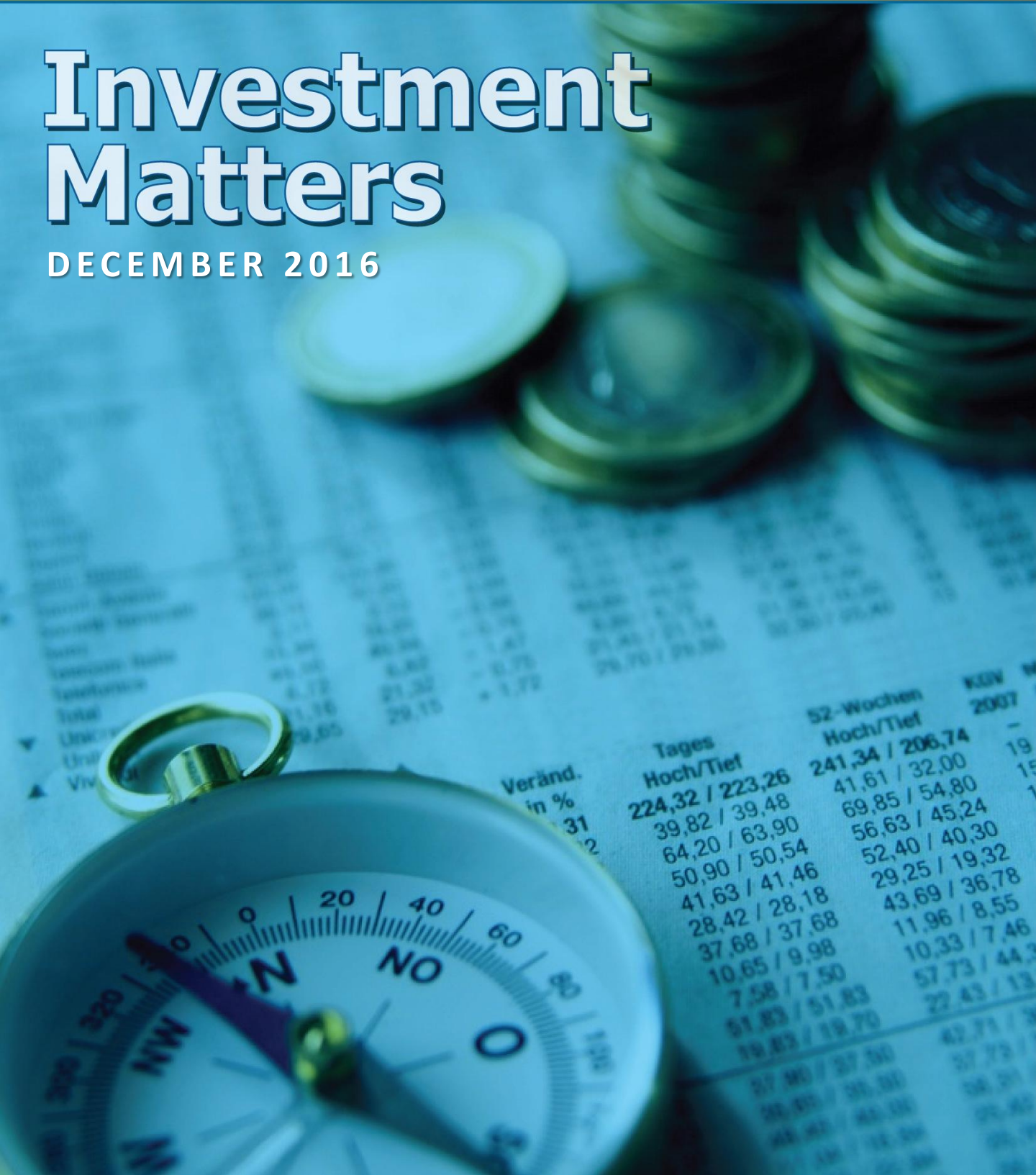


Investment Matters

DECEMBER 2016



	Veränd. in %	Tages Hoch/Tief	52-Wochen Hoch/Tief	KGV 2007
	31	224,32 / 223,26	241,34 / 206,74	-
	-2	39,82 / 39,48	41,61 / 32,00	19
		64,20 / 63,90	69,85 / 54,80	15
		50,90 / 50,54	56,63 / 45,24	1
		41,63 / 41,46	52,40 / 40,30	
		28,42 / 28,18	29,25 / 19,32	
		37,68 / 37,68	43,69 / 36,78	
		10,65 / 9,98	11,96 / 8,55	
		7,58 / 7,50	10,33 / 7,46	
		51,83 / 51,83	57,73 / 44,3	
		19,83 / 19,70	22,43 / 13	
		37,90 / 37,50	42,71 / 3	
		38,40 / 38,30	37,79 /	
		48,40 / 48,30	58,21	
		18 / 18,30	25,40	
		25,30	25,70	

EQUITY OUTLOOK

Q2FY17 earnings for the BSE Sensex companies were largely in line with market consensus, with healthy double digit EBIDTA growth. The trend of better earnings delivery from our investee companies continued, with average profit growth in excess of 30%. Most portfolio companies delivered well in excess of 30% profit growth barring a few. Among the companies which delivered robust performance and look promising to us even going ahead, were – Bajaj Finance, Bajaj Finserv, Biocon, Grasim Industries, Honda SIEL, ITD Cementation, Lupin Ltd, Jain Irrigation, Maruti, PTC India Finance, Qess Corp, Ramco Cements, Sundram Fastners, Ujjivan Financials, Ultratech Cement. Among the misses during the quarter was – Container Corporation. We expect Container Corporation to deliver better performance, going forward. This stock has been bought keeping in mind the large benefit to earnings from the implementation of the dedicated freight corridor project, starting FY19.

Though several of our companies delivered strong numbers in Q2, the results for Q3 & Q4 are likely to be impacted due to the dislocations caused by demonetisation. However, we believe that strong companies will emerge stronger as they always do after a crisis. As remonetisation occurs over the next few months, we believe that normalcy will return, albeit gradually. Hopefully, this should not impact their prospects for FY18 and hence, as long term investors, we will have to look through and endure the pain in the short to medium term. Also, most investors are focussed on the short term disruption, we do not know how the government will react post December to help the economy get back on the growth path. Things will be clearer in the run up to the budget. In the meanwhile, we continue to monitor the situation closely and as one of our investee companies remarked – “Let’s take it one month at a time”, as these are extraordinary times triggered by an extraordinary event. This one time impact is likely to affect near term performance. However, we are optimistic of better performance of our portfolio companies continuing, going into FY18.

A gist of earnings for our portfolio companies is presented below for reference – we continue to expect strong earnings growth in excess of 25% CAGR from our portfolio companies and hence, are optimistic of future outlook.

Refer to Page 2 for the Table:-

EQUITY OUTLOOK

Rs mn		Sales			EBIDTA			PAT			EPS		
Name of company	CMP	Q2FY17	Q2FY16	% chg	Q2FY17	Q2FY16	% chg	Q2FY17	Q2FY16	% chg	Q2FY17	Q2FY16	% chg
Bajaj Auto	2750	64323	64075	0%	12945	13165	-2%	12007	11200	7%	41.5	38.7	7%
Bajaj Finance	910	23470	16799	40%				4078	2794	46%	7.5	5.2	44%
Bajaj Finserv	2970	29997	22238	35%	21931	15998	37%	5758	4411	31%	36.2	27.7	31%
Biocon Ltd	920	9541	7962	20%	2400	1691	42%	1467	972	51%	7.4	4.9	51%
Container Corporation	1180	13786	15018	-8%	2288	3108	-26%	1578	2317	-32%	8.1	11.8	-31%
Essel Propack	250	5961	5393	11%	1114	1109	0%	708	556	27%	4.5	3.5	26%
Grasim Industries	880	93564	91070	3%	17860	14200	26%	8460	5625	50%	18.1	12.0	50%
HDFC Bank	1190	199709	173243	15%				34553	28695	20%	13.4	11.3	19%
Honda Siel Power	1460	1832	1499	22%	281	159	77%	179	86	108%	17.7	8.5	108%
Infosys Ltd	940	175350	151100	16%	52000	45160	15%	34360	30280	13%	15.0	13.3	13%
ITD Cementation	146	4826	6877	-30%	461	429	7%	69	42	65%	0.4	0.3	63%
Jain Irrigation	88	14646	13474	9%	1913	1544	24%	281	-54		0.6	-0.6	
Kalpataru Power	234	11433	9594	19%	1220	1149	6%	576	475	21%	3.8	3.1	22%
Lupin Ltd	1510	42905	33297	29%	10281	6626	55%	6622	4198	58%	14.6	9.3	58%
Mahindra CIE	188	13721	13973	-2%	1533	1542	-1%	715	701	2%	2.2	2.2	2%
Maruti Suzuki	5200	202968	156997	29%	30374	22454	35%	23980	14970	60%	79.4	49.6	60%
PTC India Financial Services	39	3351	4423	-24%				849	390	118%	1.5	0.7	118%
Quess Corp Ltd	640	10177	8019	27%	551	379	45%	301	182	66%	2.4	1.6	45%
Ramco Cement	560	11722	10293	14%	3566	2945	21%	2070	1422	46%	9.0	6.0	50%
SKS Microfinance Ltd	710	4074	2913	40%				1459	779	87%	11.3	6.1	86%
Sterlite Technologies	94	5507	5714	-4%	917	1127	-19%	508	366	39%	1.3	0.9	40%
Sundaram Fasteners	290	7382	6603	12%	1395	963	45%	769	422	82%	3.7	2.0	82%
Syngene International	540	3030	2614	16%	1056	813	30%	747	485	54%	3.8	2.5	54%
TV18 Boradcast	38	2398	2277	5%	-109	-91	20%	56	178	-69%	0.0	0.1	-70%
Ujjivan Financial Services	348	3510	2403	46%				730	385	90%	5.9	4.3	38%
Ultratech Cement	3600	65086	66695	-2%	12187	10509	16%	6143	4904	25%	22.4	17.9	25%

* No EBIDTA for the Finance Companies .

Chandraprakash Padiyar

Portfolio Manager
Alchemy Capital Management Pvt. Ltd

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Edited by: Naman Dhamija(Ph: +91-22-66171773)

Alchemy Capital Management Pvt. Ltd., B-4, Amerchand Mansion, 16 Madame Cama Road, Mumbai 400 001. Ph: +91-22-66171700
CIN- U67120MH1999PTC119811, Email ID: contactus@alchemycapital.com