

LM's Trade Mantra

12 Feb 2019



Trading Ideas

TATASTEEL 490 CE (Feb) - BUY

cmp: 10.30
Target: 20
Stop-loss: 5.50

The stock has exhibited good reversal pattern on high volumes in the near-term with strong support at 440. Expect follow through buying in the coming sessions.

L&T - BUY

cmp: 1246.50
Target: 1315
Stop-loss: 1210

LT is poised for a reversal of its short-term downtrend following a hammer candlestick on daily chart and aided by positive price/momentum divergence

INFY 750 PE (Feb) - BUY

cmp: 9.10
Target: 18
Stop-loss: 4.25

Despite the outperformance in the near-term, the stock seems to be topping out as volumes dry and there is evidence of negative divergence

GAIL (Feb) - SELL

cmp: 322.15
Target: 309
Stop-loss: 329

The stock has finally breached its short-term sideways bearish continuation pattern support and the downtrend is confirmed by a bearish 'heikin ashi' candlestick



Fundamental Idea

PRAJ INDUSTRIES LTD

CMP: Rs 139

Target Price: Rs 173

Potential Upside: 24%

Time Horizon: 3 months

Recommendation: Buy

Overview

Headquartered in Pune, India, Praj has spread its presence across the globe with more than 750 references in more than 75 countries.

Praj's business portfolio includes –

Bioenergy

High Purity Systems

Critical Process Equipment and Systems

Brewery Plants

Wastewater Treatment Systems



Fundamental Idea

Around 80% of ethanol produced globally is used as vehicular fuel. With increasing demand for cleaner fuels and an attempt to reduce dependence on crude oil, more than 60 countries in the world are at different stages of ethanol blending mandate. Praj has carved a unique position in the world of ethanol technology by virtue of its expertise which cuts across a variety of sugar to starch based feedstock, collectively called as 1st generation feedstock. Praj is one of the handful of companies in the world to successfully develop and demonstrate 2nd generation ethanol technology using agri-residue. We haven't stopped there! Praj has developed technologies for several clean, renewable fuels and chemicals viz. BioCNG, Bio-butanol etc which have the potential to redefine the global energy matrix.

The consolidated order backlog as on December 31, 2018 stood at Rs. 990 crore, which comprised of 76% from domestic orders and 24% international orders. Of which bioenergy order backlog is 73%, HiPurity is 7% and balance 21% are of engineering business.

Order intake in Q3FY19 was high at Rs 421 crore up from Rs 251 in Q3FY18 and Rs 338 crore in Q2FY19. Order intake for 9mFY19 was Rs 1088 crore (up from Rs 665 crore in corresponding previous period) of which about 30% is export orders. Of the 9mFY19 order intake about 66% of the orders are from BioEnergy, 25% from Engineering business and 9% from HiPurity.



Fundamental Idea

Praj is making healthy progress on the execution of the first batch of three 2nd Generation Bio Refineries, contracted by major oil marketing companies. The Design engineering work is already completed and Praj has started receiving corresponding supply orders for the proprietary equipment for main plants.

Valuation

We expect Praj to report revenues of Rs 1450 crore for FY2020. The Net Profit After Tax is expected to be Rs 90 crore. The Earnings per share works out to Rs 4.93. The EPS of Rs 4.93 which when discounted 35 times translates into a target price of Rs 173 implying an upside of 24% from current levels

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Registered Address: Viraj, 5th Floor, 124, S.V.Road, Khar (West), Mumbai - 400 052.

Tel No: 022- 40824082 | Fax No: 022-40350132 | E-mail: business@lmspl.com