



# Monthly Report - April 2017

Monthly Overview



**Happy New  
Financial Year!**

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BUY

Target Price: ₹ 330

Market Cap:	₹ 8533 Crores	Stock P/E:	NA.
Current Price:	₹232.90	Book Value:	₹ 29.11
Target Price:	₹ 330	Dividend yield:	0.20%
Upside potential:	40%+ (15-18 months)	52 Week High/Low:	₹ 238.0 / ₹ 165.0

## Thomas Cook (India) Ltd.

**Thomas Cook India (TC) is a diversified business model:** TC operates in four segments. And they are: (1) Financial Services; (2) Travel and related services; (3) Human Resources through a listed entity called Quess; and (4) vacation ownership & resort business through Sterlite Hotels and resorts. Even assuming the current market prices hold true, TC commands ~Rs.86bn market cap. Now TC owns 62% in Quess, a listed arm dealing in human resources solutions. This can be valued at ~Rs.54bn. Remove this from TC's market cap, the market values three critical segment: Sterling Hotels and Resorts, Financial Services and travel and related services at ~Rs.30bn. Note, these three segments had an EBIT of Rs.2bn in FY16. However, those critical segment's revenue are not at its base case.

**Forex business tailwinds will soon be a thing of past:** In FY16, corporate Forex demand was down 10%. Adding to the concern, falling oil prices impacted remittances from GCC countries. Also, major currency exporters depreciated against the US Dollar. In a bid to diversify, thereby, TC has strengthened its Inward Remittance business. By virtue of its extensive network and being India's largest forex dealer, the Reserve Bank of Indian, the Indian central bank, has granted TC an AD-II licence. Even before this, TC handles 1.3 million transactions annually.

**Cost controls in forex business is delivering:** At certain airports, upward revision of rental costs, typically in foreign exchange outlets, resulted in an overall reduction in margins. Yet by optimizing working capital and cost absorption measures, the foreign exchange business profit before tax grew by 56% over last year.

**Operating leverage to unlock the true value of Sterling Hotels and resorts:** Established in 1986 with one property in Kodaikanal, Sterling Holidays has moved multi-folds. By 2017, the company today has 27 resorts in 23 destinations with an inventory of 1914 keys. The occupancy rate is a meager 57%. Even with 70% occupancy target, the benefits of operating leverage are yet to be tested.

**Quess, the elephant in the room, has multiple drivers:** Quess Corp (Quess) is the Human resource arm. Here, the operations run across from temporary IT and General Staffing solutions, to Integrated Facilities Management services (IFM) and Industrial Asset Management services (IAM). Within this business, Quess has expanded its business portfolio snapping up operating models in US, Canada, Qatar and Sri Lanka. Even without consolidation, the domestic business contributes ~86% of FY16 revenues. With international business like MFX and Randstad Lanka yet to deliver, the base-case is yet to be tapped. With increasing flexi staffing demands, Quess is strategically well-placed.

**Little principal-agent conflicts:** Three years back, Fairfax acquired Thomas cook India. However, it is in FY16, with inter-se transfer and conversion of preference shares, Fairbridge Capital Limited (FCML), gained complete control of Thomas Cook India. Note, FMCL is a 100% step down subsidiary of Fairfax Financial Holdings Limited (Fairfax), Canada. And Fairfax, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax's corporate objective is to achieve a high rate of return on invested capital and build long-term shareholder value. And as a testament to it, over the past 30 years, Fairfax has demonstrated its motto.

## Technical Overview: Thomas Cook (India)Ltd.



- As depicted on the Monthly chart, the stock rallied from the low of 31.20 to the high of 254.89 and after that depicted weakness. However, on Fib retracement level of 38.2%, it consolidated and now resuming up move.
- The stock created strong bullish candle on the monthly chart and posted returns of more than 23% during the month of March.
- The upward inclined ADX on the Monthly chart is indicating that the trend is catching strength. The DI+ is above DI- which is indicating a positive trend.
- Above the swing high level of 254.89, the stock is likely to rally faster. As per the price extension pattern the target of 330 is achievable.
- It is trading above all the important averages(SMA) i.e.50Day (202.74), 200Day(199.72) and 200Week(160.08).

Based on above mentioned technical & fundamental rational, we can build a long position in the stock with 15-18 months perspective and target can be placed at around 330. We can accumulate the stock in the range of 220-235. We believe the stock is having high-performance prospects with long-term perspective so one can hold the stock for a longer time for better returns.

## Nifty Bank- Overview



<b>Montly Closing</b>	21444	
<b>Monthly High: 21696</b>	<b>Monthly Low : 20423</b>	
<b>Sector Bias:</b>	Neutral to Positive	
<b>Support Level:</b>	20575	19750
<b>Resistance Level:</b>	22980	23850

### Sector Outperformers

State Bank of India  
Indusind Bank

### Sector Underperformers

IDFC Bank  
Axis Bank

During March, Nifty Bank outperformed Nifty Index by posting returns of around 4%. It started the month with range bound movement which it was showing since mid-February. The broader range was 20500-21050, however, the swing formation of higher-top higher-bottom remained intact and later it resumed uptend. Bank Nifty is showing bullish candle pattern 'Three White Soldiers' on the Monthly chart. This pattern indicates a strong positive reversal in the market. It is characterized by three normal or long candlesticks incrementing upwards. Bank Nifty rallied from 13407 to 20575 and after around 38% retracement it resumed the uptrend. During March Bank Nifty surpassed this high and hit an all-time high of 21696. It is signaling major Bull Run. Bank Nifty till holding the level of 20450 any dip can be considered as buying opportunity. Most of the banking stocks are trading at 52-week high levels and showing better prospects too. Investors can prefer accumulating quality stocks on dips.



## Nifty Outlook

Nifty ended the Financial Year 2017 on a bullish note with the returns of around 19%. Nifty hit an all-time high of 9218 during March-17 by surpassing previous high hit in March-15. Mid-cap and Small-cap index outperformed the broader market during the year. Nifty performed well in spite of many unforeseen events like on global front Brexit and Donald Trump Victory & on domestic front Demonetization, and looms of GST. BJP's splendid victory in UP elections boosted confidence for the faster reforms implementation. After the election results, even FII poured a good amount of money in domestic equities i.e. Rs 8704 crores and Rs26473 crores during Feb-17 and Mar-17 respectively.

Nifty depicted consolidation during early March but resumed the up move after that. An uptrend sequence of higher peaks and troughs is in place. Nifty has crossed crucial resistance of 9119 which high of Mar-15. This confirms major bull market, were Nifty could target 10500-12000 within this year, while the long-term target is even higher. Small hiccups or corrections cannot ruled out during this journey. Nifty rallied from the low of 6825 (Mar-16) to the high of 8968 (Sep-16) and after that depicted weakness. However, it resumed uptrend from the 50% Fib retracement level. As per the price extension pattern, Nifty crossed the 50% level (8965) so upside till 75% level i.e. 9500 is very much on cards in near-term. However, the momentum oscillator Relative Strength Index (RSI) is hovering in the overbought zone is indicating caution for the immediate term. Nifty till holds the level of 8850 on the downside the bias with positional perspective will remain bullish. The important levels base on moving averages are 50Day SMA-8860, 200Day SMA-8547, and 200Week SMA-7679.

The Results season is going to start and the companies financial numbers will be an influential factor. Expensive valuations in India is the cause of concern only in the short term but strong growth potential may overcome this concern. Other crucial influential factors are FII flows, currency movement, RBI monetary policy stance and oil price moment. All four GST bills passed in Lok Sabha, hence timely implementation is expected i.e. July 1 rollout. Sectors like FMCG, auto, cement, light electrical, multiplexes, retail, and logistics could be some of the key beneficiaries of this biggest tax reform. Selective stocks are likely to outperform broader market and this is a good time to accumulate quality stocks in a staggered way.

### Nifty Outlook:

<b>Short-term</b>	Positive
<b>Medium-term</b>	Neutral to Positive
<b>Long-term</b>	Bullish

<b>Montly Closing</b>	9173	
<b>Monthly High: 9218</b>	<b>Monthly Low : 8860</b>	
<b>Monthly Bias:</b>	Choppy	
<b>Support Level:</b>	8850	8570
<b>Resistance Level:</b>	9280	9500

### Moving Average

Days	SMA
50 Days	8860
200 Days	8547
200 Weeks	7679

Date	Event	Period	Survey	Actual	Prior
3-Apr-17	Nikkei India PMI Mfg	Mar	--	--	50.7
6-Apr-17	Nikkei India PMI Services	Mar	--	--	50.3
6-Apr-17	Nikkei India PMI Composite	Mar	--	--	50.7
6-Apr-17	RBI Repurchase Rate	Apr-06	6.25%	--	6.25%
6-Apr-17	RBI Reverse Repo Rate	Apr-06	5.75%	--	5.75%
6-Apr-17	RBI Cash Reserve Ratio	Apr-06	4.00%	--	4.00%
6-Apr-17	TOPLive: Reserve Bank of India April Policy Decision and Brief		0		
9-Apr-17	Local Car Sales	Mar	--	--	172623
10-Apr-17	Trade Balance	Mar	--	--	-\$8896.3m
10-Apr-17	Exports YoY	Mar	--	--	17.50%
10-Apr-17	Imports YoY	Mar	--	--	21.80%
12-Apr-17	CPI YoY	Mar	--	--	3.65%
12-Apr-17	Industrial Production YoY	Feb	--	--	2.70%
13-Apr-17	SEA Total Edible Oil Imports	Mar	--	--	1234.3k
13-Apr-17	SEA Crude Palm Oil Imports	Mar	--	--	498.4k
13-Apr-17	SEA Palm Olein Imports	Mar	--	--	233.3k
13-Apr-17	SEA Edible Crude Palm Kernel Oil Imports	Mar	--	--	4.5k
13-Apr-17	SEA Sunflower Oil Imports	Mar	--	--	209.4k
13-Apr-17	SEA Soybean Oil Degummed Imports	Mar	--	--	251.7k
17-Apr-17	Wholesale Prices YoY	Mar	--	--	6.55%
25-Apr-17	Eight Infrastructure Industries	Mar	--	--	--

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