

# LM's Trade Mantra

26 Dec 2018



# Trading Ideas

## **BANKNIFTY 26700 PE (03-Jan) - BUY**

cmp: 183  
Target: 360  
Stop-loss: 90

*Weekly 'shooting star' candlestick is a sign of bearish reversal and momentum oscillators have rolled over on daily scale*

## **WOCKPHARMA (Jan) - SELL**

cmp: 506.20  
Target: 460  
Stop-loss: 528

*Lower highs – lower lows on short-term charts and close below 21 & 50 day EMAs warns of bearish move for the stock*

## **RBLBANK (Jan) - SELL**

cmp: 562  
Target: 525  
Stop-loss: 582

*Breakdown of a weekly 'inside bar' pattern indicates a reversal of the preceding uptrend after brief distribution aided by negative momentum divergence*

## **TATAELXSI (Jan) - SELL**

cmp: 996.85  
Target: 946  
Stop-loss: 1022

*New momentum cycle on the downside established along with a descending triangle pattern which is about to breakdown.*



# Fundamental Idea

## MISHRA DHATU NIGAM LTD

**CMP:** Rs 133

**Target Price:** Rs 158

**Potential Upside:** 19%

**Time Horizon:** 3 months

**Recommendation:** Buy

### Overview

Mishra Dhatu Nigam (MIDHANI), a Government of India Enterprise, was set up in 1973 at Hyderabad with the objective of providing the nation self reliance in strategic materials. Mishra Dhatu Nigam is one of the leading manufacturers of high value speciality steel, superalloys and only manufacturer of titanium alloys in India. These are high value products which cater to niche end user segments such as defence, space and power

The company manufactures unique combinations of metal and alloys. These special alloys have superior mechanical properties and better workability which are essential for special applications in aerospace, power generation, nuclear, defence and other general engineering industries. Its products are key ingredients for strategic sectors in India, which typically cannot be imported from other countries due to national security related concerns.



# Fundamental Idea

It manufactures special steels like martensitic steel, ultra high strength steel, austenitic steel and precipitation hardening steel. It manufactures three varieties of super alloys: nickel base, iron base and cobalt base. It also manufactures varieties of titanium alloys. Most of the orders executed by the company are in the nature of an import substitute.

Some of its new projects planned in the next three years include: (a) proposal for construction of spring manufacturing plant for manufacture and supply of helical compression springs for supply to the Railways; and (b) development of aero quality carbon fibers.

The company aims for forward and backward integration by manufacturing components and value-added products. In terms of forward integration, it manufactures special electrodes from the wires manufactured by them, as well as special fasteners from the materials manufactured in-house in the company's manufacturing unit. With respect to backward integration, it has undertaken projects such as production of powder, metal alloys powders and recovery of metals from scrap.

## Valuation

We expect Mishra Dhatu Nigam to report total revenues of Rs 800 crore for FY2020. The Net Profit After Tax is expected to be Rs 148 crore. The Earnings After Tax works out to Rs 7.90. The EPS of Rs 7.90 which when discounted 20 times translates into a target price of Rs 158 implying an upside of 19% from current levels

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