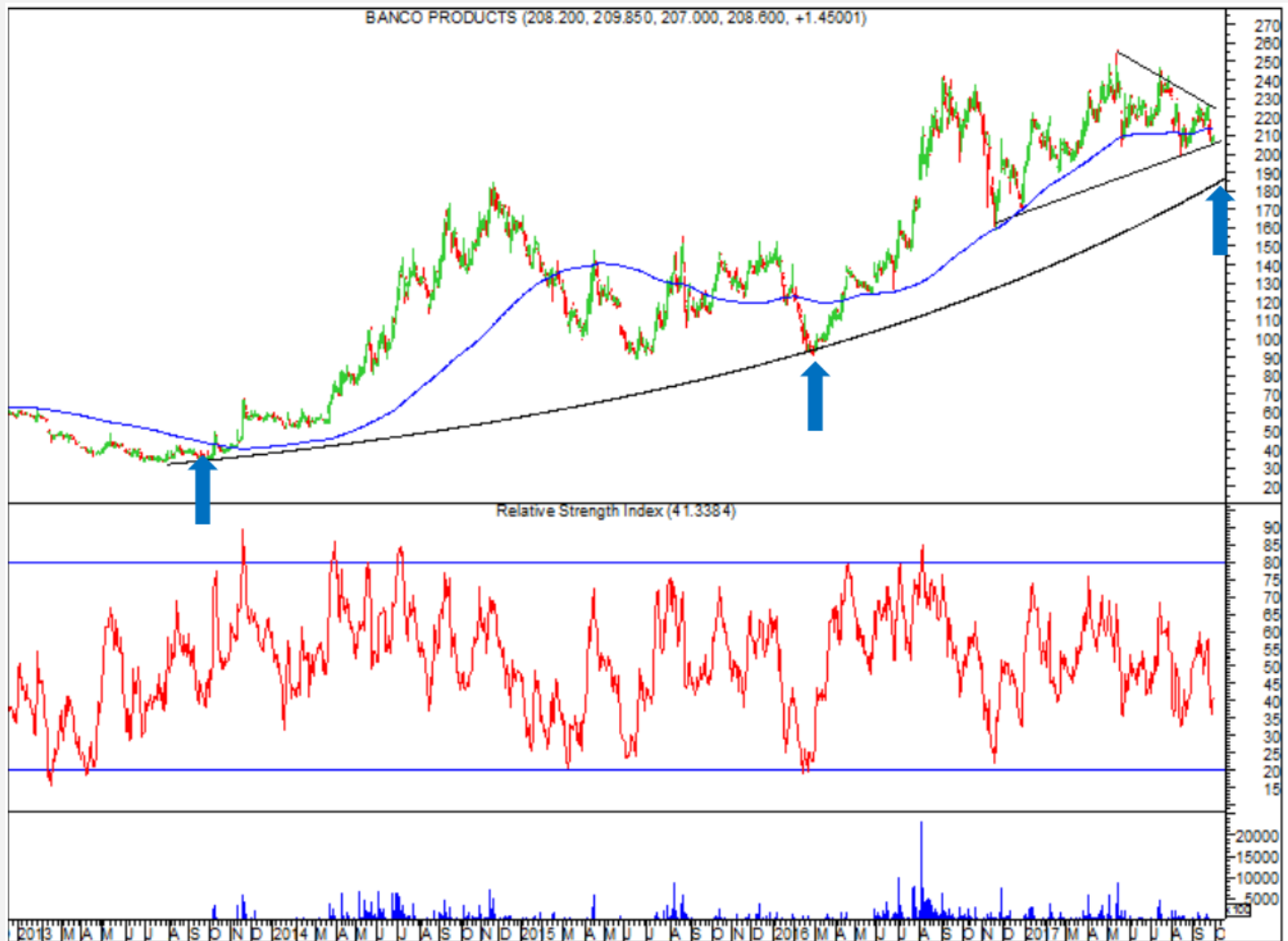
CMP: ₹208

Fundamental View

- Vadodara based Engine Cooling Products company - Banco is a formidable player in Radiators and supplies to leading OEM automotive producers.
- Banco is a debt free entity making rapid strides globally and the stock trading at 2x book at 15x has a good dividend yield of 4%
- With no customer concentration risk in its business we believe that Banco is a well-managed company and the stock offers an attractive entry point at current levels.

Technical View

- Stock is tapping into an extremely strong support zone on a multiyear time frame.
- We believe that Investors should take use of market volatility such as current times, and look at adding stocks near their strong support levels, such as Banco Products.
- Once the stock tests those levels, we believe that it can continue to trend higher.
- BUY with a Price Target of ₹232



DCM SHRIRAM

CMP: ₹423

Fundamental View

- DCM Shriram is an Agri Powerhouse and would enjoy the fruits of its Chlor-Alkali expansion at Bharuch this fiscal. Its planned expansion at Kota would ensure sustained growth momentum in its Chemical business next fiscal as well.
- Higher crushing in its sugar business coupled with buoyant realisations aided by its expanded cogen capacities augurs well for its sugar business this fiscal. Its planned expansion in its distillery business would sustain growth in sugar business next fiscal as well.
- Robust free cash flows and strong balance sheet enables DCM Shriram to fund capex without equity dilutions. Recommend to buy for a price objective of ₹467.

Technical View

- Consistently increasing volumes with rising prices is a sign that this stock is in a Strong price uptrend.
- Stochastics Weekly charts indicate that the stock is on the verge of a breakout.
- We believe that the stock is in a strong multi year uptrend, and price consolidations are very good entry points.
- BUY with a price target of ₹467

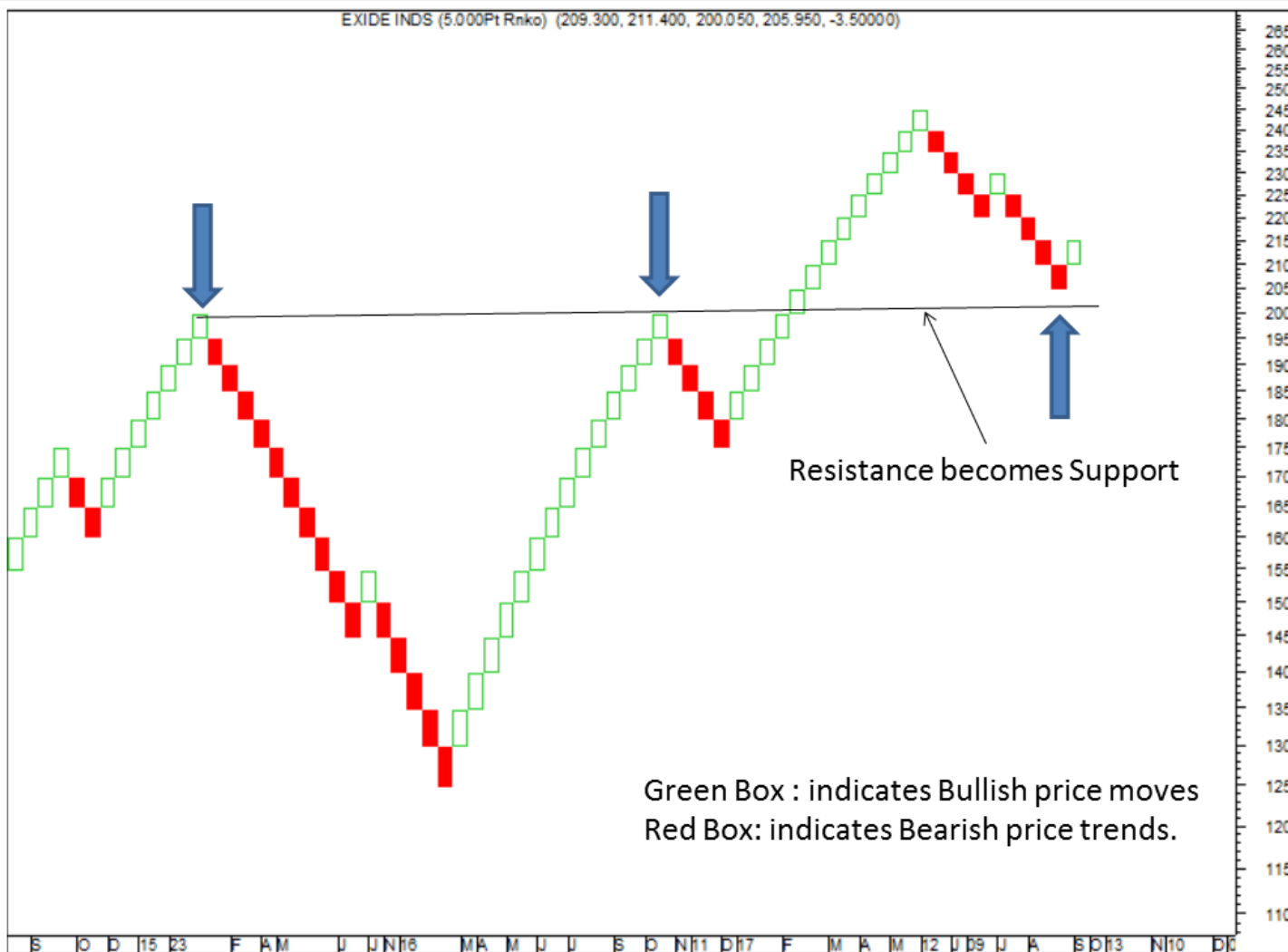


Fundamental View

- Armed with a strong brand equity and distribution reach, battery maker Exide is incentivising dealers and distributors through promotional and warranty schemes to regain lost market share.
- Technology Upgradation and Internal Efficiencies with renewed focus on profitable segments makes the debt free Exide with robust free cash flows our pick to play the auto component theme.
- Growing replacement market coupled with expanding dealer network makes it even more compelling. We value Exide Life Insurance at ₹40 per share thereby making the stock at ₹206 levels attractive.

Technical View

- Renko method is the latest method of spotting price trends without time being in consideration.
- The presence of a Green Box, size 5, indicates that the trend could most likely have resumed UP for Exide Industries.
- BUY with a Price Target of ₹225.



GSPL

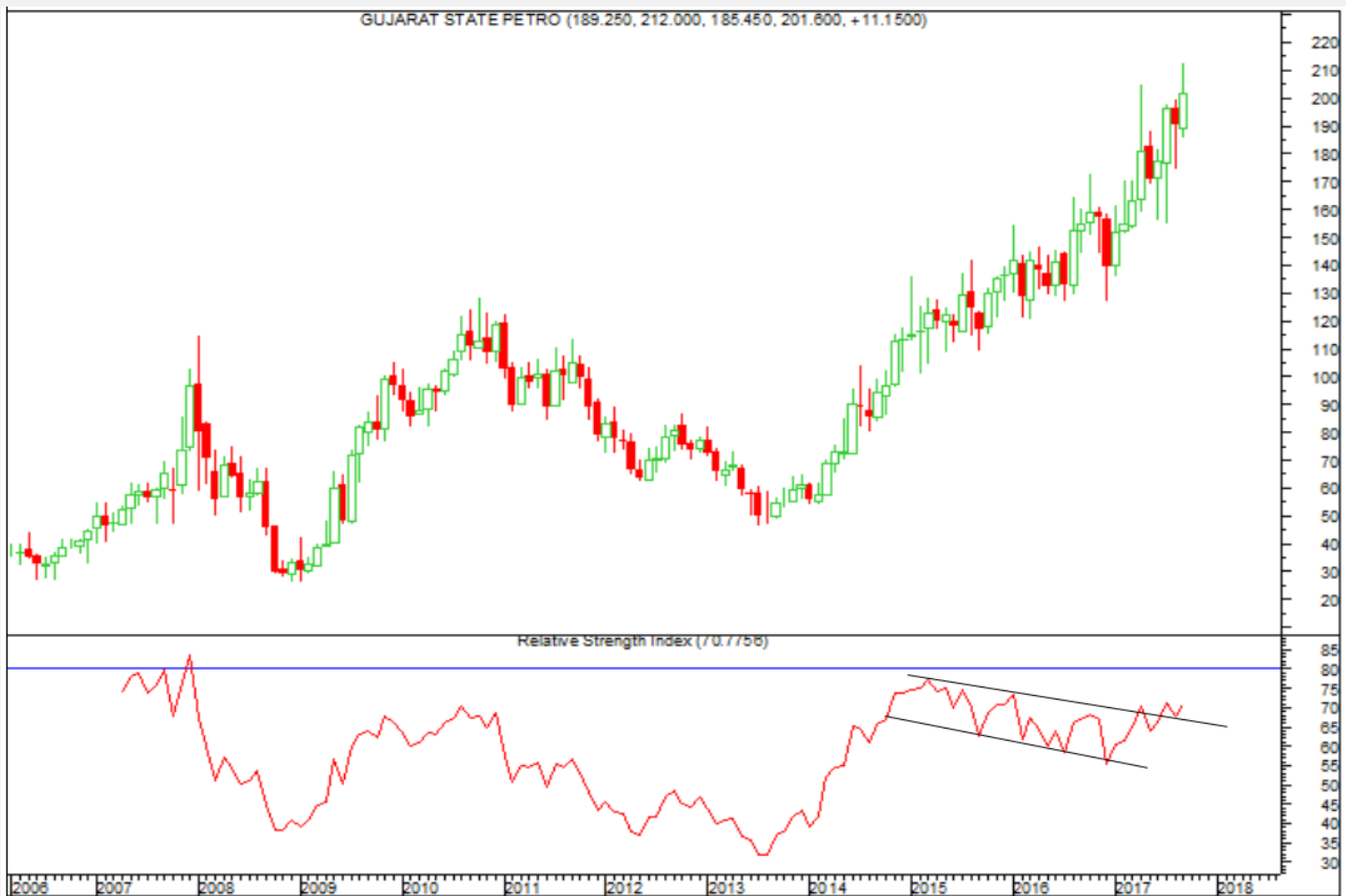
CMP: ₹200

Fundamental View

- Gas transportation company - GSPL has an impeccable business model given the shift towards Natural Gas, rising CGD (City Gas Distribution) opportunities which eventually translates into higher gas transmission volumes. Q1 witnessed a 7% yoy increase in volume of gas transported to 2447mmscm
- Expected upward revision in tariffs by PNGRB would further aid margins which coupled with expansion into new markets would likely propel the stock higher.
- GSPL holds a 26% equity stake in CGD entity - Gujarat Gas which is worth ₹3000crs. GSPL trading @18xFY18E earnings can be accumulated at ₹200 levels.

Technical View

- A consolidation can be called as Running Consolidation, if the pattern breakout happens in the same direction in which it entered the consolidation.
- GSPL chart shows a similar running Consolidation, but this time in RSI.
- This could indicate that it is much more powerful than a Price pattern consolidation.
- We believe that with this RSI breakout almost confirmed, the price can trend higher tremendously.
- Buy with a Price Target of ₹225.



PETRONET LNG**CMP: ₹230****Fundamental View**

- With more than 60% of India's import capacity PLNG is at the forefront given the Dahej expansion and Kochi Terminal ramp up.
- Superior ROE compared to its global peers and a strong balance sheet makes PLNG an ideal choice for investors as it can pursue multiple growth opportunities.
- PLNG trading at 13x one year expected forward earnings can be accumulated for a 3 month price objective of ₹255

Technical View

- The current price level of ₹220 odd could be an Inflection point for PLNG
- The stock after breaking out of a channel pattern on the upside has seen a clear shift of range.
- We believe that the currently the stock has changed the range, with its base now shifting to ₹220 odd levels.
- BUY with a Price target of ₹255.



Fundamental View

- Diversified company deriving 85% of its revenues from sugar and balance from gears and water treatment. Large integrated sugar player in UP with production this season higher than UP average coupled with higher recovery.
- We expect Triveni to post a bumper set of results this quarter due to buoyant sugar realisation and low cost sugar inventory of 33.5lakh quintals.
- In our view the UP sugar sector is in a sweet spot with the same government both at the centre and the state. We recommend buying the stock @ ₹85 levels for a 3 month price objective of ₹97 ahead of the festive diwali season as sugar prices have already started moving up.

Technical View

- Generally we categorize a rising trend with RSI moving into a band.
- RSI support of 40-45 has been consistent since price uptrend began.
- The stock is currently at such a critical trendline support. With RSI continuing to behave bullish, the chances of uptrend continuing is increasingly high.
- We recommend a BUY with a target of 97



VRL LOGISTICS

CMP: ₹363

Fundamental View

- VRL Logistics founded in 1976 is a leading surface logistics player with an integrated hub & spoke model.
- VRL Logistics is a formidable logistics player in the road transportation space for parcel delivery and provides PAN India last mile connectivity through its fleet of 4350 Goods Transport Vehicles.
- After an underperformance last fiscal we expect VRL to come back strong this year given its robust network spanning 935 locations in India.
- Comfortable Debt Equity of 0.2x and growth opportunities post GST makes VRL our preferred pick to play the logistics theme in India.

Technical View

- A Price pattern breakout has occurred for VRL Logistics on the long term chart.
- An Inverse Head and Shoulder pattern or a complex rounding Cup pattern could also be seen forming.
- The implication for all of the pattern combined occurring indicates that the breakout should gain traction in the medium term.
- BUY with a target of 400



LKP Seven picks performance

LKP Seven picks for the quarter Q2-FY18

Name	Reco (₹)	Date	Price(₹)	Target(₹)	Price(₹) As on 29-Sep	Capital Invested (₹)	P/L (%)	P/L(₹)	Comments
Action Construction	Buy	3-Jul-17	68	75	75	100,000	10%	10,294	Target Hit
Arrow Greentech	Buy	3-Jul-17	565	650	650	100,000	15%	15,044	Target Hit
GNFC	Buy	3-Jul-17	269	300	300	100,000	12%	11,524	Target Hit
GSFC	Buy	3-Jul-17	114	130	130	100,000	14%	14,035	Target Hit
Hinduja Global Solutions	Buy	3-Jul-17	516	580	580	100,000	12%	12,403	Target Hit
Manappuram Finance	Buy	3-Jul-17	98	110	110	100,000	12%	12,245	Target Hit
Tinplate Company	Buy	3-Jul-17	93	110	110	100,000	18%	18,280	Target Hit
TOTAL						700,000	13%	93,825	
NIFTY		3-Jul-17	9,615		9,789	700,000	2%	12,639	
OUTPERFORMANCE						700,000	12%	81,187	

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
TOTAL						700,000	13%	93,902	
NIFTY		10-Mar-17	8,935		9,521	700,000	7%	45,947	
OUTPERFORMANCE						700,000	7%	47,955	

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