

# Here is why SP Tulsian is bullish on Harita Seating

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In an interview with CNBC-TV18, SP Tulsian, sptulsian.com, talks about why he is bullish on Harita Seating and discusses the pharma stocks and SpiceJet's earnings. Below is the verbatim transcript of SP Tulsian interview with Latha Venkatesh and Reema Tendulkar on CNBC-TV18. Latha: I am not surprised but how do you read the Harita Seating numbers?

A: I have not gone through the numbers, but as you have rightly said, I have recommended this stock in the Surat investor camp and then thereafter may be on 3 or 4 occasions at the rate of Rs 150 and if you see the kind of run up this stock has seen and one has to understand the results properly because when the Q4 numbers are presented, you have the consolidated numbers also coming in into that, which is equally contributing to the equal level what is contributed by the Indian company.

This is an excellent company 5 or 6 plants across the country, so I don't think that it will be easy or it will be right on my part to react immediately on the numbers because consolidated plays a very key role and actually one should not limit the view on the stock merely on Q4 numbers because I have been continuously keeping a positive stance on this stock and once you have the analysis of the Q4 and FY16 consolidated number then probably one can take a call, but yes as of now the positive view is maintained on the stock.

Reema: Lupin has been a big wealth generator but we have seen the stock correct quite a bit, today its down nearly about 8 odd percent, what should a long term investor do now in Lupin. Doesn't make sense to add?

A: I don't think that the long term investor who has already invested in the stock should go for addition of more in Lupin, because the kind of destruction which we have seen in the frontline pharma stock, in fact, many of them are giving buying opportunity. So may be those who are already invested in the stock can remain just invested with the same quantity and those who wants to enter into the fresh one can look to buy at about may be Rs 1,475-1,480, but I won't be advising to add more shares for the existing investor.

Latha: Any thought on SpiceJet down 10 percent now? A: I think it deserves that because look into the results I don't think and considering the rise we are seeing in the

crude prices, the airline companies will be having tough time on Q1 also, but looking to the Q4 numbers as well, the numbers have been quite disappointing not directly on the fuel account but because of the other related expenses, so I will not be buyer in the stock or may be in any other aviation stock.

Latha: Is there anything that you can say, I know that you are handicapped by only what you are seeing on TV, but for us it looks like it beats street estimates on revenues. We were expecting Rs 9,770 crore it's turned in Rs 10,168 crore which is jump of about 8-9 percent.

The Earnings before interest, taxes, depreciation and amortization (EBITDA) has come in higher than what we thought that's also double digit at Rs 3,687 compare to Rs 3,244 crore year ago

. The EBITDA margins are at 36.03 percent our poll through of 36.01 percent, net is largely in line Rs 2,495 crore compare to Rs 2,361. Those are the key numbers.

A: I have to digest all the numbers are with me in fact, I am not impressed with the margins if you see across the board margins have shrunk. I am referring on a QoQ basis because I don't see any reason to compare it on a YoY basis in spite of the volume growth, the overall EBITDA margin has shrunk from 39.3 percent to 36.15 percent. Come on cigarette from 68.1 percent it fell to 65.05 percent.

On agri there is a sharp fall 9.7 percent from 15.5 percent in Q3 and if you see the paper and paperboard the margin has shrunk, earnings before income tax (EBIT) margin fell to 16.4 percent against 19.05 percent. So yes there is seen to be quite reasonable growth on the top line, but margins across the board in all the segments have shrunk and in fact the main worry is the fall of about 305 basis point in cigarette because that's a very key, if they have EBIT margin of 65 percent and second is of the agri, because agri has contributed to the top line of about Rs 1,800 crore where the EBIT margin is seen at 9.7 percent against 15.5 percent on a sequential basis, so across the board shrinkage in the margin I don't think will throw a good signal to the market may be on face of it because of the volume increase we have seen increase in the EBITDA at Rs 3,687 crore, but as I said even on the overall EBITDA the fall is by about 315 basis point for the company on a sequential basis.

Reema: We had a lot of midcaps which came out with the earnings, Unichem , eClerx , Deccan Cement , Coffee Day , Whirlpool . Anything that stood out for you that you would recommend?

A: I think two results have attracted me one is of Harita Seatings which we have discussed a while back earnings per share (EPS) of Rs 33 on FY16 consolidated basis against Rs 11 of the previous year because as I said after seeing the consolidated number because that 51 percent subsidiary itself is contributing the equal profit, so that has attracted me. Second is a Deccan Cement, in fact, the numbers have been very good but what has happened this Deccan Cement, Kakatiya Cement two stocks have

run up by about may be 50 percent, Kakatiya Cement run up by about may be 200 percent in this last three months, but looking to the profitability the company having posted an EPS of closer to about Rs 14 and EPS of about Rs 65 for whole of FY16. It's giving a valuation EV of USD 32 per tonne.

It's a 2.3 million tonne cement plant almost a debt free company, so that one can keep an eye on that stock as well. So these are the two numbers and third is the Karnataka Bank probably the only bank amongst the private and public sector which has posted such a good numbers consistently, EPS of Rs 21-22 improvement in the asset quality over a sequential basis, so yes even that number can go well with the investors, the numbers which have been announced in this last couple of hours.