CHANAKYA

NI POTHI

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HDFC Q3 net profit jumps over two-fold at Rs 6,677 cr

Mortgage lender HDFC Ltd today reported an over two-fold jump in its consolidated net profit at Rs 6,677.06 crore for the third quarter ended December 2017. The company's consolidated net profit in the corresponding quarter of the previous fiscal stood at Rs 2,728.66 crore.

Total income (consolidated) rose to Rs 16,846.77 crore during the period under review, as against Rs 14,988.87 crore in the same period of 2016-17, the company said in a regulatory filing.

Housing Development and Finance Corporation (HDFC) reported a 7.8 per cent rise in income from operations at Rs 9,673.05 crore.

Premium income from its insurance increased by 18.5 per cent to Rs 6,182.24 crore during October-December quarter of 2017-18. The provisions were raised to Rs 164.54 crore for the quarter as against Rs 153.13 crore in the same period a year ago.

On a standalone basis, net profit of the company jumped to Rs 5,670.21 crore during the third quarter of this fiscal, against Rs 1,701.21 crore in the same period a year earlier. Income (standalone) also increased to Rs 8,695.09 crore during the period under review, as compared to Rs 8,148.61 crore a year earlier, according to the filing.

Asset quality remained stable for the quarter as non-performing loans were at 1.15 percent against 1.14 percent in previous quarter.

Core NII performance was supported by stable spreads. Further, core mortgage profit was supported by improving growth trends. Mortgage growth bottomed out, while asset quality was stable.

Chanakya's Take

On a normal basis share is very highly valued and hence one is justified in being fearful of entering at such high prices. . However, considering the current market scenario that has become the norm.

However, wait for a small correction before entering. Or if you are already holding, start profit booking at every stage and then re-enter after correction.

Above advise holds true for short term investors. For long term investors, hold.

Indian Hotels looks to enter branded homes business

Indian Hotels Co. Ltd (IHCL), the operator of the Taj chain of hotels, is looking to enter the branded homes business, following the example of global companies like Four Seasons, Ritz Carlton and Grand Hyatt that lend their brands and provide hospitality services to luxury homes across the world.

The Tata group firm is in talks with Kathmandu-based Chaudhary Group (CG) to set up a residential project under the Taj brand in Colombo, where both the firms jointly own over 10 acres of land, according to two people aware of the development.

IHCL already operates a 300-room luxury hotel Taj Samudra in the Sri Lankan capital. The new high-end residential development is likely to come up within the same premises, said one of the two people mentioned above.

In an email response to a query seeking confirmation, a spokesperson for IHCL said: "We are always exploring and evaluating possible opportunities, in line with our group's vision to showcase our iconic and legendary hospitality of IHCL." However, the company has not disclosed details of the plan.

CG and IHCL jointly operate three luxury hotels under the Taj brand in Sri Lanka and the Maldives. Two more Taj hotels are being developed in Nepal and Thailand.

CG had not responded to email queries till press time.

According to analysts and hotel experts, getting into the branded residence space would be a strategic move for Taj to expand its brand and reach, apart from improving its cash flow. Besides, developing branded residential projects over land parcels it owns could also help unlock the value of the land assets, they said.

According to information available on the company's website, IHCL owns around 900 acres of land in total across 26 cities in the country in India.

"The Taj Group is currently evaluating strategic options to efficiently leverage the value creation potential in its land bank and project time lines," the company said in its corporate presentation dated May 2016.

While it is unclear if IHCL would introduce any Taj branded homes in India, the company already operates service apartments under the Taj Wellington Mews brand and provides hospitality services to Imperial Heights, a high-end luxury apartment complex in Mumbai, developed by SD Corp., a joint venture between the Shapoorji Pallonji Group and Dilip Thacker Group.

Ranchhodbhai's Profitable thoughts

- A lot was expected in the budget for the farm and agriculture sector and more or less the budget has delivered. At this point , I would like to draw your attention to the share of ***FACT- Fertilisers and Chemicals Travancore.*** The company has turned profitable in Q2FY18 as it has reported net profit of Rs 2.8 crore against loss of Rs 24.4 crore, in the year ago period. The trend is expected to continue in Q3 as well. At Rs. 52 , small risk can be taken.
- ***ZeeEntertainment***'s topline in Q3 grew by 12.1% despite domestic and international subscription revenues posting weak performances at a blended decline of 15.5% yoy. Excluding the sports business and the two acquisitions done over the past quarters, they would have grown at 7%. Domestic advertising revenues got back into business by growing at 26% yoy and excluding the sports business grew at 30%. Share should be kept in focus.
- Price of caustic soda has risen to Rs 45,000 per tonne from Rs 32,000 per tonne in May. Reduction in production by China and Europe has impacted caustic prices. A company which can benefit from this is ***DCW***. Company produces Soda Ash, Sodium Bicarbonate & Ammonium Bicarbonate, Caustic Soda, Liquid Chlorine, Hydrochloric Acid, Beneficiated ilmenite, Trichloroethylene, Yellow Iron Oxide, Ferric Chloride etc. Currently share price is in correction mode, but it is expected to reverse trend shortly. I advise you to keep this share on your radar.
- ***Empire Industries***, (as of a today – a 116 year old public limited company) consists of a well-diversified group of businesses.It has established a strong market presence in the manufacturing and marketing of Glass bottles for the Pharmaceutical industry, marketing of machine tools and industrial equipments, trading of frozen food products, building and leasing of commercial properties, providing vending services, developing real estate, and building and managing Business centres. Share is currently trading at Rs. 2200. At present buy 5-10 shares. In 5 years, share price will be Rs. 10000.
- ***Ashoka Buildcon*** reported strong execution led recovery with Rev/EBIDTA/PAT growing 25.2/28.2/21.6% YoY. EPC segment contributed 93.3% to Rev (Rs 6,148mn) and grew 26.4% YoY. Sales from goods grew to Rs 354mn (4.8% YoY)/BOT grew 44.1% YoY to Rs 87mn.EBIDTA margins declined 126bps to 12.1% largely led by profits hurdle not being met in Ranastalam project. APAT at Rs 520mn grew 21.6% YoY. Increased interest cost of Rs 128mn (+41.8% YoY) was offset by higher other income Rs 166 mn(+44.1% YoY). ASBL Revenue, EBIDTA and PAT estimates were 2.3/ (3.5)/2.1% ahead of estimates.The upcoming bid season is strong with ASBL participating in bids worth Rs 700bn, toll revenue growth is 18% YoY (on back of GST, Mining and Port traffic recovery) and balance sheet robust. Can buy.
- PSU company ***Engineers India (EIL)*** sales grew 46/10% YoY/QoQ at Rs 4.7bn, riding on a 42/64% rise in PMC/LSTK sales to Rs 3.8bn/889mn. Revenues were supported by client settlements allowing variation in orders worth Rs 700mn. The order book remains solid at Rs 83bn vs 51/88.8bn YoY/QoQ , with muted order inflows at Rs 1.1bn vs Rs 2.7/16.1bn YoY/QoQ. EBITDAM stood at 28.5% (+359bps YoY). EBITDA grew 67/(3%) YoY/QoQ to Rs 1.3bn, mainly on account of a 799bps YoY rise in EBITM of PMC to 37.4%. Net profit rose 28% to Rs 1.08bn.EIL would benefit from refining capex in the domestic market Despite the buyback, the balance sheet would have Rs 21bn cash (FY19E). EIL has zero-to-negative core capital employed. Can buy.
- Budget announcements through measures regarding farm output seem to be the key highlight. These include MSPs, improved market linkages and increased allocation towards the food processing sector. The continued emphasis on irrigation and farm insurance will provide further impetus to help farmers manage risks associated with cultivation. ***Monsanto*** to benefit.

RCom will be back in the black in Q4

Banking on its B2B businesses, debt-ridden Reliance Communications expects to emerge profitable in the fourth quarter of this financial year and start the next financial year with a clean slate.

The company, controlled by billionaire Anil Ambani, has posted a reduced net loss of Rs.130 crore in the third quarter ended December 31, 2017.

"Very clearly, we will be back in the black in the fourth quarter itself. From April 1, we will be a business-to-business company without any luggage. And will be comparing ourselves with other companies in the enterprise business space, but with Mobile Virtual Network Operator (MVNO) offerings for B2B segment," RCom Executive Director Punit Garg told .

"It is a blessing in disguise that we took this decision to exit consumer business at the right time. I think B2B is the future, with the maximum growth coming in from this segment, while there will be a bloodbath in consumer businesses," Garg said.

RCom will continue to be listed on the bourses, much like the global B2B telecom majors, he added.

In December, RCom entered into an agreement to sell its wireless assets — spectrum, towers and fibre — to Reliance Jio Infocomm for an undisclosed sum.

Following the deal, RCom became a company offering services to B2B company, but it continues to focus on 4G MVNO (data-oriented business) to corporates.

"Shutting off the consumer part has shown this improvement. The wireless services, which was still operational in October and November, had a trickling effect till now. And we have concluded the entire process of signing the agreement with RJIo; so the numbers are going to be better.

Next time, we might not say the net loss has reduced, but we might say we made a net profit," Garg said.

Its new business portfolio reported consolidated revenues of Rs.1,176 crore and EBITDA (earnings before interest, taxes, depreciation, and amortisation) of Rs.252 crore. The EBITDA margin stood at 21.4 per cent.

Indian operations' revenues and EBITDA stood at Rs.596 crore and Rs.95 crore, respectively, while global business revenues and EBITDA at Rs. 709 crore and Rs.157 crore, respectively.

Chanakya's Take

After a steep jump, prices have again pared down. Dabble in this company only if you are a high risk taker. Better options are available.

IndiGo to fly to Europe from next winter

India's most profitable airline, IndiGo, will start low-cost flights to major European cities next winter. IndiGo will be the first Indian airline to do long-haul low- cost operations, which are already catching up as a global trend.

The airline has sought regulatory approval to operate flights to London, Paris, Madrid, and Hong Kong from New Delhi with Airbus A330 aircraft.

According to a senior IndiGo executive, the airline will begin with direct flights to these cities and price them at least 30 per cent lower than the prevalent rate. "The lowcost structure of IndiGo makes it ideal to offer a long-haul service. An airline's cost is primarily towards fuel burn, aircraft acquisition, and labour — all of which are among the lowest for IndiGo," he said.

IndiGo's cost per available seat kilometre is Rs.1.94, while the same for its low-cost rival SpiceJet is Rs.2.33. Among the global low-cost carrier (LCC) majors, American airline Southwest burns Rs.3.52, while Ryanair in Europe spends Rs.1.45.

The airline may go in for dense economy seating with a few premium seats (with more leg space) along with unbundled products like meal, priority boarding, and seat selection for economy passengers. With A330-200, Level-International Airlines Group's (IAG's) low- cost airline provides 314 seats and 21 premium economy seats and has a six-level fare structure. Also, it's likely to fly to secondary airports to take advantage of low-airport charge. For instance, in London, it will fly to Gatwick Airport instead of Heathrow and to Orly Airport in Paris instead of Charles de Gaulle Airport.

The IndiGo official quoted above said that the airline was also exploring to operate onward connectivity to North American and other European destinations in order provide a convenient network to passengers. "Layovers boost the economics of long-haul flights by providing new points for traffic. And, centrally located hubs allow airlines to shuffle passengers between short- and long-haul routes," the official said.

Globally, long-haul operations for LCCs are growing rapidly. According to OAG, an air travel Intelligence company, this summer there will be more than 1,454 long-haul flights operated per week by 20 LCCs.

Last year, IAG, owner of British Airways, launched Level, a low-cost brand. Lufthansa is expanding its low-cost subsidiary Eurowings to new destinations. In Asia, Tony Fernandes-led AirAsia has successfully implemented the long-haul low-cost model through AirAsia X. The finalisation of longhaul operations through an organic way is perhaps an indication of IndiGo's diminishing interest in acquiring state-owned Air India.

Chanakya's Take

Only 0.3 percent of Indians currently travel abroad for a holiday every year, a fraction of the estimated 100 million who could potentially afford to do so. So the potential is huge.

Dabur India consolidated profit rises 13% in Q3

Dabur India has posted a consolidated net profit of Rs. 332 crore for the quarter ended December 31, 2017, on the back of strong revenue and volume performance of the domestic FMCG business.

The quarter profit was up 13.1 per cent against the same period previous fiscal (Rs. 294 crore).

Consolidated revenues stood at Rs. 1966.4 crore up 6.1 per cent for the period.

In a statement, Sunil Duggal, CEO, said: "While the global macroeconomic environment continues to be challenging and competitive intensity remains high, we have delivered a strong performance during the quarter by efficiently managing the risks and challenges."

The company said its domestic business revenue grew by 17.7 per cent which was led by volume growth of 13 per cent.Talking about future growth prospects, he said: "The medium to long-term prospects, particularly for India, remain robust and we are confident that domestic consumer demand, led by a revival in rural markets, will gain pace in months to come."

The company said it was committed to launch new products leveraging on it Ayurvedic heritage to grow ahead of the market.

In terms of categories, while the company's honey business sales grew by 33 per cent, health supplements category grew to 19.5 per cent.

Maruti Suzuki Q3 net up 3% at Rs 1,799 crore

The country's largest passenger car manufacturer Maruti Suzuki India (MSIL) on Thursday reported net profit of Rs.1,799 crore for the third quarter ending December 31, which was up 3 per cent compared with Rs.1,747 crore in the same period last year.

The numbers are much lower than the street's expectations. Analysts say the company's net profit should have crossed Rs.2,000 crore in the quarter.

Total revenue from operations rose slightly to Rs.19,283 crore during the period against Rs.19,196 crore in October-December 2016. EPS stood at Rs.59.56 (Rs.57.84).

The company said its Board has approved a revision in the method of calculating royalty which would result in lower royalty payments for new model agreements starting with the Ignis.

The revision is yet to be approved by the Suzuki Motor Corporation (SMC) Board, Japan.

"This (revised royalty) would be implemented after approval by the Board of Suzuki Motor Corporation," the company said. Right now, MSIL pays around 5 per cent as royalty (on each vehicle) to SMC, Japan, and as per the company's senior managements, the royalty may come down to 3-4 per cent after the approval.

During the quarter, the company sold a total of 4,31,112 vehicles, posting a growth of 11.3 per cent over the same period of the previous year when it sold 3,87,251 units.

Sales in the domestic market stood at 4,00,586 units, a growth of 12.4 per cent over the corresponding period of 2016. Exports were at 30,526 units in the third quarter last year.

JSW Steel logs record profit of Rs. 1,774 cr in Q3

JSW Steel has registered its highest ever quarterly profit of Rs. 1,774 crore (Rs. 719 crore in previous-year period) on the back of a one-time write back of provision and higher realisations.

Third-quarter income increased 17 per cent to Rs. 17,903 crore (Rs. 15,345 crore).

Following the US government cutting corporate tax to 21 per cent from 30 per cent, the company's US subsidiary has reversed deferred tax liability to Rs. 572 crore. JSW Steel has halved its iron ore mining interest in Chile to 200 million tonnes (mt) and incurred a provisioning of Rs. 264 crore. On the whole, it recorded a one-time gain of Rs. 308 crore during the quarter.

Seshagiri Roa, Joint Managing Director, said that despite cost pressures the

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Tech Mahindra Q3 net profit up

IT services firm Tech Mahindra on Monday reported 10.2% rise in consolidated net profit to Rs943.1 crore for the third quarter ended December 2017.

The firm had registered a net profit of Rs856 crore in the corresponding quarter of the last fiscal, Tech Mahindra said in a statement. The consolidated revenue stood at Rs7,776 crore in the quarter under review, up 2.9% from Rs7,557.5 crore in the year-ago period, as per Indian Accounting Standards. The earnings per share stood at Rs10.73 for the December quarter."Our focus on digital transformation, continuous reskilling of our workforce to meet the future demands of our market space is showing encouraging results," Vineet Nayyar, vice chairman of Tech Mahindra said. He said that the results also demonstrated the company's focus on execution, that is key in an "otherwise unpredictable macro business environment".

On sequential basis, net profit was up 12.8% while the revenue was up 2.2%. In dollar terms, the company's profit grew 16.5% to $147 million while revenue was up 8.3% to $1.2 billion over the year ago period. The company added 18 active clients compared to the trailing September quarter, taking the active client count to 903 at the end of December 2017.

Its total headcount was at 1,15,241 people. C.P. Gurnani, chief executive officer (CEO) and managing director (MD) of Tech Mahindra, said: "We have continued to clock steady growth in the quarter across revenue, profits and new business. Our commitment to 'DAVID' strategy (Digitisation, Automation, Verticalisation, Innovation, Disruption) has yielded marquee deals in the digital space".