

# Pick of the Week

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
  - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
  - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
Gujarat Borosil Ltd	838	123	138	12.0%	Buy

\* Note: Investment horizon Approx. 6 months., CMP as on 14<sup>th</sup> Sep, 2018.

CMP	Target
123	138

## MARKET DATA

No. of Shares	: 6.81
Market Cap	: Rs 838 Cr
52-week High / Low	: Rs 175/79
BSE Code	: 523768
NSE Code	: N. A.

## Investment Rationale

- ❑ In Q1FY19, Gujarat Borosil Ltd. reported sales revenues of Rs 49.5 cr (up 22% YoY & down 10% QoQ), EBIDTA of Rs 12.1cr (up 41% YoY & 66% QoQ) with EBIDTA Margin at 24.46% (up 388 bps YoY). PAT was reported at Rs 3.25Cr (up 442% YoY & 6% QoQ) supported by operational efficiency and better realization.
- ❑ Both top line as well as bottom line improved substantially as company focuses on better product mix. GBL increased sales of tempered solar glass by 15% YoY and proportion of patterned glass which yields lower realization has been reduced from 6.5% of revenue in Q1FY18 to 1.2% in Q1FY19
- ❑ GBL continues its focus on cost optimization/yield improvement initiatives. GBL is cost competitive with supplies from China /Malaysia except for subsidies in inputs/costs in those countries
- ❑ A safeguard duty of 25% on imports of solar cells and modules has been levied by Government on July 30, 2018 which later was put on stay by Orissa High Court. In the recent development Supreme Court lifts the stay, however SC will continue hearing the plea against the duty. The import duty would encourage domestic module manufactures benefitting GBL which is the only domestic supplier of Solar glass to module manufacturers
- ❑ GBL commenced work on expansion to more than double its capacity by 1.2GW (Rs.235 Cr Capex.) to be operational by Q2FY20
- ❑ We have a **BUY** with price target of Rs 138

## Financial Summary

Y/E Mar	PAT (Rs Cr)	EPS (Rs)	RoE (%)	RoCE (%)	EV/EBITDA (x)
<b>FY18</b>	12.1	1.8	16.1	20.7	17.6
<b>FY19E</b>	16.1	2.4	18.1	16.9	13.2
<b>FY20E</b>	22.2	3.2	20.5	17.1	11.2

Source: Axis Securities, Bloomberg, Capitaline

## No of Stocks Matrix

<b>No of Stocks</b>	<b>&lt; 9m</b>	<b>&gt;9m</b>
Met Target	21	-
Not Met Target	18	-

## Performance Matrix

<b>% Return</b>	<b>&lt; 9m</b>	<b>&gt;9m</b>
Met Target	14.98%	-
Not Met Target	(7.61%)	-

## Benchmark Performance Matrix

<b>% Return</b>	<b>&lt; 9m</b>	<b>&gt;9m</b>
Met Target	1.70%	-
Not Met Target	7.93%	-

Note : performance of the pick of the week is calculated for stocks recommended Dec-17 To Aug-18

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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