# ValueGuide

August 2017


| Intelligent Investing | Regular Features | Products & Services | Trader's Edge |
| --- | --- | --- | --- |
| Stock Updates<br>Viewpoints | Report Card<br>Earnings Guide | PMS<br>Top Picks<br>Wealth Creator<br>MF Picks<br>Advisory | Technical View<br>Currencies<br>F&O Insights |

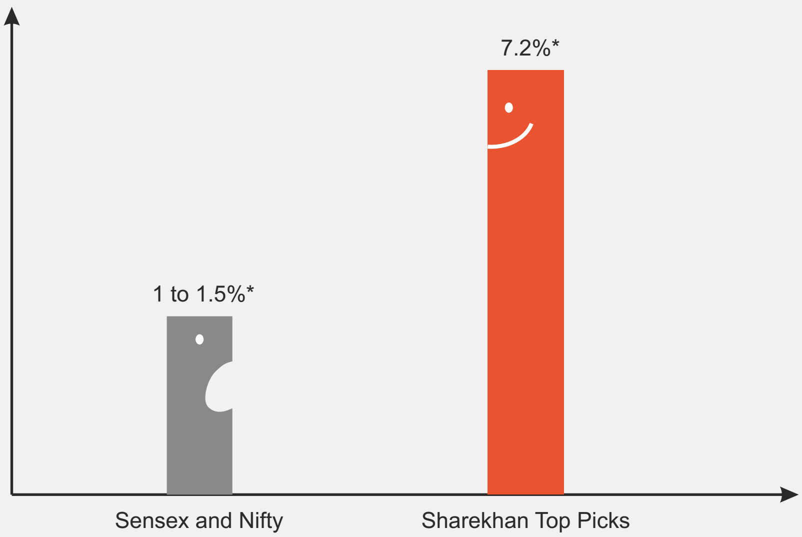
Sharekhan

by BNP PARIBAS

## Sharekhan Top Picks celebrates

# 100 months

## of outperformance!




*Performance in April 2017

- Delivered handsome returns of 7.2% in April, while the benchmark indices, the Nifty and Sensex, appreciated in the range of 1-1.5% in the same period.
- Outperformed the CNX Midcap index in April as well as over the longer timeframe of three years and five years.
- Consistent performance with its track record of continued outperformance for eight consecutive years.

**What is Sharekhan Top Picks Portfolio?**

- Carefully chosen 12 companies from the Sharekhan fundamental research coverage universe.
- Comprises mostly large-cap companies plus 30% exposure to quality mid-cap companies.
- Reviewed at the end of every month; revisions, if any, are intimated with a detailed explanation.
- Simple to follow and ideal for investors looking to create wealth over a period of time.



## From Sharekhan's Desk


The Goods & Services Tax (GST) – a comprehensive reform of the indirect tax regime – has finally seen light of the day. This simplifies the indirect taxation regime by clubbing host of central government and state government taxes into one applicable GST tax. 06

## RESEARCH BASED EQUITY PRODUCTS



## PMS DESK



## EQUITY

### FUNDAMENTALS



## CURRENCY

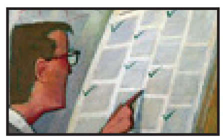
### FUNDAMENTALS



### TECHNICALS



### MUTUAL FIND DESK





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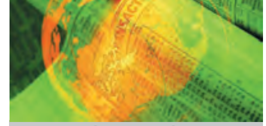
**Registered Office:** Sharekhan Limited, 10th Floor, Beta Building, Lodha iThink Techno Campus, Off. JVLR, Opp. Kanjurmarg Railway Station, Kanjurmarg (East), Mumbai – 400042, Maharashtra. Tel: 022 - 61150000. Sharekhan Ltd.: SEBI Regn. Nos.: BSE: INB/INF011073351 / BSE-CD; NSE: INB/INF/INE231073330 ; MSEI: INB/INF261073333 / INE261073330 ; DP: NSDL-IN-DP-NSDL-233-2003 ; CDSL-IN-DP-CDSL-271-2004; PMS-INP000000662 ; Mutual Fund-ARN 20669 ; Research Analyst: INH000000370; For any complaints email at igc@sharekhan.com ; Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T & C on www.sharekhan.com ; Investment in securities market are subject to market risks, read all the related documents carefully before investing.

## STOCK IDEAS STANDING (AS ON AUGUST 03, 2017)

| COMPANY | CURRENT RECO | PRICE AS ON 03-AUG-17 | PRICE TARGET | 52 WEEK | | ABSOLUTE PERFORMANCE | | | | RELATIVE TO SENSEX | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | HIGH | LOW | 1M | 3M | 6M | 12M | 1M | 3M | 6M | 12M |
| **Automobiles** | | | | | | | | | | | | | |
| Apollo Tyres | Buy | 271 | ** | 279 | 154 | 6.4 | 12.1 | 49.6 | 75.8 | 2.7 | 3.1 | 29.8 | 49.0 |
| Ashok Leyland | Buy | 109 | 120 | 112 | 74 | 10.2 | 33.5 | 16.9 | 29.3 | 6.4 | 22.8 | 1.5 | 9.6 |
| Bajaj Auto | Hold | 2834 | 2900 | 3122 | 2510 | 3.7 | -1.4 | 3.0 | 6.5 | 0.1 | -9.3 | -10.7 | -9.7 |
| Gabriel India | Buy | 164 | ** | 172 | 100 | 9.2 | 33.1 | 47.1 | 59.0 | 5.5 | 22.5 | 27.6 | 34.8 |
| Hero MotoCorp | Buy | 3838 | 4100 | 3951 | 2844 | 1.6 | 14.6 | 22.4 | 22.8 | -1.8 | 5.5 | 6.2 | 4.2 |
| M&M | Buy | 1417 | 1525 | 1509 | 1141 | 4.6 | 6.0 | 13.4 | -1.1 | 1.1 | -2.4 | -1.6 | -16.2 |
| Maruti Suzuki | Buy | 7737 | 8500 | 7920 | 4765 | 5.2 | 16.5 | 26.5 | 59.9 | 1.6 | 7.2 | 9.8 | 35.5 |
| Rico Auto Industries | Buy | 75 | 94 | 84 | 44 | 34.5 | 24.4 | 28.1 | 51.4 | 29.9 | 14.5 | 11.1 | 28.4 |
| TVS Motor | Buy | 587 | ** | 631 | 293 | 6.2 | 17.9 | 50.3 | 97.8 | 2.6 | 8.5 | 30.4 | 67.8 |
| ***BSE Auto Index*** | | ***24621*** | | ***24967*** | ***19164*** | ***4.2*** | ***8.1*** | ***11.9*** | ***19.8*** | ***0.6*** | ***-0.6*** | ***-2.9*** | ***1.6*** |
| **Banks & Finance** | | | | | | | | | | | | | |
| Axis Bank | Buy | 506 | 610 | 638 | 424 | -1.2 | 2.0 | 4.1 | -7.0 | -4.6 | -6.1 | -9.7 | -21.1 |
| Bajaj Finance | Buy | 1702 | 1740 | 1741 | 761 | 23.0 | 34.3 | 62.9 | 70.5 | 18.8 | 23.6 | 41.3 | 44.6 |
| Bajaj Finserv | Buy | 5115 | 5500 | 5275 | 2480 | 23.9 | 12.1 | 49.6 | 93.4 | 19.7 | 3.2 | 29.8 | 64.0 |
| Bank of Baroda | Hold | 158 | 192 | 203 | 135 | -2.3 | -15.9 | -14.5 | 7.1 | -5.6 | -22.6 | -25.8 | -9.2 |
| Bank of India | Hold | 155 | 176 | 197 | 100 | 10.8 | -16.5 | 16.4 | 42.2 | 7.0 | -23.1 | 1.0 | 20.6 |
| Capital First | Buy | 764 | 880 | 815 | 465 | 11.8 | 0.5 | 11.8 | 12.3 | 8.0 | -7.5 | -3.0 | -4.8 |
| Federal Bank | Buy | 113 | 135 | 122 | 61 | 1.0 | 2.0 | 35.2 | 84.7 | -2.5 | -6.1 | 17.3 | 56.6 |
| HDFC | Buy | 1737 | 1780 | 1800 | 1183 | 8.1 | 11.5 | 25.7 | 32.5 | 4.4 | 2.6 | 9.0 | 12.4 |
| HDFC Bank | Buy | 1780 | 1950 | 1810 | 1158 | 7.3 | 16.0 | 36.7 | 44.4 | 3.7 | 6.8 | 18.6 | 22.5 |
| ICICI Bank | Hold | 296 | 330 | 315 | 215 | 1.9 | 20.2 | 16.4 | 35.4 | -1.5 | 10.6 | 1.0 | 14.8 |
| LIC Housing Finance | Buy | 681 | 825 | 794 | 468 | -9.4 | -3.8 | 21.8 | 37.5 | -12.5 | -11.4 | 5.7 | 16.6 |
| Max Financial | Hold | 614 | 660 | 684 | 477 | -1.1 | -4.6 | 2.4 | 12.1 | -4.5 | -12.2 | -11.1 | -5.0 |
| PTC India Financial Services | Hold | 40 | 50 | 51 | 33 | 0.2 | -14.3 | -4.0 | 6.6 | -3.2 | -21.2 | -16.7 | -9.6 |
| Punjab National Bank | Hold | 149 | 175 | 186 | 112 | 7.2 | -14.6 | -0.6 | 22.8 | 3.6 | -21.4 | -13.7 | 4.1 |
| Union Bank of India | Hold | 144 | 210 | 205 | 116 | -4.5 | -19.6 | -14.2 | 12.7 | -7.8 | -26.0 | -25.5 | -4.5 |
| Yes Bank | Hold | 1785 | 1850 | 1861 | 1091 | 19.6 | 10.3 | 28.8 | 45.7 | 15.5 | 1.5 | 11.7 | 23.6 |
| ***BSE Bank Index*** | | ***27886*** | | ***28507*** | ***20087*** | ***6.0*** | ***11.2*** | ***21.3*** | ***32.1*** | ***2.4*** | ***2.3*** | ***5.2*** | ***12.0*** |
| **Consumer goods** | | | | | | | | | | | | | |
| Britannia | Buy | 3874 | ** | 3958 | 2773 | 5.2 | 8.8 | 20.6 | 37.6 | 1.6 | 0.1 | 4.6 | 16.7 |
| Emami | Buy | 1141 | 1245 | 1261 | 935 | 6.9 | 7.2 | -2.2 | -0.3 | 3.3 | -1.4 | -15.2 | -15.5 |
| GSK Consumers | Hold | 5418 | 5800 | 6500 | 4650 | 2.0 | 6.7 | 8.2 | -11.6 | -1.5 | -1.8 | -6.1 | -25.0 |
| Godrej Consumer Products | Hold | 970 | 1075 | 1084 | 636 | -1.6 | 7.6 | 23.5 | 24.9 | -5.0 | -1.0 | 7.2 | 5.9 |
| Hindustan Unilever | Hold | 1170 | 1220 | 1195 | 782 | 6.6 | 26.4 | 38.9 | 30.3 | 2.9 | 16.3 | 20.5 | 10.5 |
| ITC | Hold | 281 | 325 | 368 | 222 | -17.8 | 3.0 | 4.6 | 13.0 | -20.6 | -5.2 | -9.2 | -4.2 |
| Jyothy Laboratories | Buy | 392 | 435 | 427 | 282 | 10.8 | 5.9 | 14.1 | 38.3 | 7.1 | -2.6 | -1.0 | 17.3 |
| Marico | Hold | 328 | 340 | 336 | 235 | 1.2 | 4.0 | 29.4 | 11.6 | -2.3 | -4.3 | 12.2 | -5.4 |
| Zydus Wellness | Buy | 886 | 1020 | 930 | 762 | 3.7 | 2.4 | 3.2 | 13.0 | 0.2 | -5.7 | -10.5 | -4.2 |
| ***BSE FMCG Index*** | | ***10008*** | | ***10936*** | ***7653*** | ***-7.1*** | ***7.7*** | ***14.1*** | ***17.3*** | ***-10.3*** | ***-0.9*** | ***-1.0*** | ***-0.5*** |
| **IT / IT services** | | | | | | | | | | | | | |
| Firstsource Solution | Hold | 34 | 43 | 49 | 30 | -2.6 | -21.4 | -13.9 | -28.0 | -5.9 | -27.7 | -25.3 | -39.0 |
| HCL Technologies | Buy | 876 | 965 | 928 | 731 | 4.7 | 5.8 | 6.4 | 9.4 | 1.1 | -2.6 | -7.7 | -7.2 |
| Infosys | Hold | 984 | 1050 | 1095 | 900 | 3.4 | 6.9 | 6.7 | -6.9 | -0.2 | -1.6 | -7.4 | -21.1 |
| Persistent Systems | Hold | 635 | 700 | 707 | 501 | -4.7 | 11.0 | 6.6 | -4.9 | -8.0 | 2.2 | -7.5 | -19.3 |
| Tata Consultancy Services | Hold | 2489 | ** | 2745 | 2052 | 5.2 | 8.0 | 13.1 | -4.4 | 1.6 | -0.6 | -1.9 | -19.0 |
| Wipro | Hold | 289 | 290 | 298 | 204 | 11.4 | 16.5 | 26.3 | 6.0 | 7.6 | 7.2 | 9.6 | -10.1 |
| ***BSE IT Index*** | | ***10310*** | | ***11063*** | ***9123*** | ***4.4*** | ***6.5*** | ***7.7*** | ***-4.0*** | ***0.8*** | ***-2.0*** | ***-6.5*** | ***-18.6*** |
| **Capital goods / Power** | | | | | | | | | | | | | |
| Bharat Heavy Electricals | Hold | 139 | 160 | 183 | 116 | 2.3 | -20.2 | -2.3 | 4.8 | -1.2 | -26.6 | -15.3 | -11.1 |
| CESC | Buy | 962 | 1000 | 1002 | 533 | 9.8 | 1.2 | 26.1 | 62.4 | 6.1 | -6.9 | 9.4 | 37.7 |
| Crompton Greaves | Hold | 82 | 100 | 97 | 56 | -1.2 | 6.1 | 20.2 | 8.9 | -4.5 | -2.4 | 4.3 | -7.7 |
| Finolex Cable | Hold | 476 | 530 | 573 | 355 | 2.3 | -9.9 | 6.1 | 24.9 | -1.2 | -17.1 | -8.0 | 5.9 |
| Greaves Cotton | Buy | 159 | 190 | 179 | 115 | -0.3 | -6.3 | 17.7 | 17.0 | -3.7 | -13.8 | 2.1 | -0.8 |
| Kalpataru Power Transmission | Buy | 352 | 400 | 375 | 207 | 4.8 | -0.7 | 23.1 | 37.0 | 1.3 | -8.6 | 6.8 | 16.2 |
| KEC International NEW | Buy | 304 | 330 | 318 | 110 | 15.8 | 41.5 | 102.4 | 112.2 | 11.8 | 30.2 | 75.6 | 80.0 |
| PTC India | Hold | 117 | ** | 122 | 67 | 21.0 | 13.1 | 36.5 | 57.6 | 16.9 | 4.1 | 18.4 | 33.6 |
| Skipper | Buy | 223 | 240 | 240 | 125 | 6.7 | 17.1 | 41.8 | 44.2 | 3.1 | 7.8 | 23.0 | 22.3 |
| Thermax | Hold | 909 | 1030 | 1071 | 731 | -2.0 | -11.5 | 10.1 | 6.9 | -5.3 | -18.6 | -4.4 | -9.3 |





## STOCK IDEAS STANDING (AS ON AUGUST 03, 2017)

| COMPANY | CURRENT RECO | PRICE AS ON 03-AUG-17 | PRICE TARGET | 52 WEEK HIGH | 52 WEEK LOW | ABSOLUTE PERFORMANCE 1M | 3M | 6M | 12M | RELATIVE TO SENSEX 1M | 3M | 6M | 12M |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Triveni Turbine | Buy | 139 | 150 | 167 | 112 | -1.3 | 1.2 | 11.5 | 21.2 | -4.7 | -6.9 | -3.3 | 2.8 |
| V-Guard Industries | Buy | 181 | 200 | 221 | 109 | 4.1 | -3.7 | 22.0 | 48.6 | 0.5 | -11.4 | 5.9 | 26.0 |
| Va Tech Wabag | Buy | 623 | 800 | 750 | 450 | -9.9 | -8.5 | 27.9 | 8.7 | -13.0 | -15.8 | 11.0 | -7.8 |
| ***BSE Power Index*** | | ***2318*** | | ***2372*** | ***1852*** | ***4.1*** | ***-0.2*** | ***6.9*** | ***16.5*** | ***0.5*** | ***-8.2*** | ***-7.2*** | ***-1.2*** |
| ***BSE Capital Goods Index*** | | ***17700*** | | ***18207*** | ***13255*** | ***3.2*** | ***0.2*** | ***17.5*** | ***20.8*** | ***-0.3*** | ***-7.8*** | ***1.9*** | ***2.4*** |
| **Infrastructure / Real estate** | | | | | | | | | | | | | |
| Gayatri Projects | Hold | 165 | 180 | 182 | 112 | 5.3 | 2.2 | 19.5 | 24.8 | 1.7 | -6.0 | 3.7 | 5.8 |
| IRB Infra | Buy | 220 | 305 | 273 | 177 | 4.0 | -15.0 | -3.7 | 10.0 | 0.5 | -21.8 | -16.5 | -6.7 |
| Jaiprakash Associates | Hold | 25 | ** | 30 | 7 | 20.8 | 92.3 | 92.3 | 111.0 | 16.6 | 77.0 | 66.9 | 78.9 |
| Larsen & Toubro | Hold | 1175 | 1260 | 1223 | 863 | 4.4 | 2.4 | 19.0 | 20.6 | 0.9 | -5.7 | 3.3 | 2.3 |
| NBCC | Buy | 217 | 245 | 220 | 133 | 4.6 | 8.4 | 18.5 | 37.9 | 1.0 | -0.3 | 2.8 | 16.9 |
| Sadbhav Engineering NEW | Buy | 289 | 432 | 351 | 220 | -6.5 | -10.9 | 2.0 | 4.5 | -9.7 | -18.1 | -11.5 | -11.4 |
| ***CNX Infra Index*** | | ***3402*** | | ***3419*** | ***2580*** | ***5.7*** | ***5.7*** | ***14.5*** | ***20.1*** | ***2.1*** | ***-2.7*** | ***-0.7*** | ***1.8*** |
| ***BSE Real estate Index*** | | ***2167*** | | ***2231*** | ***1163*** | ***4.5*** | ***8.8*** | ***49.3*** | ***39.9*** | ***1.0*** | ***0.1*** | ***29.5*** | ***18.6*** |
| **Oil & gas** | | | | | | | | | | | | | |
| Oil India | Hold | 285 | 290 | 371 | 257 | 9.5 | -13.6 | -14.9 | 8.9 | 5.8 | -20.5 | -26.2 | -7.7 |
| Reliance ☜ | Buy | 1650 | 1665 | 1665 | 930 | 20.3 | 21.3 | 60.8 | 67.2 | 16.2 | 11.6 | 39.5 | 41.8 |
| Selan Exploration Technology | Hold | 160 | ** | 222 | 154 | 2.0 | -13.5 | -12.2 | -16.7 | -1.5 | -20.4 | -23.8 | -29.3 |
| ***BSE Oil and gas Index*** | | ***14439*** | | ***14746*** | ***10365*** | ***8.8*** | ***-0.2*** | ***12.5*** | ***42.7*** | ***5.1*** | ***-8.2*** | ***-2.4*** | ***21.0*** |
| **Pharmaceuticals** | | | | | | | | | | | | | |
| Aurobindo Pharma | Hold | 741 | ** | 895 | 503 | 8.2 | 27.1 | 8.5 | -0.3 | 4.5 | 16.9 | -5.9 | -15.5 |
| Cadila Healthcare | Hold | 546 | ** | 560 | 329 | 4.3 | 20.7 | 50.7 | 58.2 | 0.7 | 11.0 | 30.8 | 34.2 |
| Cipla | Hold | 557 | 585 | 622 | 479 | 1.3 | 0.5 | -8.0 | 6.0 | -2.1 | -7.5 | -20.2 | -10.1 |
| Divi's Labs | Hold | 670 | ** | 1382 | 533 | 0.0 | 7.3 | -11.9 | -42.9 | -3.5 | -1.3 | -23.5 | -51.5 |
| Glenmark Pharmaceuticals | Hold | 702 | 855 | 994 | 600 | 9.9 | -20.7 | -25.9 | -14.6 | 6.2 | -27.0 | -35.7 | -27.6 |
| Lupin | Reduce | 993 | 950 | 1730 | 963 | -5.2 | -20.9 | -33.0 | -40.5 | -8.4 | -27.3 | -41.9 | -49.5 |
| Sun Pharmaceutical Industries | Reduce | 516 | 510 | 855 | 493 | -6.5 | -18.0 | -20.3 | -38.5 | -9.7 | -24.5 | -30.9 | -47.8 |
| Torrent Pharma | Reduce | 1254 | 1190 | 1770 | 1142 | 2.1 | -6.4 | -3.5 | -13.3 | -1.4 | -13.8 | -16.3 | -26.5 |
| ***BSE Health Care Index*** | | ***14010*** | | ***16866*** | ***13073*** | ***-1.3*** | ***-4.8*** | ***-7.8*** | ***-12.7*** | ***-4.6*** | ***-12.4*** | ***-20.0*** | ***-25.9*** |
| **Building materials** | | | | | | | | | | | | | |
| Grasim | Hold | 1126 | 1200 | 1147 | 652 | 5.2 | 16.5 | 43.0 | 36.5 | 1.6 | 7.2 | 24.0 | 15.8 |
| Shree Cement | Hold | 18135 | 19600 | 20560 | 12477 | 3.0 | -7.5 | 13.9 | 9.0 | -0.5 | -14.9 | -1.2 | -7.6 |
| The Ramco Cements | Hold | 688 | 750 | 770 | 473 | -0.8 | 0.5 | -1.6 | 28.9 | -4.2 | -7.5 | -14.7 | 9.3 |
| UltraTech Cement | Hold | 4084 | 4500 | 4533 | 3050 | 2.4 | -4.8 | 9.5 | 11.6 | -1.1 | -12.4 | -5.0 | -5.3 |
| **Discretionary consumption** | | | | | | | | | | | | | |
| Arvind NEW | Buy | 364 | 485 | 427 | 287 | -1.0 | -12.8 | -3.2 | 24.7 | -4.4 | -19.8 | -16.0 | 5.8 |
| Century Plyboards (India) | Hold | 275 | 280 | 314 | 154 | -5.9 | 7.8 | 27.8 | 25.5 | -9.1 | -0.8 | 10.8 | 6.4 |
| Cox and Kings | Hold | 279 | 295 | 306 | 158 | -1.7 | 24.7 | 43.5 | 54.1 | -5.1 | 14.7 | 24.5 | 30.7 |
| Info Edge (India) | Hold | 999 | 1075 | 1128 | 752 | -3.4 | 17.9 | 20.0 | 21.7 | -6.7 | 8.5 | 4.1 | 3.2 |
| Inox Leisure | Buy | 252 | 320 | 309 | 193 | -7.4 | -14.1 | 11.6 | 0.6 | -10.6 | -20.9 | -3.2 | -14.7 |
| KKCL | Hold | 1666 | 1780 | 2007 | 1619 | -2.9 | -6.1 | -4.8 | -8.4 | -6.2 | -13.6 | -17.4 | -22.3 |
| Orbit Exports | Hold | 142 | 177 | 184 | 103 | -10.8 | 9.1 | -12.1 | 32.1 | -13.8 | 0.4 | -23.8 | 12.0 |
| Relaxo Footwear | Buy | 459 | 525 | 555 | 350 | -4.1 | -7.0 | 4.7 | -3.9 | -7.4 | -14.4 | -9.2 | -18.5 |
| Thomas Cook India | Hold | 221 | 229 | 255 | 178 | -12.6 | 8.1 | 14.2 | 12.8 | -15.6 | -0.5 | -0.9 | -4.4 |
| Wonderla Holidays | Buy | 348 | 425 | 420 | 316 | -3.0 | -8.5 | -7.4 | -12.4 | -6.3 | -15.8 | -19.7 | -25.7 |
| Zee Entertainment ☜ | Buy | 540 | 610 | 590 | 428 | 10.6 | 2.9 | 9.4 | 10.1 | 6.9 | -5.3 | -5.0 | -6.6 |
| **Diversified / Miscellaneous** | | | | | | | | | | | | | |
| Bajaj Holdings | Buy | 2403 | 2516 | 2437 | 1743 | 15.9 | 18.1 | 20.4 | 36.9 | 12.0 | 8.6 | 4.5 | 16.1 |
| Bharat Electronics | Hold | 181 | 200 | 188 | 118 | 11.2 | 1.0 | 17.6 | 48.9 | 7.4 | -7.1 | 2.0 | 26.3 |
| Bharti Airtel | Hold | 424 | 450 | 432 | 283 | 11.3 | 22.8 | 20.2 | 19.0 | 7.5 | 13.0 | 4.3 | 0.9 |
| Gateway Distriparks | Hold | 270 | 270 | 292 | 209 | 3.8 | 7.6 | 6.1 | 4.1 | 0.3 | -1.0 | -8.0 | -11.7 |
| PI Industries | Buy | 729 | 970 | 964 | 722 | -11.8 | -15.6 | -21.9 | -6.4 | -14.8 | -22.3 | -32.2 | -20.6 |
| Ratnamani Metals and Tubes | Hold | 836 | ** | 875 | 512 | -1.0 | 2.8 | 24.9 | 61.4 | -4.4 | -5.4 | 8.4 | 36.8 |
| Supreme Industries | Buy | 1101 | 1250 | 1443 | 727 | -9.9 | -3.5 | 15.2 | 21.7 | -13.0 | -11.2 | 0.0 | 3.2 |
| UPL | Buy | 881 | 980 | 903 | 584 | 2.9 | 9.3 | 20.3 | 52.2 | -0.6 | 0.6 | 4.4 | 29.1 |
| ***BSE500 Index*** | | ***13808*** | | ***13964*** | ***10617*** | ***4.0*** | ***6.9*** | ***16.5*** | ***22.3*** | ***0.4*** | ***-1.7*** | ***1.1*** | ***3.7*** |
| ***CNX500 INDEX*** | | ***8729*** | | ***8833*** | ***6712*** | ***4.0*** | ***6.7*** | ***16.4*** | ***22.3*** | ***0.4*** | ***-1.8*** | ***1.0*** | ***3.7*** |
| ***CNXMCAP INDEX*** | | ***18318*** | | ***18587*** | ***13658*** | ***2.5*** | ***1.4*** | ***15.2*** | ***27.8*** | ***-1.0*** | ***-6.7*** | ***0.0*** | ***8.4*** |

☜ **In Top Picks basket**

**** Price target under review**

## Get, Set for Transformation

The Goods & Services Tax (GST) – a comprehensive reform of the indirect tax regime – has finally seen light of the day. This simplifies the indirect taxation regime by clubbing host of central government and state government taxes into one applicable GST tax. GST works on the principle of one nation one tax rate across the states; thereby creating a unified market for goods & services across India.

GST can be disruptive for businesses and economy in the near term. Businesses need to adjust to new tax regime. More importantly, the system of input credit to suppliers if the customers are tax compliant, would require lot of cash driven businesses to mend their ways.

The near term impact of GST on economy is further accentuated by the fact that the tax reform was precedent by equally bold initiative of demonetization. Both these important measures are aimed at structurally reforming the Indian economy by discouraging unorganized businesses (cash driven tax evaders) on one hand and, at the same time, incentivize tax compliance.

Any radical reform tends to result in some short term pain and it would be no different this time around. However, the effort taken to formalize the economy and curtail parallel (cash) economy would have far reaching impact on India and consequently equities as an investment class.

In the medium to long term, the measures would widen the tax base and boost tax revenues. Already, as many as 90 lakh new tax payers are added and close to Rs2,50,000 crore money has come into banking system. Increased revenue base would allow government to spend more on infrastructure and keep inflation (and consequently interest rates) under control, a power booster for consumption. Thus, the reforms would put the Indian economy on a firm growth path.

From investor's perspective, shifting of the economy to higher growth trajectory, which would eventually reflect in corporate earnings – essential ingredient for sustained rally in equities. More importantly, the strict compliance and decline of the shadow economy would curtail flow of money to physical assets like real estate and gold to more productive (for the economy) financial savings,including equities.

Hence, investors would do better to focus on the long term growth story and to avoid all the noise about the near term but temporary, adverse impact of the two structural reforms on corporate earnings and the Indian economy. Don't miss the forest for the trees! ■

# Sharekhan Top Picks

Markets continued to rally for the seventh consecutive month. Positive global cues along with domestic positives, like soft inflationary trends and rising hopes of policy rate cuts, boosted sentiments. The political drama unfolding in Bihar not only underlines the growing political strength of the ruling political dispensation at the centre but also highlights the chinks in any opposition unity or a possible formation of a grand collation capable of challenging the Modi re-election in 2019 general election.

Meanwhile, Sharekhan Top Picks folio continues to give superior returns consistently as compared to benchmark indices. Sharekhan Top Picks folio appreciated by 6.7% as against gains of 4.4% to 5.8% in the benchmark indices during the last month. The superior performance has been achieved despite the sharp fall in the share price of ITC Ltd. The government unexpectedly revised GST rate applicable on cigarettes, which adversely impacts ITC's core business and leads to severe selling pressure on the counter.

This month, we are suggesting only one change on the folio. We are replacing Petronet LNG with CESC. This is more of a tactical, as Petronet LNG is likely to continue its underperformance due to lacklustre demand and weak volume offtake. On the other hand, we believe CESC would see buying interest before the proposed restructuring process kicks in and results in value unlocking for the shareholders. ■

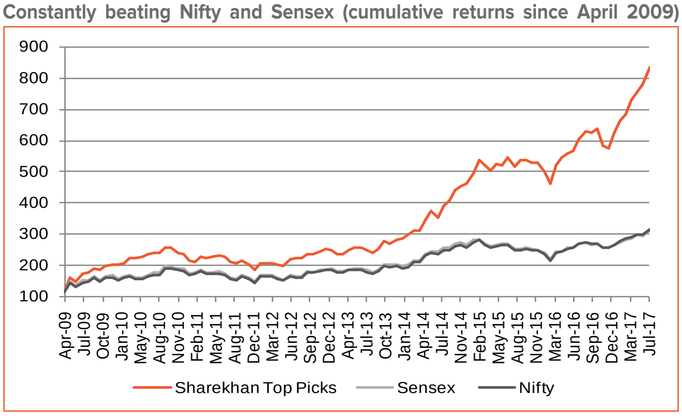
**Consistent outperformance (absolute returns; not annualised)** (%)

| (%) | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years |
|---|---|---|---|---|---|---|
| Sharekhan Top Picks | 6.7 | 14.1 | 33.8 | 38.4 | 135.5 | 275.4 |
| Sensex | 5.2 | 8.7 | 17.5 | 15.8 | 26.9 | 88.1 |
| Nifty | 5.8 | 8.3 | 17.7 | 16.8 | 32.2 | 93.7 |
| CNX MIDCAP 100 | 4.4 | 2.4 | 20.1 | 25.3 | 72.0 | 158.5 |

**Absolute returns (Top Picks Vs Benchmark indices)** (%)

| | Sharekhan (Top Picks) | Sensex | Nifty | CNX Mid-cap 100 |
|---|---|---|---|---|
| YTD CY2017 | 45.0 | 22.1 | 23.1 | 29.0 |
| CY2016 | 8.8 | 1.8 | 3.2 | 7.1 |
| CY2015 | 13.9 | -5.1 | -4.1 | 6.5 |
| CY2014 | 63.6 | 29.9 | 30.9 | 55.1 |
| CY2013 | 12.4 | 8.5 | 6.4 | -5.6 |
| CY2012 | 35.1 | 26.2 | 29.0 | 36.0 |
| CY2011 | -20.5 | -21.2 | -21.7 | -25.0 |
| CY2010 | 16.8 | 11.5 | 12.9 | 11.5 |
| CY2009 | 116.1 | 76.1 | 72.0 | 114.0 |

**Constantly beating Nifty and Sensex (cumulative returns since April 2009)**




Please note the returns are based on the assumption that at the beginning of each month an equal amount was invested in each stock of the Top Picks basket

| Name | CMP* (Rs) | PER (x) | | | RoE (%) | | | Price target (Rs)# | Upside (%) |
|---|---|---|---|---|---|---|---|---|---|
| | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | | |
| **CESC** | **943** | 14.6 | 13.4 | 12 | 6.6 | 7.9 | 9.7 | **1,000** | 6 |
| **Godrej Industries** | **663** | 77 | - | - | 14.9 | - | - | ** | - |
| **HDFC Bank** | **1,783** | 31.4 | 26.3 | 21.8 | 17.9 | 18.4 | 19.5 | **1,950** | 9 |
| **IndusInd Bank** | **1,642** | 34.0 | 26.6 | 20.7 | 16.2 | 16.7 | 18.5 | **1,750** | 7 |
| **ITC** | **285** | 33.9 | 29.1 | 24.8 | 29.8 | 32.7 | 36.0 | **325** | 14 |
| **KEC International** | **304** | 25.6 | 18.8 | 15.7 | 21.2 | 23.1 | 22.7 | ** | - |
| **L&T Finance Holdings** | **175** | 33.6 | 23.7 | 18.8 | 11.9 | 13.3 | 14.7 | **185** | 6 |
| **Maruti Suzuki** | **7,708** | 31.9 | 29.1 | 22.9 | 23.0 | 20.9 | 21.8 | **8,500** | 10 |
| **Power Grid Corp** | **223** | 15.7 | 13.2 | 11.2 | 13.8 | 14.4 | 15.1 | **240** | 8 |
| **Reliance Industries** | **1,614** | 16.0 | 15.9 | 12.8 | 11.2 | 10.1 | 11.2 | ** | - |
| **Sundram Fasteners** | **414** | 25.5 | 21.8 | 18.7 | 27.6 | 26.9 | 26.1 | **485** | 17 |
| **ZEE Entertainment** | **542** | 42.6 | 37.9 | 29.0 | 18.3 | 17.9 | 20.0 | **610** | 13 |

*CMP as on July 31, 2017 # Price target for next 6-12 months ** Under review



| Name | CMP (Rs) | PER | | | ROE (%) | | | PRICE | UPSIDE |
|---|---|---|---|---|---|---|---|---|---|
| | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | TARGET (RS) | (%) |
| **CESC** | **943** | 14.6 | 13.4 | 12 | 6.6 | 7.9 | 9.7 | **1,000** | 6 |
| **Godrej Industries** | **663** | 77 | - | - | 14.9 | - | - | ** | - |
| **HDFC Bank** | **1,783** | 31.4 | 26.3 | 21.8 | 17.9 | 18.4 | 19.5 | **1,950** | 9 |
| **IndusInd Bank** | **1,642** | 34.0 | 26.6 | 20.7 | 16.2 | 16.7 | 18.5 | **1,750** | 7 |

**CESC**

Remarks:

- CESC Ltd. (CESC) is a power distributor in Kolkata and Howrah (backed by 1,225MW of power generation capacity), which is a strong cash-generating business, reporting an 11% CAGR in profits from FY2015-FY2017. Further, 600MW of regulated generation capacity (to serve Kolkata distribution) has come on stream recently in Haldia.
- Also, the company's 600MW thermal power project at Chandrapur has signed PPA and started operating. Losses in the retail business are coming down gradually over the past and the company is expected to breakeven soon. The BPO subsidiary, Firstsource, is performing well, in line with expectations.
- Given the steady and regulated business line of the company, we expect CESC to post a 10% CAGR in profits for FY2017E-FY2019E. However, the recent diversification into unrelated businesses such as IPL franchisee would hurt its valuations.
- CESC has announced the demerger of the business into four verticals, namely power distribution, power generation, retail and IT outsourcing. The restructuring looks beneficial for minority shareholders optically. However, we await clarity on the financials of the demerged companies till 1st October 2017.
- We believe the restructuring exercise is a positive for minority shareholders, as it will unlock value in the cash flow-rich power distribution business and enable CESC to sell or bring in a strategic partner into the loss-making retail subsidiary (Spencer's), which is on a recovery path. We remain positive on the stock.

**Godrej Industries**

Remarks:

- Godrej Industries (GIL) has a diversified portfolio of established businesses such as FMCG, real estate and agri, which have the potential to register strong double-digit growth in the short to medium term. GCPL (GIL has a 23.8% stake) and Godrej Properties (GIL has a 57.6% stake) constitute 87% of the company's total market capitalisation. This indicates that other businesses such as Godrej Agrovet, the chemical business, and Nature's Basket are available at a deep discount.
- Godrej Agrovet (GAL), a subsidiary of GIL, is a diversified agri company with presence in animal feed, agri inputs and palm oil businesses. GAL has a strong financial track record, with revenue and PAT (before exceptional items) reporting CAGRs of 18% and 22%, respectively, over FY2011-FY2016. GAL's implied market cap comes to ~Rs.3,800 crore (assigning a discount of 20%) on account of its trailing 12-month adjusted PAT of Rs.215 crore, which is at a significant premium to its holding cost of Rs.144 crore. GIL is planning to raise about Rs.400 crore through public offer of GAL.
- GIL is one of the largest players in the oleo chemicals and surfactant segments with a judicious blend of domestic and international operations. Nature's Basket is another emerging business under GIL's portfolio (present in the online and retail gourmet space) and has been growing consistently above 20% in recent times (FY2016 revenue at Rs.270 crore).
- With businesses such as FMCG and real estate attaining a critical scale, GIL is expected to witness a strong earnings growth trajectory. The value unlocking in GAL will further enhance GIL's overall market value.

**HDFC Bank**

Remarks:

- HDFC Bank has a pre-eminent presence in the retail banking segment (~50% of loan book) and has been able to maintain strong and consistent loan book growth, gradually gaining market share. Going forward, economic recovery and improvement in consumer sentiment would be positive growth drivers for the bank's loan growth, which will in turn drive its profitability.
- Backed by a current account and savings account (CASA) ratio of 40%+ and a high proportion of retail deposits, the bank's cost of funds remains among the lowest in the system, helping it to maintain higher net interest margin (NIM). In addition, the bank's loan book growth is driven by high-yielding retail products such as personal loans, vehicle loans, credit cards and mortgages, mostly to own customers (which also positively impacts NIMs).
- HDFC Bank has been maintaining near impeccable asset quality, with its NPA ratios consistently being among the lowest versus comparable peers. The bank has been able to maintain robust asset quality due to its stringent credit appraisal procedures and negligible exposure to troubled sectors.
- HDFC Bank is well poised to tap the growth opportunities going ahead due to strong capital ratios, healthy asset quality and steady revival in consumer spending. As lending and transactions through formal routes increase, HDFC Bank would benefit since it is a leading private sector bank and it is likely that it will gain market share in this segment. The bank is likely to maintain healthy RoE of 18-20% and RoA of 1.8% on a sustainable basis. Therefore, we expect it to sustain the valuation premium that it enjoys vis-à-vis other private banks.

**IndusInd Bank**

Remarks:

- IndusInd Bank is among the fastest-growing banks (25%+ CAGR over FY2012-FY2017), with a loan book of~Rs1,164 billion and 1,200+ branches across the country. About 55% of the bank's loan book comprises retail finance, which is a high-yielding category, and is showing signs of growth.
- Given the aggressive measures taken by the management, the deposit profile has improved considerably (CASA ratio of ~35%). Going ahead, the bank would follow a differentiated branch expansion strategy (5% branch market share in identified centres) to help in ensuring healthy growth in savings accounts and retail deposits.
- IndusInd Bank has maintained its asset quality despite sluggish economic growth and higher proportion of retail finance in its loan book. The bank's asset quality is among the best in the industry, with total stressed loans (restructured loans + gross NPAs) forming less than 1.50% of the loan book.
- A likely revival in domestic economy will further fuel growth in the bank's consumer finance division, while strong capital ratios will support future growth plans. Though demonetisation has raised questions regarding delinquencies in certain lending segments, management expects asset quality to remain under control. The stock should continue to trade at a premium valuation, underpinned by strong loan growth, quality management, high RoAs and healthy asset quality. We have a positive outlook on IndusInd Bank.



| Name | CMP (Rs) | PER | | | ROE (%) | | | PRICE | UPSIDE |
|---|---|---|---|---|---|---|---|---|---|
| | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | TARGET (RS) | (%) |
| **ITC** | **285** | 33.9 | 29.1 | 24.8 | 29.8 | 32.7 | 36.0 | **325** | 14 |

Remarks:

- ITC's cigarette business, which contributes about 80% to the company's EBITDA, continues to be the cash cow. ITC endeavours to de-risk its business model by becoming an established player in the Indian FMCG market, and with successful brands such as Bingo, Sunfeast and Aashirwaad, it is already reckoned among the best in the Indian FMCG industry. With the new portfolio of personal care products gaining market share, its FMCG business promises to compete with large players in the category.
- The recent cess hike on cigarettes would put pressure on cigarette sales volume in the short term, but price hikes would help maintain margins of the cigarette business on a YoY basis. On the other hand, non-cigarette FMCG business is expected to maintain good growth momentum.
- ITC's other businesses of hotels, agri products and paper, paperboard and packaging are expected to provide good support to the company's revenue and profitability in the long run.
- The stock has corrected sharply post the hike in cess rate and is currently trading at 25x its FY2019E. We believe the discounted valuations have priced in all the near-term negatives and do not expect substantial fall in the stock price from the current level.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **KEC International** | **304** | 25.6 | 18.8 | 15.7 | 21.2 | 23.1 | 22.7 | ** | - |

Remarks:

- KEC International (KEC) is a global power transmission infrastructure EPC major. The company has a presence in the verticals of power T&D, cables, railways, water, renewable (solar energy) and civil.
- Globally, the company has powered infrastructure development in more than 61 countries. KEC is a leader in power transmission EPC projects and has more than seven decades of experience.
- Management of KEC sounded very confident of delivering growth across all verticals such as T&D, railways, solar and cables. They are banking on state transmission companies, private sector under tariff-based competitive bidding (TBCB) route and overseas geographies for growth in the T&D segment.
- While management expects railway business to grow ~80% YoY to ~Rs.800 crore and solar EPC business to grow +3x to ~Rs.500 crore in FY2018. KEC is witnessing improved revenue mix with the execution of extra high voltage (EHV) cables, which has better profitability.
- Over the years, KEC has grown through the organic as well as inorganic route. We estimate the company's OPM to be maintained at the current high level of ~9.5% and the DE ratio is expected to improve to 0.7:1 by the end of FY2019E from 1.3:1 in FY2017.
- We expect earnings to report a CAGR of 28% during FY2017E-FY2019E with strong cash flows and a leaner balance sheet. Thus, we retain our positive outlook on the stock.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **L&T Finance Holdings** | **175** | 33.6 | 23.7 | 18.8 | 11.9 | 13.3 | 14.7 | **185** | 6 |

Remarks:

- L&T Finance Holdings (LTFH) is a well-diversified and well capitalised non banking finance company (NBFC), which has decent asset quality (GNPAs in the range of 1.8-3.18% in the past five years). Even though the company has posted a five-year PAT CAGR of 17% and 23% growth in its loan portfolio of late, its RoE (13.6% in Q1FY2018) is improving.
- LTFH has been winding down its myriad lending businesses to focus on select high-margin segments. Three parameters were considered while creating the targeted product mix — 1) profitability 2) scalability and 3) the company's ability to have a clear market advantage in a particular product segment. These three parameters influenced the company's ultimate choice of product offerings.
- Over the years, LTFH has been tweaking its portfolio mix in favour of B2C businesses compared to B2B businesses and has been able to gradually scale down its B2B exposure in the total loan book over the past few years. We believe B2C businesses are less prone to cyclicality, and being more granular, they can be managed well by strong systems and processes. The backing of a large and marquee parent (Larsen &Toubro) gives LTFH access to several projects as well as critical domain expertise in various industries, which it can leverage to build a superior RoE franchise. Despite strong growth, NBFC has been successful in managing its asset quality well.
- We believe the current management's initiatives in re-aligning the business will yield RoE and scale benefits for the company in the long term. We have a positive view on the company.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Maruti Suzuki** | **7,708** | 31.9 | 29.1 | 22.9 | 23.0 | 20.9 | 21.8 | **8,500** | 10 |

Remarks:

- Maruti Suzuki India (Maruti) is India's largest passenger vehicle (PV) manufacturer with a strong 47% market share. Over the past two years, the company has been able to gain market share due to new product launches, a vast distribution network (with increased focus on rural markets) and a shift in consumer preference to petrol models from diesel models.
- The recently launched premium hatchback, Baleno, and upgrade of Dzire have received a strong response, which will help Maruti to expand its market share in the segment. The compact sports utility vehicle (SUV) Vitara Brezza has also received an encouraging response. All the three new launches command a waiting period of 2-5 months each.
- Maruti's parent company, Suzuki Motor Corporation, commissioned its Greenfield plant in Gujarat in February 2017. The company is speeding up production at the new Gujarat plant in wake of strong demand for recent launches. Maruti plans to produce 150,000-160,000 units in Gujarat in FY2018 as against earlier guidance of ~130,000 units. Enhanced production at Gujarat (Maruti initially will produce Baleno) will ease capacity constraints and enable Maruti to bring down the waiting periods for its models.
- Maruti has successfully established itself in the big car category (Ciaz, Vitara Brezza, Dzire and Baleno), led by strong product features and success of its premium distribution network Nexa, which offers a unique buying experience. Maruti continues to remain our top bet in the automotive space, given the sustained trend of outpacing the PV industry's growth. We retain our Buy rating on the stock with a PT of Rs.8,500.



<table>
<tr><th rowspan="2">Name</th><th rowspan="2">CMP (Rs)</th><th colspan="3">PER</th><th colspan="3">ROE (%)</th><th>PRICE</th><th>UPSIDE</th></tr>
<tr><th>FY17</th><th>FY18E</th><th>FY19E</th><th>FY17</th><th>FY18E</th><th>FY19E</th><th>TARGET (RS)</th><th>(%)</th></tr>
<tr><td>Power Grid Corp</td><td>223</td><td>15.7</td><td>13.2</td><td>11.2</td><td>13.8</td><td>14.4</td><td>15.1</td><td>240</td><td>8</td></tr>
<tr><td colspan="10">Remarks:<ul>
<li>Power Grid Corporation of India Ltd. (PGCIL) is India’s largest and the world’s second-largest power transmission utility, deriving its revenue post capitalisation of the transmission line assets.</li>
<li>Higher asset capitalisation will boost PGCIL’s regulated equity base, on which it earns fixed returns, driving the company’s earnings growth momentum. We expect PGCIL’s regulated equity base to report a CAGR of 20% and translate into earnings CAGR of ~19% during FY2017E-FY2019E.</li>
<li>PGCIL has a very healthy balance sheet, sustainable earnings visibility, positive cash flow from operations and stable return ratios.</li>
<li>Nevertheless, after the infusion of equity through follow-on public offer in FY2014, PGCIL is now well capitalised to fund its equity side of the future capex. Therefore, we do not see any dilution risk as of now. PGCIL’s stable, low-risk business model and healthy assured returns provide cushion to long-term investors.</li>
<li>The spate of growth drivers and rub-off from the scheduled initial public offer of a private sector transmission company at possible lofty valuation should re-rate PGCIL.</li>
</ul></td></tr>
<tr><td>Reliance Industries</td><td>1,614</td><td>16.0</td><td>15.9</td><td>12.8</td><td>11.2</td><td>10.1</td><td>11.2</td><td>**</td><td>-</td></tr>
<tr><td colspan="10">Remarks:<ul>
<li>We expect Reliance Industries Ltd.’s (RIL) GRM to remain strong at $11.5/12.0 per bbl in FY2018/FY2019, given the robust global oil demand growth outlook for 2017 at 1.3mbpd-1.4mbpd (International Energy Agency estimate). Moreover, a likely improvement in diesel cracks would help RIL to maintain a premium of $4bbl-5/bbl over Singapore Complex GRM. Ethylene margin is also expected to remain firm at $600-650/mt, led by healthy demand and likely delay in the commissioning of incremental capacities in CY2018.</li>
<li>RIL has commissioned the last crystallisation train (Train 3) of the paraxylene (PX) complex at Jamnagar. With this, RIL’s PX capacity has almost doubled to 3.7mmt (from 1.9mmt earlier). Moreover, RIL is in the final stage to commission its ROGC and petcoke gasification projects.</li>
<li>We expect EBITDA/PAT CAGR of 23%/12% over FY2017-FY2019E, driven by the commissioning of core downstream projects in FY2018. Any positive surprise in terms of better-than-expected financials of the telecom business would be an important re-rating trigger for RIL going forward.</li>
</ul></td></tr>
<tr><td>Sundram Fasteners</td><td>414</td><td>25.5</td><td>21.8</td><td>18.7</td><td>27.6</td><td>26.9</td><td>26.1</td><td>485</td><td>17</td></tr>
<tr><td colspan="10">Remarks:<ul>
<li>Sundram Fasteners (SFL) is the largest organised domestic player in the fasteners segment, commanding ~35% market share. The company manufactures products for CVs, Passenger Cars, Two Wheelers and Tractors. Fasteners constitute ~40% of sales while Motor Vehicle Parts & Accessories contributed the balance 60%.</li>
<li>SFL has substantially diversified its product portfolio over the past few years with the introduction of new products. This has helped the company to shield itself from over-dependence on fasteners, besides helping it to increase the content per vehicle. This has enabled SFL to significantly move up the value chain.</li>
<li>Exports too have exhibited traction and are expected to improve further, led by an uptrend in the US Passenger Vehicle market, enhanced supply of new products and overall market share gains. SFL’s topline is expected to clock an 11% CAGR between FY2017 and FY2019 as against the likely industry growth of ~8%.</li>
<li>SFL’s consolidated OPM’s expanded impressively by 630 BPS in FY2017 to 18.1% due to high share of value added products and improvement in subsidiary performance (subsidiary companies have reported a PAT of Rs 22.7 Cr as against a Loss of Rs 16 cr in FY2016). We expect robust PAT CAGR of 17% over the next two years driven by sustained higher margins and lower interest expense.</li>
<li>A consistently strong performance and improved business prospects gives us ample confidence on the future prospects of SFL. We believe that sustained higher margins would result in the company’s return ratios remaining in excess of 25% going ahead. We have a ‘positive’ view on SFL.</li>
</ul></td></tr>
<tr><td>ZEE Entertainment</td><td>542</td><td>42.6</td><td>37.9</td><td>29.0</td><td>18.3</td><td>17.9</td><td>20.0</td><td>610</td><td>13</td></tr>
<tr><td colspan="10">Remarks:<ul>
<li>Zee Entertainment Enterprises (ZEEL) continues to lead the broadcasting industry in terms of growth in advertising revenue. ZEEL is one of the leading players in television broadcasting with a bouquet of 40+ TV channels across genres.</li>
<li>ZEEL expects domestic subscriptions market to grow at mid-teens for at least the next three years. The company plans to announce its strategy around digital in the coming quarter and will continue to invest in over the top (OTT) content platform (revamping is underway).</li>
<li>Owing to GST roll out, ZEEL’s management has indicated that the months of June and July were soft in terms of advertising revenue and expects things to normalise by H2FY2018E. Nevertheless, for Q1FY2018, performance on both the advertisement and subscriptions revenue front was commendable, despite headwinds in the run up to GST rollout.</li>
<li>ZEEL continues to focus on its five key pillars strategy to drive long-term growth. We believe the successful execution of this strategy will have a material impact on sustainable growth going forward. We continue to remain positive on ZEEL, as it is a structural India consumption theme. Moreover, the company continues to invest across the media spectrum, including movies, music, events, digital and international markets, to maintain its high-growth trajectory. We maintain our Buy rating on the stock.</li>
</ul></td></tr>
</table>

# WEALTH CREATOR PORTFOLIO — JULY 31, 2017

## Portfolio for the long haul

**Objective:** To build a balanced and actively managed portfolio of quality companies that will help create meaningful wealth for investors in the multi-year rally expected in the Indian equity market.

In addition to some bottom-up picks, the portfolio contains stocks identified based on three key themes:

- **Policy push:** Stocks from sectors benefiting from improvement in the policy environment
- **Early gainers:** Beneficiaries of an economic recovery (stocks from auto, banking & financial services)
- **Evergreen:** Steady performers that provide stable and consistent returns including urban consumption plays

**Portfolio performance review**

- Sharekhan's Wealth Creator portfolio continues to outperform the broader indices in the month of July 2017 with cumulative weighted average returns of 38.0% as compared to 23.3% and 27.7% return in Sensex/Nifty.
- We are not making any changes in the current portfolio and expect it to maintain the leading performance in FY 2017. ■

**COMPARATIVE RETURNS**

| Particulars | Returns (as on July 31, 2017) |
|---|---|
| | Since inception (August 21, 2014) |
| **Wealth Creator folio** (weighted average returns) | 39.6 |
| *- Large-cap (64%)* | 38.0 |
| *- Mid-cap (36%)* | 42.6 |
| Sensex | 23.3 |
| Nifty | 27.7 |
| CNX Mid-cap | 65.6 |

**UPDATE ON WEALTH CREATOR PORTFOLIO**

| Sr No | Scrip | Weights | Reco price (Rs) 31-July-2017 | Price target (Rs) March-2020 | Potential upside |
|---|---|---|---|---|---|
| | Large-caps (64 weightage; 8 each) | | | | |
| 1 | Axis Bank | 8% | 519 | 1110 | 113.9 |
| 2 | Larsen & Toubro | 8% | 1192 | 2533 | 112.5 |
| 3 | Maruti Suzuki | 8% | 7708 | 13050 | 69.3 |
| 4 | Britannia | 8% | 3922 | 6400 | 63.2 |
| 5 | IndusInd Bank | 8% | 1642 | 2550 | 55.3 |
| 6 | Sun Pharmaceuticals | 8% | 532 | 975 | 83.4 |
| 7 | Tata Consultancy Services | 8% | 2494 | 5100 | 104.5 |
| 8 | TVS Motors | 8% | 582 | 900 | 54.6 |
| | Mid-caps (36 weightage; 4 each) | | | | |
| 9 | Capital First | 4% | 776 | 1485 | 91.4 |
| 10 | V-Guard Ltd | 4% | 178 | 310 | 74.6 |
| 11 | Indian Oil Corporation | 4% | 368 | 750 | 104.1 |
| 12 | IRB Infra | 4% | 225 | 545 | 142.3 |
| 13 | Network 18 Media | 4% | 56 | 105 | 88 |
| 14 | Gabriel India | 4% | 160 | 265 | 65.6 |
| 15 | Century Plyboard | 4% | 295 | 485 | 64.3 |
| 16 | Triveni Turbine | 4% | 143 | 265 | 84.8 |
| 17 | PI Industries | 4% | 765 | 1850 | 141.7 |

* Pls note we see scope for upward revision in target price (3-year) of some of the stock depending on the extent of economic recovery and will keep updating on the same.

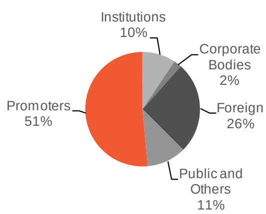
# Ashok Leyland

## Buy | CMP: Rs.104 | July 24, 2017

### COMPANY DETAILS

| | |
|---|---|
| **Price target:** | Rs120 |
| **Market cap:** | Rs30,451 cr |
| **52-week high/low:** | Rs110/74 |
| **NSE volume (No of shares):** | 1.16 Cr |
| **BSE code:** | 500477 |
| **NSE code:** | ASHOKLEY |
| **Sharekhan code:** | ASHOKLEY |
| **Free float (No of shares):** | 142.5 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 11.8 | 22.9 | 22.4 | 8.1 |
| Relative to Sensex | 8.8 | 11.8 | 2.3 | -7.7 |



## Earnings visibility improves, Maintain Buy with a revised PT of Rs.120

### KEY POINTS

- **Weak operating performance:** Ashok Leyland Limited's (ALL) results are not comparable on a YoY basis due to merger of Hinduja Foundries. ALL's topline for the quarter stood flat (down 0.5% YoY) at Rs.4,237.8 crore as the decline in volumes (down 10.7% YoY) was offset by higher realisations. Operating margin for the quarter contracted sharply by 410BPS YoY to 7.2% YoY. Following the weak operating performance, adjusted PAT for the quarter declined by 47.5% YoY to Rs.126.5 crore.
- **Strong outlook for the CV segment; Planned new launches in LCV space and good acceptance of I-EGR technology to enable ALL outpace industry performance:** The commercial vehicle (CV) industry is poised for healthy growth in FY2018 as improving economic growth post successful GST rollout, government thrust on infrastructure and mining and improved fleet operator profitability would lead to better industry growth. Further, the company has planned a slew of new product launches in the light commercial vehicle (LCV) segment. Also, well acceptance of the new IEGR technology in the medium and heavy commercial vehicle segment coupled with network expansion has driven market share gains. We expect ALL to report a 9% volume CAGR over FY2017-FY2019, as against industry growth expectations of about 7%.
- **Valuations:** Maintain Buy with a revised PT of Rs.120: We have raised our earnings estimates upwards by 5% and 9% for FY2018 and FY2019, respectively, given higher price realisations (due to shift to new BS4 emission norms and a better product mix) and the expected pickup in CV volumes. Considering the above triggers, we retain our Buy recommendation on the stock with a revised price target of Rs.120. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

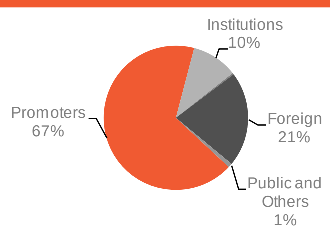
# Bharti Airtel

## Hold | CMP: Rs426 | July 26, 2017

### COMPANY DETAILS

| | |
|---|---|
| **Price target:** | Rs450 |
| **Market cap:** | Rs170,389 cr |
| **52-week high/low:** | Rs431/283 |
| **NSE volume (No of shares):** | 45.5 lakh |
| **BSE code:** | 532454 |
| **NSE code:** | BHARTI |
| **Sharekhan code:** | BHARTI |
| **Free float (No of shares):** | 131.4 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 17.1 | 21.2 | 37.7 | 15.8 |
| Relative to Sensex | 12.7 | 11.7 | 17.3 | -0.4 |



## Good execution on the margin front, maintain Hold with revised PT of Rs.450

### KEY POINTS

- **Decent quarter in a tough environment:** In Q1FY2018, BhartiAirtel consolidated revenue remained flat on a sequential basis (down by 14% YoY) to Rs21,958 crore, broadly in-line with our estimates. Muted revenue performance during the quarter was due to QoQ flat revenue performance (down 14.2% YoY) of India mobile business. Blended ARPU for the quarter declined by 2.3% QoQ (down 21.4% YoY) to Rs154.
- **Impressive operating performance in a tough environment, Africa margin surprises positively:** The company's OPM for the quarter contracted by 49BPS QoQ/196BPS YoY to 35.5%, ,however, it was better-than-expectation, on account of cost-control measures and higher-than-expected OPM from business in Africa . Higher tax rate (57% in Q1FY2018 versus 40% in Q1FY2017) resulted in a 2% QoQ/75% YoY decline in net income to Rs367.3 crore.
- **Bottoming out is still some time away:** BhartiAirtel's management has acknowledged that competitive intensity is hurting realisation and ARPU, and it sees bottoming out of ARPU still some time away given the predatory pricing from Reliance Jio. Management expects pan-India voice over long-term evolution (VOLTE) rollout by year's end and indicated closing down of 3G network (timeline not given). Net debt stood at Rs93,260 crore in Q1FY2018, down from Rs.1,07,879 crore in Q3FY2017. The decline in net debt was primarily on account of proceeds from stake sale in BhartiInfratel.
- **Valuation - Maintain Hold with a revised PT of Rs.450:** Given the deep discount price offers from Reliance Jio and forthcoming launch of aggressive 4G feature phones for targeting the low ARPU segment, we expect earnings disappointment and volatility to continue in the near to medium term for older incumbents. We maintain our Hold rating on the stock with a revised PT of Rs.450. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*



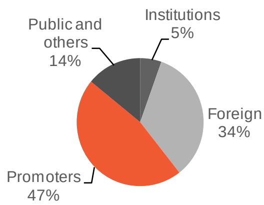
# GLENMARK PHARMACEUTICALS

## HOLD | CMP: RS718 | JULY 28, 2017

**COMPANY DETAILS**

| | |
|---|---|
| **Price target:** | Rs855 |
| **Market cap:** | Rs20,262 cr |
| **52-week high/low:** | Rs993/600 |
| **NSE volume (No of shares):** | 10.5 lakh |
| **BSE code:** | 532296 |
| **NSE code:** | GLENMARK |
| **Sharekhan code:** | GLENMARK |
| **Free float (No of shares):** | 15.1 cr |

**SHAREHOLDING PATTERN**




**PRICE PERFORMANCE**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 14.1 | -19.0 | -20.3 | -15.6 |
| Relative to Sensex | 8.6 | -25.5 | -32.0 | -27.9 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

### Limited near-term visibility; Maintain Hold with revised TP of Rs.855

**KEY POINTS**

- **Q1FY2018 results better than expectation on account of gZetia exclusivity and strong domestic business:** Glenmark Pharmaceuticals (Glenmark) reported revenue growth of 20% YoY to Rs.2,363 crore for Q1FY2018, while operating profit grew by 52.3% to Rs.577.4 crore and adjusted profit (before exceptional item) grew by 47% to Rs.333.4 crore in Q1FY2018. Strong numbers during the quarter were on account of strong sales growth across key geographies such as US (49.7% growth due to exclusivity sales of gZetia) and India (15.2% growth despite GST transition).
- **Limited near-term visibility:** Management has guided for 12-15% revenue growth with flat OPM for FY2018, as there is significant pressure in the US base business (10-12% price decline) due to consolidation of players and increasing competition. India business is expected to report 15% growth (despite GST transition issues). Although there are few more significant opportunities (which would fall in FY2018 and FY2019), we feel pricing pressure in the US base business, limited visibility of margin expansion, increasing capex and R&D cost and lower-than-expected debt reduction (Rs.600 crore in FY2018) will remain key overhangs in the near term. Timely monetisation of key products such as gWelchol and gRenvela (FY2018/FY2019) and big licensing deal in the R&D business (GBR-830 molecules data will be published by the end of next week) will be key positive triggers to be watched out for.
- **Maintain Hold with revised TP of Rs.855:** Taking into account management's commentary post strong numbers, we maintain our FY2018 and FY2019 earnings estimates. We maintain our Hold rating on the stock and revise our target price (TP) to Rs.855, valuing the stock at 15x earnings of FY2019 (vs. earlier 15x average of FY2018 and FY2019 earnings). ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

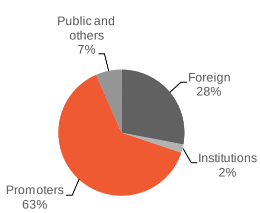
# GODREJ CONSUMER PRODUCTS

## HOLD | CMP: RS.1,035 | JULY 31, 2017

**COMPANY DETAILS**

| | |
|---|---|
| **Price target:** | Rs1,075 |
| **Market cap:** | Rs70,504 cr |
| **52-week high/low:** | Rs1084/636 |
| **NSE volume (No of shares):** | 3.2 lakh |
| **BSE code:** | 532424 |
| **NSE code:** | GODREJCP |
| **Sharekhan code:** | GODREJCP |
| **Free float (No of shares):** | 25.0 cr |

**SHAREHOLDING PATTERN**




**PRICE PERFORMANCE**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 12.2 | 21.7 | 36.9 | 29.9 |
| Relative to Sensex | 6.7 | 11.8 | 17.0 | 12.0 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

### Muted performance, Maintain Hold with revised TP of Rs.1,075

**KEY POINTS**

- Revenue grew in single digit and OPM declined on a YoY basis: For Q1FY2018, Godrej Consumer Products Limited's (GCPL) revenue grew by 3.4% YoY to Rs.2,266.7 crore. Revenue of the domestic business grew by 6.6%, while revenue of the international business stood flat. OPM declined mainly because of higher marketing investments towards new launches and increased manufacturing expenses during the quarter. Operating profit declined by 8.7% YoY to Rs.349.8 crore and adjusted PAT declined by 8.0% YoY to Rs.232.6 crore in Q1FY2018.
- **Outlook – Revenue growth to improve in H2FY2018 and OPM to decline marginally in FY2018:** Recovery in primary sales is happening with two-thirds of wholesale channels back in trade and CSD channel expected to normalise by Q2FY2018-end. With rural consumption expected to recover on account of the second consecutive year of normal monsoon, we should expect double-digit growth in India business from H2FY2018. On the international front, Indonesian business is expected to maintain its subdued performance, while stable double-digit growth is expected to sustain in the African business.
- **Reducing FY2018 estimates but maintain Hold with revised TP of Rs.1,075:** We have reduced our earnings estimates for FY2018 by 3.3% to factor in lower sales due to the impact of de-stocking in the domestic business and lower revenue growth in the international business. We broadly maintain our earnings estimates for FY2019. The stock is trading at premium valuation, which does not provide much upside from current levels. Hence, in view of the limited upside and muted performance of the international business, we maintain our Hold recommendation on the stock with a revised price target of Rs.1,075. ■

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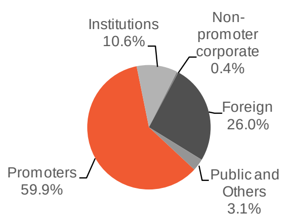
# HCL TECHNOLOGIES

**BUY** | **CMP: Rs890** | **JULY 27, 2017**

## Impressive margin execution, retain Buy

| COMPANY DETAILS | |
|---|---|
| **Price target:** | Rs965 |
| **Market cap:** | Rs123,831 cr |
| **52-week high/low:** | Rs926/731 |
| **NSE volume (No of shares):** | 14.8 lakh |
| **BSE code:** | 532281 |
| **NSE code:** | HCLTECH |
| **Sharekhan code:** | HCLTECH |
| **Free float (No of shares):** | 55.9 cr |

**SHAREHOLDING PATTERN**




**PRICE PERFORMANCE**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 4.8 | 12.3 | 7.6 | 23.4 |
| Relative to Sensex | 0.4 | 3.7 | -8.8 | 5.2 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

### KEY POINTS

- **Strong operating performance:** HCL Tech reported yet another good quarter, with constant currency (CC) revenue growth of 2.6% QoQ. This was driven by a CC growth of 7.9% QoQ in Engineering and R&D Services (ERD) services. EBIT margin improved by ~10BPS QoQ to 20.1%. This was above our expectation, and led by operational efficiencies, partially offset by rupee. Higher-than-expected forex gains (123% QoQ) offset by absence reversal of tax reversal benefit in Q4FY2017 resulted in 6.6% QoQ decline in net profit to Rs2,171 crore in Q1FY18.
- **Short-term hiccups in IMS, but Mode 2 & 3 to drive growth trajectory:** HCL Tech management remains hopeful of delivering revenue for FY2018 in the targeted guidance range. Their confidence stems from the overall demand environment for Mode 2 (Digital, Next Gen & Cloud) and Mode 3 (Product & Platform) services, despite decreasing deal sizes in Mode 1 services (traditional services) and intense pricing pressure in renewals of contracts due to change in business model. The management indicated that it foresees a slowdown in IMS services (38.6% of total revenues) to continue for the near-term owing to ongoing delays in decision-making process.
- **Scaling-up capabilities; maintain Buy with a price target of Rs965:** We believe, HCL Tech is investing in the right areas of digital technologies and products & Platforms for a more future sustainable growth. However, street is a bit concerned on big investments in IBM deal ($780 mn) and its successful execution in terms of earnings. Given the reasonable valuation and best in class earning performance among the top tier IT companies, we have maintained our 'Buy' rating on the stock with a price target of Rs965. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

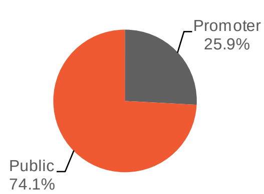
# HDFC BANK

**BUY** | **CMP: Rs.1,734** | **JULY 24, 2017**

## HDFC Bank steady in its core performance notwithstanding a marginal dip in asset quality

| COMPANY DETAILS | |
|---|---|
| **Price target:** | Rs1,950 |
| **Market cap:** | Rs446,452 cr |
| **52-week high/low:** | Rs1740/1159 |
| **NSE volume (No of shares):** | 14.3 lakh |
| **BSE code:** | 500180 |
| **NSE code:** | HDFCBANK |
| **Sharekhan code:** | HDFCBANK |
| **Free float (No of shares):** | 203.07 cr |

**SHAREHOLDING PATTERN**




**PRICE PERFORMANCE**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 0.9 | 14.5 | 38.7 | 39.5 |
| Relative to Sensex | -1.8 | 4.2 | 15.9 | 19.1 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

### KEY POINTS

- **Impressive operational performance:** HDFC Bank posted impressive operational performance as its net interest income (NII) grew by 20.4% YoY to Rs.9,370.7 crore, while non-interest income jumped by 25.3% YoY to Rs.3,516.7 crore in 1QFY2018. Healthy growth in non-interest income was fueled by a robust 30.3% YoY uptick in core fee income and 19.7% YoY growth in treasury profit. Net interest margin (NIM) remained stable at 4.4% YoY. On a sequential basis, however, it showed an expansion of 10BPS. Provisions during the quarter increased by 79.8% YoY, since the bank made enhanced provisioning for non-performing agricultural advances specifically.
- During Q1FY2018, HDFC Bank witnessed marginal deterioration in asset quality, as GNPA ratio and NNPA ratio increased to 1.24% and 0.44% as against 1.05% and 0.33% QoQ, respectively. Recoveries from the agricultural segment were impacted by rise in borrower's expectation of farm loan waiver arising out of policy announcement made in certain states. Of the total rise in GNPA, around 60% can be attributed to the impact of asset quality weakening in the agricultural segment. Provisions for the quarter increased by 24% QoQ to Rs.1,558.8 crore (NPA provisions: Rs.1,343.2 crore, general provisions: Rs.206.3 crore and other provisions: Rs.9.3 crore).
- HDFC Bank's performance was above expectations on most parameters. The impact on asset quality was mainly due to the spate of farm loan waiver demands across the country, which the markets will take into cognizance. At 3.9x FY2019E ABV, we find valuation for HDFC Bank reasonable. We maintain our Buy rating on HDFC Bank with a revised price target of Rs.1,950. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

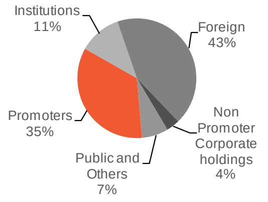
# HERO MOTOCORP

## BUY | CMP: Rs3,707 | JULY 25, 2017

### COMPANY DETAILS

| | |
|---|---|
| Price target: | Rs4,100 |
| Market cap: | Rs74,025 cr |
| 52-week high/low: | Rs3880/2844 |
| NSE volume (No of shares): | 3.5 lakh |
| BSE code: | 500182 |
| NSE code: | HEROMOTOCO |
| Sharekhan code: | HEROMOTOCO |
| Free float (No of shares): | 13.0 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 1.7 | 16.2 | 20.7 | 17.1 |
| Relative to Sensex | -2.1 | 6.0 | 1.5 | -0.4 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

## Earnings trajectory to improve, Retain Buy

### KEY POINTS

- **In-line results, as increased costs restrict PAT growth:** Hero MotoCorp's (Hero) topline for the quarter at Rs.7,972 crore increased by 8% YoY, driven by 6% YoY volume growth; while realisations/vehicles increased by 2% due to price hikes. OPM at 16.3% contracted marginally by 30BPS YoY. Depreciation charge for the quarter increased by 15% YoY, given the ramp up of Gujarat plant, which further dragged profitability. Consequently, PAT at Rs.914 crore increased by 3% YoY.
- **Volumes to increase due to expected improvement in demand, new launches in domestic markets and aggressive plans for exports:** Outlook for the domestic two-wheeler industry is encouraging, driven by forecast of a normal monsoon season leading to positive rural sentiments, upcoming festive season and successful roll out of GST. Moreover, buoyant rural sentiments would be the key demand driver for Hero. Further, Hero has lined up a slew of new launches in the scooters and premium motorcycle segment during FY2018, which would boost volume growth. We have factored a 9% CAGR in domestic volumes over FY2017-FY2019. Additionally, aggressive plans for exports markets, which include tapping markets of Asia and LATAM, coupled with scaling up of production at Bangladesh and Columbia plants provide visibility on the pickup in volumes. We expect Hero's exports volumes to reach 4.2 lakh units by FY2019 from 1.8 lakh units as of FY2017.
- **Valuation:** Hero's topline and earnings are expected to grow at a CAGR of 14% and 12%, respectively, over FY2017E-FY2019E. Given the in-line results for Q1FY2018, we have maintained our estimates for FY2018 and FY2019. We retain our Buy rating on the stock with an unchanged price target of Rs.4,100. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

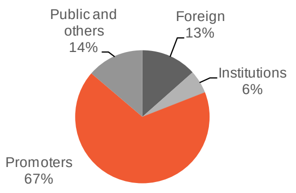
# HINDUSTAN UNILEVER

## HOLD | CMP: Rs.1,158 | JULY 18, 2017

### COMPANY DETAILS

| | |
|---|---|
| Price target: | Rs1,220 |
| Market cap: | Rs250,645 cr |
| 52-week high/low: | Rs1,170/783 |
| NSE volume (No of shares): | 12.9 lakh |
| BSE code: | 500696 |
| NSE code: | HINDUNILVR |
| Sharekhan code: | HINDUNILVR |
| Free float (No of shares): | 71.0 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 6.6 | 27.3 | 38.4 | 24.6 |
| Relative to Sensex | 2.8 | 15.9 | 16.4 | 6.7 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

## Better-than-expected performance

### KEY POINTS

- **Results beat expectations, higher-than-expected OPM surprises us positively:** In Q1FY2018, Hindustan Unilever Limited's (HUL) revenue and PAT grew by ~5% YoY and 15% YoY, respectively. Sales volume for the quarter stood flat due to de-stocking by various trade channels prior to GST implementation. OPM improved to 20.2% on account of lower advertisement spends and lower other expenses. Adjusted PAT grew by 15% YoY to Rs.1,292.1 crore.
- **Home care and refreshments delivered strong performance:** During the quarter, the home care category's revenue grew by 5.9%, with sustained volume-led growth in its core brand Surf. The personal care category's growth stood lower at 3.5% due to de-stocking by various trade channels. The tea segment maintained double-digit volume growth, which led to ~11% growth in the refreshments category. The foods category also delivered better performance with ~4% revenue growth.
- **Outlook – Sales to normalise in H2FY2018; Margin improvement targeted through operating efficiencies:** During the quarter, HUL's sales growth was lower by 2% due to no trade by CSD in June 2017. The company expects re-stocking at CSD level by mid-Q2FY2018. This should help HUL to see recovery in sales in early H2FY2018. Additionally, the second consecutive year of better monsoon should drive rural consumption.
- **Valuations – Earnings estimates revised upwards, continue to maintain Hold:** We have revised our earnings estimates upwards for FY2018 and FY2019 by 2% and 3%, respectively, to factor in better-than-expected operating performance. The current valuation does not provide much upside. Hence, we maintain our Hold recommendation on the stock with a revised price target of Rs.1,220. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

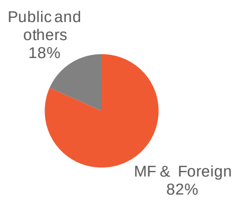
# HOUSING DEVELOPMENT FINANCE CORPORATION

## BUY | CMP: RS1,633 | JULY 26, 2017

### COMPANY DETAILS

| | |
|---|---|
| Price target: | Rs1,780 |
| Market cap: | Rs260,159 cr |
| 52-week high/low: | Rs1680 /1185 |
| NSE volume (No of shares): | 25.3 lakh |
| BSE code: | 500010 |
| NSE code: | HDFC |
| Sharekhan code: | HDFC |
| Free float (No of shares): | 194.23 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | -0.3 | 6.4 | 23.4 | 19.4 |
| Relative to Sensex | -4.0 | -1.9 | 5.1 | 2.7 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

## Loan growth gains momentum, asset quality weakens

### KEY POINTS

- Housing Development Finance Corporation Limited (HDFC) posted healthy operating performance during Q1FY2018. Net interest income (NII) grew by 16.0% YoY, aided by stable margins and 17.8% YoY growth in loan book. On the profitability front, numbers are not comparable, as during Q1FY2017 HDFC had one-time income of Rs.922 crore due to stake sale in HDFC Ergo and had created a one-time special provision of Rs.275 crore. Effective tax rate for the quarter ended Q1FY2018 was higher at 34.0% compared to 30.7% in Q1FY2017. This was because the stake sale of unlisted shares of HDFC Ergo in Q1FY2017 attracted long-term capital gains tax at a lower rate of 23.07% compared to marginal corporate tax rate.
- Individual loan disbursements grew by 21% during the quarter, with average size of individual loans at Rs.26.3 lakh. On an assets under management (AUM) basis, growth in individual loan book (72% of AUM) was 16% YoY and non-individual loan book was 23% YoY. Total loan book was at Rs.312,978 crore, growing by 17.8% YoY, higher than the past several quarters. Growth in total loan book after adding back loans sold was 23% (18% net of loans sold). During Q1FY2018, 64% of incremental loans were individual loans and 18% each were from commercial lease rental discounting and construction finance. Growth in individual loan book, after adding back loans sold in the preceding 12 months, was 23% (16% net of loans sold). Non-individual loan book grew at 22%.
- HDFC's premium valuation is justified not only because of its conservative policies and market leadership but also due to high earnings visibility and best-in-class operating metrics. We have maintained our Buy rating on the stock with an unchanged price target of Rs.1,780. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

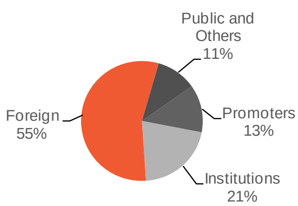
# INFOSYS

## HOLD | CMP: RS972 | JULY 14, 2017

### COMPANY DETAILS

| | |
|---|---|
| Price target: | Rs1,050 |
| Market cap: | Rs223,275 cr |
| 52-week high/low: | Rs1,195/900 |
| NSE volume (No of shares): | 36.3 lakh |
| BSE code: | 500209 |
| NSE code: | INFY |
| Sharekhan code: | INFY |
| Free float (No of shares): | 200.4 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 0.9 | 1.9 | -1.3 | -15.2 |
| Relative to Sensex | -1.6 | -5.6 | -16.1 | -26.8 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

## Good performance, sustainability still remain a challenge

### KEY POINTS

- **Good Quarter:** Infosys reported higher-than-expected earnings for Q1FY18 after posting lackluster performances in the past consecutive quarters. For Q1FY18, constant currency (CC) revenue up by 2.7% on a sequential basis and 3.2% on reported basis to $2651 mn, led by volume growth of 1.7% coupled with improvement in realizations (1.8%QoQ). EBIT margin contracted by 53BPS QoQ at 24.1% (above our estimates), owing to rupee appreciation and higher pay variables. The net profit for the quarter declined by 3.3% QoQ to Rs3,483 crore.
- **Retained guidance, hopes pinned on H2FY18 growth picks up in BFSI:** Infosys has retained its revenues guidance of 6.5-8.5% on CC basis for FY2018. However, management commentary suggests that growth is likely to be back ended and is largely dependent on expectations of apick up in the growth of BFSIin H2FY18. We however, see a downside risk to the execution of the upper end of current guidance. This is based on the fact that H2 is seasonally weaker for IT majors and also the fact that the management commentary of Infosys (that expects a pick up in the growth) is starkly different as compared to TCS (continues to witness stress) in the BFSI vertical. This is clearly suggestive of an absence of secular demand revival in the BFSI sector.
- **Valuation:** Maintain Hold with PT of Rs1050:The earnings multiple at 14x FY19 is already factoring a weak growth profile over FY17-19E. This along with the expectation of one time big dividend or buyback (the management committed to return Rs. 13000 crores to shareholders in FY2018) will support any major downside in near to medium term. However, absence of any growth trigger and increasing regulatory fear in the US will restrict stock re-rating. We maintain our HOLD rating on the stock with unchanged price target of Rs1050. ■

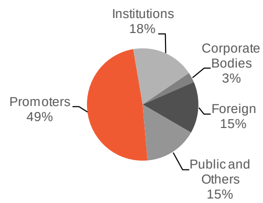
*For detailed report, please visit the Research section of our website, sharekhan.com.*

# INOX LEISURE

## BUY | CMP: RS264 | JULY 26, 2017

| COMPANY DETAILS | |
|---|---|
| Price target: | Rs320 |
| Market cap: | Rs2,550 cr |
| 52-week high/low: | Rs305/193 |
| NSE volume (No of shares): | 1.7 lakh |
| BSE code: | 532706 |
| NSE code: | INOXLEISUR |
| Sharekhan code: | INOXLEISUR |
| Free float (No of shares): | 4.9 cr |

**SHAREHOLDING PATTERN**




**PRICE PERFORMANCE**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | -2.6 | -10.2 | 13.1 | 7.1 |
| Relative to Sensex | -6.2 | -17.2 | -3.7 | -7.9 |



### Good showupgrade to BUY with PT of Rs320

**KEY POINTS**

- **Stupendous success of "Baahubali- the Conclusion" leads to strong quarterly performance:** Inox Leisure (ILL) has delivered strong quarterly performance led by the success of the globally acclaimed film "Baahubali- the Conclusion". This film alone contributed close to 54% of the total Gross block office collection for the quarter and contributed to 39% of the total footfalls. Total revenues for the quarter were up by 15% YoY to Rs387.4 crore, which were above our expectations.
- **Margins beat expectations:** For Q1FY18, operating margins improved 117bps YoY to 19.6%, led by discipline cost management that was coupled with strong box office collection and higher advertisement revenues. Net profit for the quarter was up by 28.7% YoY to Rs32.1 crore.
- **Ads revenues catching up, sustenance is the key:** Previously management had taken hikes in Q3FY15 and made conscious efforts to drop low-paying advertisers. This strategy has borne fruit and resulted in strong advertisement growth and improvement in per screen realization. However, the super success of "Baahubali- the Conclusion", the advertisement growth was much better than expected during the quarter. The current quarter numbers may not be reflective of future performance. We will wait for the numbers in the forthcoming quarters to see the sustainability of rate of growth..
- **Upgrade to BUY from HOLD:** The GST regime seems to have an overall neutral affect on the sector, thus we do not expect any material benefits from it, however with implementation of GST we will need to keep an eye on both ticket pricing and food and beverage (F&B) segment in Q2FY18. Given the improvement in earnings performance going forward, we expect a gradual re-rating in the stock over next 8-12 months. We upgrade our rating from HOLD to BUY with an unchanged price target of Rs320. ■

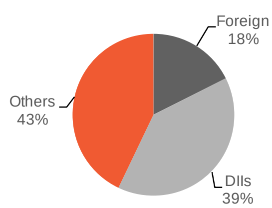
*For detailed report, please visit the Research section of our website, sharekhan.com.*

# LARSEN & TOUBRO

## HOLD | CMP: RS1,192 | JULY 31, 2017

| COMPANY DETAILS | |
|---|---|
| Price target: | Rs1,260 |
| Market cap: | Rs166,825 cr |
| 52-week high/low: | Rs1223/864 |
| NSE volume (No of shares): | 14.8 lakh |
| BSE code: | 500510 |
| NSE code: | LT |
| Sharekhan code: | LT |
| Free float (No of shares): | 139.9 cr |

**SHAREHOLDING PATTERN**




**PRICE PERFORMANCE**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 2.3 | -0.4 | 21.0 | 11.8 |
| Relative to Sensex | -2.7 | -8.5 | 3.4 | -3.7 |



### Uptick in domestic infrastructure orders provides relief, Maintain Hold with revised a PT of Rs.1,260

**KEY POINTS**

- Larsen & Toubro's (L&T) net sales grew by 10% YoY to Rs.23,811 crore, driven by healthy execution in infrastructure (up 16% YoY), hydrocarbons (up 19% YoY) and electricals and automation (E&A, up 17% YoY) segments in Q1FY2018. Operating profit margin (OPM) remained flat at 8.6%, leading to operating profit growth of 9% to Rs.2,057 crore. Adjusted PAT improved substantially by 46% to Rs.893 crore mainly due to higher other income (treasury income) and lower tax outflow despite higher depreciation.
- L&T's order inflow declined by 11% YoY to Rs.26,352 crore mainly due to international orders, which declined by 40% YoY to Rs.7,885 crore (high base effect last year). Although order inflow weakened during Q1FY2018, management sounded optimistic on the order pipeline and envisaged orders worth Rs.6 lakh crore to come for awarding in future. Despite weak order inflow, order backlog increased by 2% YoY to Rs.2,62,860 crore, providing revenue visibility of 2.5 years, which was healthy at the end of Q1FY2018.
- L&T's management is confident of the revival of the domestic capex cycle to be happening soon. Though there are early signs of revival as there is an uptick in the infrastructure segment led by government capex, private capex is still not out of the woods. Despite this, L&T's management has maintained its revenue growth of 12% and order inflow growth of 12-14% with 25BPS (ex-service) margin improvement for FY2018. Moreover, L&T is the best play on the domestic capex cycle recovery and management focuses on a strategic plan of achieving profitable growth and increased RoE in the medium term. Hence, on this backdrop, we reiterate our Hold rating on the stock with a revised price target (PT) of Rs.1,260 (factoring the bonus). ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

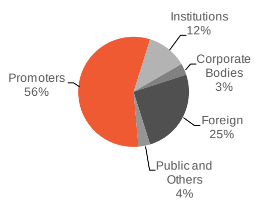
# MARUTI SUZUKI

## BUY | CMP: RS7,592 | JULY 27, 2017

### COMPANY DETAILS

| | |
|---|---|
| **Price target:** | Rs8,500 |
| **Market cap:** | Rs229,348 cr |
| **52-week high/low:** | Rs7,679/4,513 |
| **NSE volume (No of shares):** | 4.64 lakh |
| **BSE code:** | 532500 |
| **NSE code:** | MARUTI |
| **Sharekhan code:** | MARUTI |
| **Free float (No of shares):** | 13.2 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 4.8 | 18.1 | 30.4 | 70.4 |
| Relative to Sensex | 0.4 | 9.1 | 10.5 | 45.2 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

## Strong earnings visibility; Maintain Buy with a revised PT of Rs.8,500

### KEY POINTS

- **Higher raw-material cost and one-off GST compensation impact margins:** Maruti's Q1FY2018 topline grew by 17% YoY, driven by sharp 13% YoY volume growth. Realisations/vehicle increased by 3% YoY. Operating profit margin for the quarter at 13.3% declined by 150BPS YoY. Other income at Rs.683 crore grew by 40% YoY. However, Tax/PBT ratio at 32.3% inched up in Q1FY2018, thus dragging PAT growth to only 4%. Net profit came in line with our expectations.
- **Encouraging demand outlook coupled with commissioning of Gujarat plant to bolster sales; Maruti to continue outpacing the industry:** Demand outlook for passenger vehicles is encouraging, given the upcoming festive season and new product launches lined up. Market leader, Maruti is likely to continue to outpace industry growth, as four of its models (Baleno, Brezza, Ignis and Dzire), which form ~35% of the vehicle portfolio, command a waiting period of 2-5 months. Further, to curtail the waiting period for its cars, Maruti is speeding up production at the new Gujarat plant. Maruti targets to manufacture 150,000-160,000 units at Gujarat plant in FY2018, up from the earlier estimate of ~130,000 units. With supply constraints expected to ease out significantly, we expect Maruti to post strong double-digit volume growth at a ~12% CAGR over the next two years, which is substantially higher than the 8-10% growth expected for the passenger vehicle industry.
- **Valuations:** Maruti has reported in-line results for Q1FY2018. Given the speeding up of production at the Gujarat plant, we have raised our FY2019 earnings assumptions by 3%. We maintain our Buy recommendation on the stock with a revised price target (PT) of Rs.8,500. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

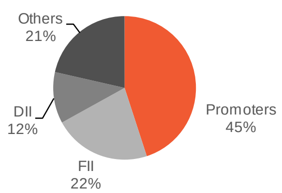
# RELIANCE INDUSTRIES

## BUY | CMP: RS.1,529 | JULY 20, 2017

### COMPANY DETAILS

| | |
|---|---|
| **Price target:** | Rs1,665 |
| **Market cap:** | Rs497,023 cr |
| **52-week high/low:** | Rs1,558/932 |
| **NSE volume (No of shares):** | 49.7 lakh |
| **BSE code:** | 500325 |
| **NSE code:** | RELIANCE |
| **Sharekhan code:** | RELIANCE |
| **Free float (No of shares):** | 178.8 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 9.6 | 12.8 | 49.4 | 51.7 |
| Relative to Sensex | 6.9 | 2.8 | 26.4 | 30.2 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

## GRM and petrochemical margin ahead of expectations; Maintain Buy with a revised PT of Rs.1,665

### KEY POINTS

- **Higher-than-expected GRM and petrochemical EBIT margin beat our operating profit estimates:** Reliance Industries Limited (RIL) reported better-than-expected operating profit of Rs.11,589 crore in Q1FY2018 due to better-than-expected gross refining margin at $11.9/bbl and higher-than-expected petrochemical EBIT margin of 16.5%. Standalone PAT at Rs.8,196 crore was 7.4% higher than our estimates.
- **PX complex successfully commissioned; ROGC and petcoke gasification projects to commission soon:** RIL has commissioned the last crystallisation train of the Paraxylene (PX) complex at Jamnagar. With this, RIL's PX capacity has almost doubled to 3.7mmt, making RIL the second largest PX producer with 11% share in global PX production. We highlight here that RIL is in the final stage to commission its ROGC and petcoke gasification projects.
- **Outlook:** We maintain our positive view on refining margins over FY2018E-FY2019E, given strong oil demand growth outlook of 1.3mbpd. RIL has largely completed its $20billion capex in petrochemical and refining, and the downstream projects are nearing their commissioning stage. Thus, we expect RIL to benefit from better GRM and petrochemical capacity additions in FY2018 and FY2019.
- **Valuation:** We largely maintain our FY2018E EPS estimates and have increased our FY2019E EPS to Rs.125.9 to factor in higher GRM estimates of $12/bbl. We now value the refining and petrochemical business at 7x FY2019E EV/EBITDA and, consequently, have increased our price target (PT) for RIL to Rs.1,665. We expect RIL's consolidated EBITDA to grow strongly at a 23% CAGR over FY2017-FY2019E on account of commissioning of downstream projects. Hence, we maintain our Buy rating on RIL. Any positive surprise in terms of better-than-expected financials of the telecom business would be an important re-rating trigger for RIL going forward. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*



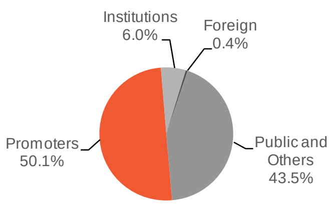
# RICO AUTO INDUSTRIES

## BUY | CMP: RS.78 | JULY 13, 2017

### COMPANY DETAILS

| | |
|---|---|
| Price target: | Rs94 |
| Market cap: | Rs1,054 cr |
| 52-week high/low: | Rs84/41 |
| NSE volume (No of shares): | 6.1 lakh |
| BSE code: | 520008 |
| NSE code: | RICOAUTO |
| Sharekhan code: | RICOAUTO |
| Free float (No of shares): | 6.75 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 38.0 | 18.6 | 23.7 | 70.9 |
| Relative to Sensex | 34.5 | 10.0 | 5.1 | 47.6 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

### Earnings outlook improves; Maintain Buy with a revised PT of Rs.94

### KEY POINTS

- **Rico's topline to grow strongly at a 15% CAGR on account of robust order book and foray in to new segments:** Rico Auto Industries (Rico) has embarked on an aggressive growth plan, which encompasses foray into new areas such as aftermarkets for two wheelers and four wheelers, fast-growing defence business and re-entry in the clutch segment. Moreover, the company's current healthy order book position at Rs.280 crore provides ample visibility on topline growth. Given the buoyant outlook for the two-wheeler segment, management expects the existing alloy wheels business to grow by 50% to ~Rs.120 crore by FY2018.
- **Margin expansion expected due to better product mix and operating efficiencies:** Rico is in the midst of a restructuring exercise, which aims at substantially improving its operational efficiencies. In addition, new growth avenues coupled with incremental orders at better pricing would aid margin expansion. We expect the company's OPM to expand by 180BPS over the next two years.
- **Outlook:** Over the past 1-2 years, Rico has successfully restructured its subsidiary operations and has hived off loss-making companies. Going ahead, on the domestic front, strong outlook for the passenger segment, successful roll-out of GST and upcoming safety regulations are set to open up huge opportunities for ancillary companies such as Rico.
- **Valuation:** We have revised our earnings estimates upwards by 12% and 25% for FY2018 and FY2019, respectively, to factor in incremental growth from new avenues coupled with marked margin improvement. RoE is also likely to improve from 9.5% in FY2017 to 14% by FY2019, thus making it a candidate for re-rating. We maintain our Buy recommendation on the stock with a revised price target (PT) of Rs.94. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

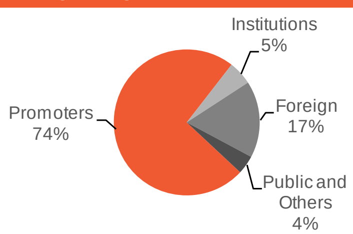
# TATA CONSULTANCY SERVICES

## HOLD | CMP: RS2,444 | JULY 13, 2017

### COMPANY DETAILS

| | |
|---|---|
| Price target: | Rs2,450 |
| Market cap: | Rs467,861 cr |
| 52-week high/low: | Rs2,740/2,054 |
| NSE volume (No of shares): | 13.0 lakh |
| BSE code: | 532540 |
| NSE code: | TCS |
| Sharekhan code: | TCS |
| Free float (No of shares): | 50.6 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | -0.8 | 3.1 | 5.5 | 0.9 |
| Relative to Sensex | -3.3 | -4.5 | -10.3 | -12.9 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

### In line revenues, margins missed the mark

### KEY POINTS

- **Revenues performance inline, margins below estimates:** The topline up by 3.1% on reported basis, led by 3.5% volume growth and cross currency tailwinds of 1.1%, on a constant currency basis growth was at 2% QoQ. EBIT margins for the quarter declined by 230BPSQoQ to 23.4%, the fall was attributed to wage hike and INR appreciation. Net income for the quarter was down by 10% QoQ.
- **Digital remains strong, BFSI and retail continue to witness stress:** Beginning Q1FY2018, TCS reclassified the industry vertical's reporting structure to give a better view on annuity-based revenue and project-centric volatile revenue. The regional market and others witnessed a 3.6% QoQ fall, which can be attributed to weakness inthe Japan business and Diligenta. The digital segment continued to show strong growth, up by 7.6% QoQ and 26% YoY, contributing 18.9% to revenue.
- **Demand visibility remains elusive, margins under pressure:** Given the uncertainties in two of the company's largest verticals – BFSI and retail– and lack of visibility in regional markets' revenue segment (India, Diligenta, Japan and Middle East), demand visibility seems elusive. Further, industry-level transition to digital (deals getting smaller and increasing competition) and pricing pressure in legacy services are making it difficult to gauge the demand trajectory. The only solace comes from the fact that is the revenue from the digital segment is growing at a fastpace.However, it is but is still not big enough to move the needle materially..
- **Valuation:** Maintain Hold with a price target of Rs 2,450: Given the uncertainties in the demand environment owing to industry transition phase, regulatory overhang in US and modest earnings growth over FY17-19E (4.8% CAGR), we do not see any positive triggers to upgrade in our rating or price target. We maintain our Hold rating on the stock with an unchanged price target (PT) of Rs2,450. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

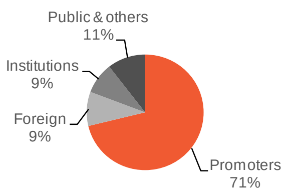
# TORRENT PHARMACEUTICALS

**REDUCE** | **CMP: RS1,317** | **JULY 31, 2017**

## COMPANY DETAILS

| | |
|---|---|
| **Price target:** | Rs1,190 |
| **Market cap:** | Rs22,287 cr |
| **52-week high/low:** | Rs1768/1144 |
| **NSE volume (No of shares):** | 1.7 lakh |
| **BSE code:** | 500420 |
| **NSE code:** | TORNTPHARM |
| **Sharekhan code:** | TORNTPHARM |
| **Free float (No of shares):** | 4.9 cr |

## SHAREHOLDING PATTERN




## PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 6.9 | -11.9 | -2.9 | -12.3 |
| Relative to Sensex | 1.6 | -19.0 | -17.0 | -24.4 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

## Mixed bag performance indicative of uncertain times ahead; Downgrade to REDUCE with TP of Rs 1190

### KEY POINTS

- **Mixed bag performance:** Sales for the quarter reported a de-growth of 11.1% to Rs 1374 crore (lower than our expectation). The operating profit declined by 32% to Rs 297 crore (lower than expectation); operating profit margin declined by 667BPS to 21.6% and adjusted profit for the quarter declined by 35.6% to Rs 188 crore (better than our expectation despite high tax rate of 29.3% vs. 15.6 in Q1FY2017). The previous period included exceptional revenues and profits which were primarily on account of the launch of Abilify in the US market, which had limited competition. Also pricing pressure in older products in the US and the GST transition in India led to a decline in sales and profitability.
- **Uncertain times ahead:** Two key geographies, namely US and India (contributing 32% each to total sales) are witnessing challenging times due to increasing competition and price cuts respectively. Torrent is re-filing gRenagel in the US, which could mean delay in approval. In India business, the management is focusing on improving profitability by building larger brands. The management guided for above Indian pharma market (IPM) growth going forward, as it strengthened its gynecology franchise by adding some brands from Novartis in 4QFY17 which shall see traction in H2FY2018. Overall we feel few more key ANDA approvals in the US market, Dahej facility ramp up and pick up in domestic business will be a key near-term trigger to watch for. Indrad facility recently received Establishment Inspection report (EIR), while Dahej API facility was cleared with zero 483 observations, Dahej Formulation facility received five 483 observations (procedural in nature but will be closely monitored).
- **Downgrade to reduce with TP of Rs 1190:** Taking into consideration the uncertain time ahead due to pricing pressure in the US coupled with uncertainty in India due to change in regulations and weakening dollar , we have downward revised our sales estimates by 4%/7% in FY2018/FY2019 and earnings estimate by 11.3%/13.0% for FY2018/FY2019 respectively. We downgrade our recommendation to Reduce with target price of Rs 1190, valuing the stock at 17x its FY2019E earnings. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

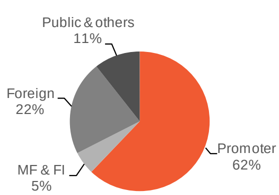
# ULTRATECH CEMENT

**HOLD** | **CMP: RS4,207** | **JULY 19, 2017**

## COMPANY DETAILS

| | |
|---|---|
| **Price target:** | Rs4,500 |
| **Market cap:** | Rs115,490 cr |
| **52-week high/low:** | Rs4,531/3,052 |
| **NSE volume (No of shares):** | 2.5 lakh |
| **BSE code:** | 532538 |
| **NSE code:** | Ultracemco |
| **Sharekhan code:** | Ultracemco |
| **Free float (No of shares):** | 10.4 cr |

## SHAREHOLDING PATTERN




## PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 5.2 | 9.3 | 24.0 | 24.1 |
| Relative to Sensex | 2.7 | 0.3 | 5.6 | 7.1 |

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

## All eyes on the successful ramp-up of Jaypee Cement Assets

### KEY POINTS

- **Higher realisation lifts earnings growth, but weak volume disappoints:** For Q1FY2018, UltraTech Cement (UltraTech) reported standalone revenue of Rs.6,626 crore (up 6.4% YoY). Growth during the quarter can be attributed to improvement in blended realisation (6.5% YoY). However, the company's sales volume at 13.2million tonnes (mt) was largely flat on a YoY basis. Operating profit margin (OPM) stood at 23.5%, registering an improvement of 71BPS YoY due to better realisation and lower raw-material costs. Consequently, EBITDA per tonne increased by 9.8% YoY to Rs.1,184. Further, lower interest expense and higher other income led to a 14.9% YoY increase in adjusted net profit.
- **Gradual ramp-up of Jaypee Cement Assets to be the key focus area:** UltraTech's management has guided to ramp-up utilisation of Jaypee Cement Assets. Moreover, the company expects to achieve cash breakeven for JP Cement Assets by Q1FY2019. We highlight here that ramp-up of utilisation rate and improvement in EBITDA/tonne for Jaypee Cement Assets would be in a gradual manner over the two years.
- **Outlook:** Management has guided for improvement in cement demand over FY2018-FY2019, driven by affordable housing in Eastern and Northern India and infrastructure development in Western India. Post the monsoon season, the demand environment is expected to improve in Southern India. Going ahead, key monitorables will be the cement pricing environment, demand pick-up post the monsoon season and integration of Jaypee Cement Assets.
- **Valuation:** We have fine tuned our earnings estimates for FY2018-FY2019, factoring in changes in capacity utilisation of Jaypee Cement Assets. We maintain our Hold rating on the stock; our price target remains unchanged at Rs.4,500. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

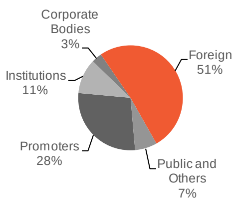
# UPL

## BUY | CMP: Rs.876 | July 31, 2017

### COMPANY DETAILS

| | |
|---|---|
| **Price target:** | Rs980 |
| **Market cap:** | Rs44,476 cr |
| **52-week high/low:** | Rs900/576 |
| **NSE volume (No of shares):** | 13.9 lakh |
| **BSE code:** | 512070 |
| **NSE code:** | UPL |
| **Sharekhan code:** | UPL |
| **Free float (No of shares):** | 36.6 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 4.3 | 8.6 | 20.2 | 43.5 |
| Relative to Sensex | -0.8 | -0.2 | 2.7 | 23.7 |



### Outlook Improves, maintain Buy with a revised PT of Rs.980

### KEY POINTS

- **Revenue in-line, margins missed estimates:** UPL's Q1FY2018 topline increased by 6% YoY to Rs.3,851 crore, driven by 10% volume growth, while realisations dipped by 4%. OPM at 17.9% declined modestly by 53BPS on a YoY basis. EBITDA at Rs.691 crore increased marginally by 2.6% YoY, below our estimates. Adjusted PAT came in at Rs.494 crore, up 27% YoY.
- **Improved outlook for Indian and North American operations to drive the topline:** Outlook for the Indian business is strong, given the sharp increase in cotton acreages, forecast of a normal monsoon season and new product introduction. UPL has lined up four new products to be launched in Q2FY2018 in India. Further, post the rollout of GST, substantial re-stocking is likely to happen, which would boost volumes in Q2FY2017 . Secondly, North American operations are expected to witness improved traction due to increased cotton acreages, high insect infestation likely and ban on Xtent technology. We expect UPL's topline to grow at a 14% CAGR over the next two years.
- **Outlook:** Over the past year, global commodity prices were depressed and are likely to remain low in the near to medium term. This is beneficial for generic players such as UPL, as farmers globally would prefer to use cost-effective generic agri inputs.
- **Maintain Buy with a revised PT of Rs.980:** UPL's management has guided for a 12-15% topline growth for FY2018, which we believe can be comfortably achieved. Considering the benefits of operating leverage and a better product mix, OPM is expected to improve by 80BPS in FY2018. We retain our Buy recommendation on the stock with a revised price target (PT) of Rs.980. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

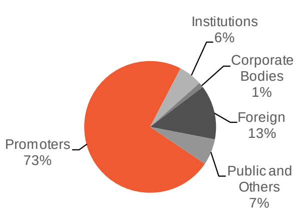
# Wipro

## HOLD | CMP: Rs269 | July 20, 2017

### COMPANY DETAILS

| | |
|---|---|
| **Price target:** | Rs290 |
| **Market cap:** | Rs130,906 cr |
| **52-week high/low:** | Rs283/205 |
| **NSE volume (No of shares):** | 17.2 lakh |
| **BSE code:** | 507685 |
| **NSE code:** | WIPRO |
| **Sharekhan code:** | WIPRO |
| **Free float (No of shares):** | 130.5 cr |

### SHAREHOLDING PATTERN




### PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 6.5 | 8.8 | 13.7 | -0.9 |
| Relative to Sensex | 4.0 | -0.8 | -3.8 | -14.9 |



### Good performance, impressive buyback programme, maintain HOLD with revised PT Rs.290

### KEY POINTS

- **Good performance, weak guidance:** IT services revenue increased by 0.9% on reported basis to $1,971.7million and was up by 0.3% on constant currency (CC) basis. On adjusted basis, EBIT margin declined by 80BPS QoQ, better than expectations. Net profit for the quarter was down by 8.2% QoQ to Rs.2,076.5 crore.
- **Retail arbitrage opportunity:** As per SEBI guidelines, 15% of the offer should be reserved for shareholders holding shares less than Rs.2 lakh. Thus, from the current buyback programme of Rs.11,000 crore, Rs.1,650 crore or 5.2 crore shares will be reserved for less than Rs.2 lakh category (Wipro has cumulative 10.2 crore shares with shareholders holding amount up to Rs.2 lakh as per the June quarter shareholding) – In this case, the acceptance ratio works out to be around 51% (51 shares out of 100 shares). If many of the shareholders, up to Rs.2 lakh, do not tender, the acceptance ratio will go up further.
- **Maintain Hold with a price target of Rs.290:** Management commentary seems to be optimistic, given a turnaround in I&ME business, early green shoots in the BFSI segment and improving deal wins in digital transformation. However, headwinds in the healthcare and communication verticals, absence of a secular revival in BFSI and overall uncertainties in the traditional business deter us from increasing our growth estimates for FY2018/2019E. The impressive buyback programme will support the modest valuation multiple in the near term, though material re-rating in the stock still looks improbable, looking at the 6% earnings CAGR over FY2017-2019E. We maintain our Hold rating on the stock with a revised price target of Rs.290. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*



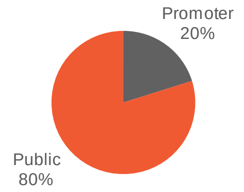
# YES BANK

## HOLD | CMP: RS.1,712 | JULY 26, 2017

**COMPANY DETAILS**

| | |
|---|---|
| Price target: | Rs1,850 |
| Market cap: | Rs78,348 cr |
| 52-week high/low: | Rs1722/1091 |
| NSE volume (No of shares): | 35.5 lakh |
| BSE code: | 532648 |
| NSE code: | YESBANK |
| Sharekhan code: | YESBANK |
| Free float (No of shares): | 36.54 cr |

**SHAREHOLDING PATTERN**




**PRICE PERFORMANCE**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 12.7 | 4.8 | 16.0 | 37.9 |
| Relative to Sensex | 8.5 | -3.4 | -1.3 | 18.7 |



### Asset-quality performance coupled with business traction enthuses

**KEY POINTS**

- Yes Bank reported strong operational performance for Q1FY2018, with healthy net interest income (NII) growth of 37.3% YoY, driven by strong loan book growth; and net interest margin (NIM) expansion. Non-interest income of Rs.1,132 crore increased by 25.7% YoY, aided by retail banking fees (up 46.0% YoY) and forex income (up 59.2 YoY).
- Advances growth during the quarter was healthy at 32.1% YoY, led by corporate advances (68% of advances) growing by 33.3% YoY; while retail and business banking advances (32% of advances) grew by 29.7% YoY.
- A strong operational outperformance and stable asset quality have been key differentiators for Yes Bank. Going forward, management has decided to go slow on branch addition plans, which should keep opex in check.
- We believe Yes Bank's performance has been strong in Q1FY2018. However, due to the overhang on asset-quality issues, we believe caution is warranted till further clarity on the proceedings in NCLT/IBC emerges. We maintain our Hold rating on the stock with a revised price target of Rs.1,850, valuing the stock at 2.9x FY2019E book value per share (BVPS). ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

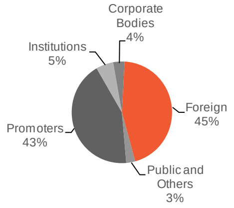
# ZEE ENTERTAINMENT ENTERPRISES

## BUY | CMP: RS550 | JULY 24, 2017

**COMPANY DETAILS**

| | |
|---|---|
| Price target: | Rs610 |
| Market cap: | Rs52,858 cr |
| 52-week high/low: | Rs588/428 |
| NSE volume (No of shares): | 18.3 lakh |
| BSE code: | 505537 |
| NSE code: | ZEEL |
| Sharekhan code: | ZEEL |
| Free float (No of shares): | 54.7 cr |

**SHAREHOLDING PATTERN**




**PRICE PERFORMANCE**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 10.7 | 5.7 | 19.6 | 23.3 |
| Relative to Sensex | 7.8 | -3.8 | 0.0 | 5.3 |



### Good operating performance, maintain BUY with revised PT of Rs610

**KEY POINTS**

- **Good operational quarter:** Zee Entertainment Limited (ZEEL) revenues were down by 2% to Rs1540.2 crore, althoughthey were higher than our estimates. Higher than estimated advertisement revenue growth of 6% YoY to Rs966.5 crore, buoyed revenues in Q1FY18. Performance on both the advertisement and subscriptions revenues front was commendable, given the headwinds in the run up to the GST rollout.
- **Margins in line with estimates:** The Operating Profit Margins (OPM) for the quarter expanded by 260bps YoY to 31.4%, which was in line with expectations, the margins performance continue to be aided by lower programming expenses down 370bps YoY to 38% of revenues. Adjusting for the RPS MTM loss of Rs53.2 crore, net profit for the quarter was down by 8% YoY to Rs304.6 crore lower than our expectations.
- **Expect advertisement revenues growth to normalize by H2FY2018E:** (1) ZEEL management has indicated that owing to GST roll out , June and July months were soft in terms of ads revenues and expect things to normalize by H2FY2018E (2) Management feels that TRAI's draft order on content pricing regulations is still uncertain (3) The company will announce its strategy around digital in coming quarter, and l continue to invest in over the top content OTT platform (4)Expect domestic subscriptions market to grow at mid-teens for at least next three years.
- **Maintain Buy with a revised price target Rs610:** ZEEL continues to focus on its five key pillar strategy to drive long-term growth and we believe that the successful execution of this strategy will have a material impact on sustainable growth going forward. We continue to remain positive on ZEEL, as it is a structural India consumption theme. We maintain our 'Buy' rating with a revised price target of Rs610. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*



# Gulf Oil Lubricants India Limited

**Viewpoint**

**Positive** | **Rs.864** | **July 25, 2017**

## Impressive volume growth and margin expansion for core business; Maintain positive view

**Key points**

- **Strong Q1, we remain positive despite price run-up:** The strong performance of Gulf Oil Lubricants India (GOLI) in Q1FY2018 has reinforced our positive stance on the stock. We had recommended the stock at Rs.787 on 19th June 2017 on account of falling crude prices, the focus of the company on improving its market share and margins, and aggressive expansion strategies to support its future growth plans. Given the healthy volume growth (up 7% YoY for core business excluding institutional volume) and margins (up 228BPS QoQ) in a challenging quarter (backdrop of GST implementation), we retain our positive stance on the stock with an upside potential of 12-15% from here.
- **Q1 result summary:** GOLI's operating profit and PAT at Rs.49 crore and Rs.34 crore, respectively, were lower than our estimate due to lower-than-expected volume of 20.8mn litres, as dealers started destocking in June 2017 because of GST implementation from 1st July 2017. The operational performance was healthy with industry-leading volume growth and margin expansion on a QoQ basis despite difficult times.
- **Outlook:** GOLI's 40mn-50mn litres lubricant manufacturing plant in Chennai with estimated capex of Rs.180 crore is progressing as per schedule and should get commissioned by Q4FY2018. Going forward, we remain confident about the industry-leading volume growth for GOLI on account of likely market share gain with brand development, additional OEM tie-ups and higher distribution network.
- **Valuation – Retain positive stance:** We have lowered our FY2018E EPS by 3.2% to factor in lower volume growth assumption of 8% and largely maintain our forecast of FY2019E EPS. We expect GOLI's earnings to grow at a 22% CAGR over FY2017E-FY2019E, led by volume growth and sustained margins at 17-18%. We maintain our positive view on GOLI and expect a 12-15% upside from current levels. ■

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# Laurus Labs Limited

**Viewpoint**

**Book profits** | **CMP: Rs618** | **July 10, 2017**

## Positives factored in; book profit

**Key points**

- **Book profit with a gain of 17%:** Since our initiation of viewpoint on Laurus Labs Limited (Laurus) on 2nd May 2017 at a price of `528, the stock has delivered an absolute return of 17% in two months.
- **Long-term growth prospects remain intact:** Management is confident of maintaining the momentum for FY2018, led by key initiatives in key segments. The company's endeavour to foray into the formulation business in the US will be backed by operating cash flow from Hepatitis-C portfolio, which contributed 13% to FY2017 revenue. Also, we believe the USFDA's initiative to shorten approval timelines will help Laurus, as it has just commenced filings in the US (three ANDAs filed in FY2017 and 10-12 planned for FY2018).
- **Current valuation factors in the positives, book profits:** The run-up in Laurus stock price (17% since our viewpoint on 2nd May 2017) in two months has priced in all the above positives in the near term. Looking at the uncertain times ahead for the pharma sector and fair valuation of Laurus at 16x FY2019E earnings, any material upside from the current level is capped. Hence, we recommend our investors to take home gains within a short span and wait for a better point to re-enter the stock. ■

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# MINDA INDUSTRIES — VIEWPOINT

**BOOK PROFITS | CMP: RS685 | JULY 17, 2017**

## Positives priced in, Book profits

**Key points**

- **Strong gains, stock appreciates by 26% in just two months:** On 18th May 2017, we had re-initiated a viewpoint note on Minda Industries (Minda) at a CMP of Rs.545. Since then, the stock has delivered an absolute return of 26%. This is much higher than the benchmark Sensex and BSE Auto Index, which generated returns of 5.4% and 4.4%, respectively, in the same period.
- **Consolidation and cost-control measures to result in improved performance:** Minda is in the midst of a massive consolidation exercise, wherein it is merging its group companies with itself. The consolidation exercise is expected to result in substantial synergies, thus enabling Minda to outpace industry growth (Minda's topline is expected to grow strongly at a 22% CAGR over FY2017-2019E, as against industry growth of 8-10%). Secondly, better capacity utilisation across various product lines, increased share of high-value products and improved profitability of its subsidiaries would lead to a strong 33% PAT CAGR over FY2017-2019E.
- **Positives priced in, book profits:** The recent run-up in Minda's stock price is largely factoring in the key positive triggers, as mentioned above. At the CMP, the stock is trading at a multiple of 25.7x and 20.2x its FY2018E and FY2019E earnings, respectively, which is higher than its historical average multiple, thus leaving limited scope for the stock price to move upwards. Therefore, we recommend investors to book profits and wait for a better price point to re-enter the stock. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*



# NAVA BHARAT VENTURES — VIEWPOINT

**BOOK PROFITS | CMP: RS137 | JULY 31, 2017**

## Handsome return of 26%, Book profits

**Key points**

- **Handsome return of 26% since our last update, Book profits:** Nava Bharat Ventures Limited (NBVL) has given handsome return of 26% since our last update on 31st January 2017 on account of achieving provisional acceptance of Zambia Power Plant (300MW) recently. The completion guarantees that test for both units (2X150MW) of Zambia Power Plant has been accomplished and the same is factored in the valuations now. Hence, we advise our clients to book profits.
- **Outlook – Rest of the businesses hopeful of an improvement, but uncertainties remain:** Management is hopeful of resolving offtake issues in the domestic power business this year and is accordingly pursuing with state electricity board of Telangana for a medium to long-term contract. The ferro alloy business showed mixed performance in FY2017. The conversion agreement with a leading steel company provided cushion to the ferrochrome business, while the silico-manganese business was volatile last year. From FY2018, management again expects improvement, but there is nothing concrete as of now.
- **Valuation – Take home profits:** NBVL's share price has rallied on account of expectations of better financial performance with commissioning of power plant in Zambia. Management is also hopeful of improving trend on other businesses – domestic power generation and ferro alloy. However, it is more of a hope as of now. However, a lot of these positives are already factored into the valuations. Hence, we advise our clients to book profits on the stock.
- **Key risk to our call:** Any tangible progress in the improvement in domestic power and ferro alloy businesses could result in further re-rating of the stock. ■

*For detailed report, please visit the Research section of our website, sharekhan.com.*

# Nifty – At trend line resistance

## Daily view on Nifty

- The Index is making higher top higher bottom pattern and is trading above the crucial moving averages.
- The index has seen impulse move from the low of 9448 and is witnessing extension which can push the index higher towards 10380 once it breaks above the swing high of 10137.
- However, it is trading near trend line resistance and hence some consolidation is possible in the near term.
- From the short- term perspective, the swing low of 9792 is a crucial support on the way down. Dips can be considered as a buying opportunity as long as it is trading above 9792.
- The momentum indicator on the daily chart has turned negative
- Support level for the index will be at 9792 and 9700 while resistance will be at 10137 and 10350 ■

## Weekly view on Nifty

- The index has seen a sharp up move after witnessing minor consolidation around 9700 levels
- However, the benchmark index is facing resistance around 10120 level as it is close to the upper end of the rising channel
- If the index manages to break and sustain above the upper end of the rising channel then bulls are likely to dominate and can push the index higher towards 10350 – 10960 (100% and 123.6% respectively of Wave I) in the coming weeks.
- However, if the index fails to break above the resistance line then some correction / consolidation is possible in the near term.
- From the medium term perspective, dips can be considered as buying opportunity as long as it trading above the weekly swing low of 9448
- The momentum indicator on the weekly chart has turned positive.
- Crucial support will be around 9700 and 9448 whereas crucial resistance will be at 10350 and 10960 ■

## Monthly view on Nifty

- On the monthly chart, the index is making higher top higher bottom indicating an uptrend in the long term
- From long term perspective, the index continues to trade in a rising channel.
- Earlier, the monthly negative close indicated a completion of Wave (III). However, a major correction didn't follow post monthly negative close indicating that the index is still in wave (III)
- The index is likely to inch higher towards 10960 – 11335 (123.6% and 138.2% of Wave I) in the coming months
- The longer term bull market remains intact and dips shall be seen as a buying opportunity as long as is doesn't overlap with high of Wave I i.e. 8968
- From the long term prospective, dips shall be seen as buying opportunity
- A crucial support will be at 8968 and resistance will be at 11335 ■

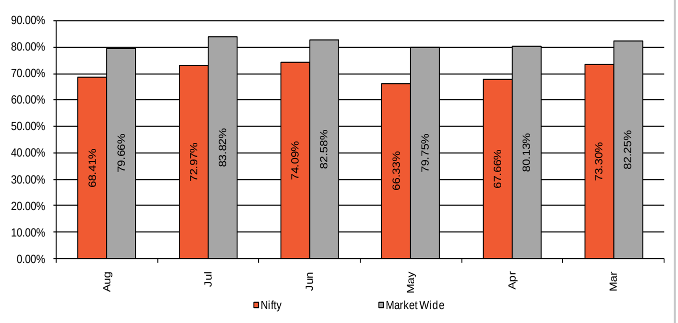
| Trend | Trend reversal | Support | Resistance | Target |
|---|---|---|---|---|
| Up | 9448 | 9448 | 10960 | 10960 |

# Market at a crucial level; 10000-10200 minor hurdle

Nifty started the July series on a Positive note and moved one side to touch 10000 from 9500 levels. In this whole journey, especially in the last week, the index has seen significant amount of addition in open interest ( OI) which was more of long addition. Going ahead, the August series started on a very light open interest, this series have started with only 1.72 cr. shares in open interest versus 2 cr. shares it started in the July expiry , indicating majority of the longs formed in the last few series have not been carried forward further. However soon after that the Nifty witnessed a significant amount of addition in open interest and most of it was on the short side. So far the Nifty has seen more then 25% addition in open interest and price has been consolidating in the range of 10000-10200

The FII's are not so much active since last few series. In the July series, they were net buyers in the cash market segment to the tune of Rs. 1,464 cr, while in the July series so far they have net sold Rs.448 cr. in the cash market segment. On the derivatives front too they have been net sellers in index futures which itself shows that the participation is minimal at the current Nifty level.

**MARKET WIDE VS NIFTY ROLLOVER ACTIVITY:**




**Rollover highlights:-**

The Nifty Futures started the August F&O series with on open interest of 1.72 crore shares vs 2.00 crore shares at the start of the August series. In rupee terms, it started the new series with Rs17,327 crore of OI in nifty futures vs Rs19,368 crore OI in July. In stock futures, the OI stood at Rs.89,198 crore Vs Rs.93,040 crore OI in July. Index Options started the August series with Rs.129,664 crore of OI Vs Rs.111,321 crore OI in July, while the OI in Stock Options stood at Rs.11,219 crore in August vs Rs9,618 crore in July.

At the start of the August series, the rollover in Nifty Futures was lower at 68.41%, compared to the previous month's rollover of 72.97%. Marketwide rollover stood at 89.66%, which was a bit lower compared to the previous month's rollover of 83.82%.

**Top 5 stock futures with the highest OI in current series**

| STOCK FUTURES (SHAREKHAN SCRIP CODE) | OPEN INTEREST (RS CR) |
|---|---|
| HDFCBANK | 3427.69 |
| ICICIBANK | 2630.09 |
| INFY | 2601.96 |
| RELIANCE | 2167.63 |
| SBIN | 1916.91 |

**Top 5 stock options with the highest OI in current series**

| STOCK FUTURES (SHAREKHAN SCRIP CODE) | OPEN INTEREST (RS CR) |
|---|---|
| RELIANCE | 1563.22 |
| SBIN | 1373.59 |
| ITC | 1117.78 |
| ICICIBANK | 1028.24 |
| MARUTI | 983.20 |

## View for June F&O series:

On the options front in the August series, 10000 PE stands with the highest number of shares in the open interest (OI) followed by 9800 strike price. On the call side 10500 CE stands with the highest number of shares in the open interest (OI) followed by 10100 strike price.

PCR on the other hand has been trading above 1.00 throughout the July series and touched the high of 1.60 levels in this series. However in the August series it started on the higher side at 1.26 .The volatility index traded in a narrow range from the last few series at 10.50-12.50 levels and currently it's at 11.22 levels. Considering the data above and factoring the sharp run up in Nifty followed by low volatilityin theindex since last consecutive 4-5 series, we feel the VIX could now inch higher after a long consolidation and going forward 10000-10200 remains crucial resistance for the market. If the Nifty resists this level, then can expect some downside in terms of profit booking in the first half of the August series and could test the support of 9800 levels. ■



# Currencies: Indian Rupee near 2 years high after RBI policy meeting

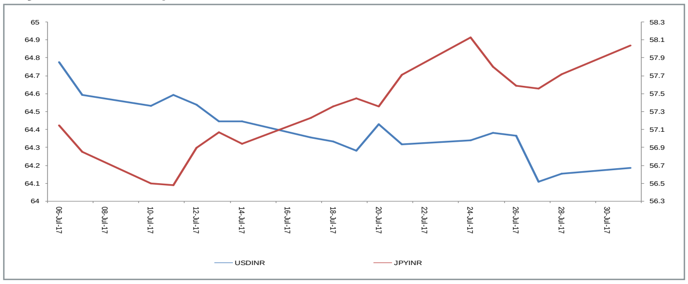
**Key points**

- US Non-Farm payrolls increased by 222K jobs in June compared to 152K in May
- India CPI eased to 1.54 percent in June 2017 compared to 2.18 percent in May 2017
- IMF downgrades US and UK growth forecasts
- US GDP data showed that economy expanded by 2.6% in Q2 CY2017 compared to the expectation of 2.5%

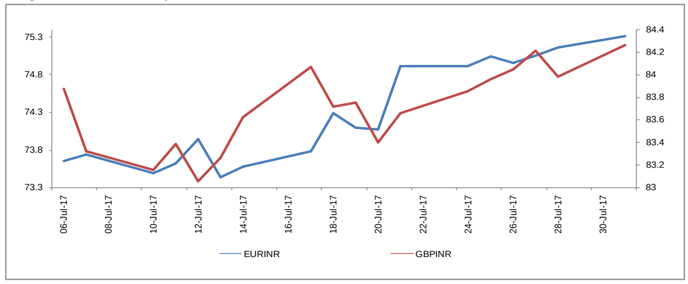
**CURRENCY LEVELS IN JULY 2017 (IN RS)**

| Currency | High | Low | Close | Monthly chg (%) |
|---|---|---|---|---|
| USDINR | 64.90 | 64.05 | 64.19 | -0.61% |
| EURINR | 75.55 | 73.29 | 75.31 | 2.19% |
| GBPINR | 84.44 | 82.67 | 84.26 | 0.60% |
| JPYINR | 58.20 | 56.33 | 58.04 | 0.54% |

**July 2017 contract price movement**




**July 2017 contract price movement**




## USDINR CMP: Rs(63.6725)

Indian Rupee appreciated by 0.61 percent in the previous month due to the in risk appetite in the domestic markets and weakness in Dollar. Further, continued FII inflows into local shares and debt market supported therupee. Foreign investors bought net $2928.57 million in debt market and bought $803.45 million in local shares in July 2017 as per data from NSDL. Ease in inflation led to the speculation among investors that this may provide room for Reserve Bank of India (RBI) to slash interest rates.

**Outlook:** *The Indian Rupee is expected to trade with negative bias as investors are concerned about the tapering of liquidity after major central banks across globe have indicated a tighter monetary policy. The gap between US and India bond yields is narrowing. Rise in US yield prompts foreign investors to sell their Indian market holdings. Additionally, rising geopolitical tensions may hurt market sentiments. As per REER, a benchmark based on a basket of currencies of 36 trading partners, the Rupee is overvalued. Traders will remain cautious ahead of macroeconomic data from the country. The expected trading range in near term is 63.0 – 64.30.*

## EURINR CMP: Rs(75.67)

Euro appreciated by 2.19 percent in the previous month on the back of weakness in dollar and upbeat economic data from the Euro Area. Further, investors speculatemonetary tapering next year after European Central Bank president Draghi said policymakers would discuss changes to its bond purchasing program in autumn. European Central Bank kept its monetary policy untouched in its recent meeting.

**Outlook:** *The Euro is expected to trade with positive bias on the back of weakness in dollar and improvement in economic data from Euro Area. Further, traders anticipate that central bank may move towards a similar stimulus reduction. . Traders will remain cautious ahead of US Federal Reserve FOMC meeting minutes and Jackson Hole Symposium. Any hawkish statements from European Central bank officials will support the Euro. The expected trading range in near term is 74.0– 77.50.*

## GBPINR CMP: Rs(83.68)

British pound appreciated by 0.60 percent in the month of June as British trade Minister Liam Fox said he backed a transition agreement to smooth Britain's departure from EU. Further, weakness in the dollar and expectation of monetary tapering from BOE supported currency. However, a sharp gain was prevented on disappointing economic data from UK. International monetary fund (IMF) slashed the UK economic growth outlook. The IMF projects that the U.K. economy will grow at a rate of 1.7 percent in 2017 from 2 percent.

**Outlook:** *The pound is expected to trade with positive bias on the back of weakness in dollar and upbeat economic data from the country. In the recent monetary policy meeting Bank of England Mark Carney and top officials repeated that bank might raise rates more than investors expect over next three years. However, sharp gain may be prevented as Bank of England kept its monetary policy untouched and lowered its forecast for growth, inflation and wages. Traders will remain cautious ahead of Brexit negotiations. The expected trading range in near term is 82.0 – 85.50.*

## JPYINR CMP: Rs(57.85)

The Yen depreciated by 0.54 percent due to divergence in monetary policy. Further, dovish statements from Bank of Japan officials added to the downside pressure. They said that central bank should focus on achieving 2 percent inflation target and it's premature to talk on monetary tapering right now. However, a sharp downside was prevented as demands for safe haven improved on rise in geopolitical tensions and political uncertainty in US.

**Outlook:** *The yen is expected to trade with negative bias as the disappointing economic data from Japan will continue to weigh down on the Yen. Further, divergence in monetary policy and dovish statements from BOJ officials may hurt the currency. However, a sharp downside may be prevented as demand for safe haven will improve on rising geopolitical tensions and worries over political uncertainty in US. Traders will remain cautious ahead of US FOMC meeting minutes and Jackson Hole Symposium. The expected trading range in near term is 56.0 – 58.50.*

CMP as on August 04, 2017

## USDINR: Resumes slide

USDINR, in November 2016, had faced resistance near the previous high of 68.89, which was registered in February 2016.

In terms of price pattern, it formed a multi-month double top pattern, which is a bearish pattern.

The currency pair has tumbled down significantly from there and has broken multiple supports on the way down.

After a multi-week consolidation for the past few weeks, USDINR has resumed the larger downtrend.

Key level on the downside is at 61.8% retracement mark, i.e. 62.36.

## EURINR: Smart rally

EURINR had formed a multi-week triangular pattern and had broken out on the downside in the beginning of October 2016.

From there, the currency pair witnessed substantial fall.

However, in April 2017, the currency pair found support near the 78.6% retracement mark and the lower channel line.

Thereon, it has embarked on a northward journey and has recently crossed the upper end of the falling channel.

Extension in the wave structure shows that the rally has a significant upside potential.

## GBPINR: Bulls aiming higher

In terms of Fibonacci retracement, GBPINR retraced 61.8% of the previous multi-year rally, which proved to be a crucial support.

The currency pair has bounced twice from the key Fibonacci level in the recent past.

On the higher side, junction of 40 WEMA and weekly upper Bollinger Band is acting as key resistance.

Nevertheless, the weekly and monthly momentum indicators have turned in favour of the bulls, suggesting that bulls possess strength to overcome the hurdles.

Once the hurdles are crossed, 86.89 and 87.80 will be the key levels on the upside.

## JPYINR: Poised for a leap

JPYINR formed a triangular pattern and broke out on the downside in the beginning of October 2016.

Since then, the currency pair tumbled sharply to retrace 61.8% of the previous multi-month rally.

The pace of decline decreased near the key Fibonacci level and the currency pair seems to have formed an ending diagonal pattern.

Once the hurdle zone of 58.50-58.80 is crossed, JPYINR can bounce towards the swing high of 60.49.

| Currency | View | Reversal | Supports | Resistances | Target |
|---|---|---|---|---|---|
| USD-INR | Down | 64.46 | 63.24/62.50 | 63.92/64.24 | 62.36 |
| GBP-INR | Up | 81.21 | 82.63/81.84 | 84.86/86.18 | 86.89-87.80 |
| EUR-INR | Up | 73.27 | 74.67/74.07 | 76.91/80 | 78.21-80.90 |
| JYP-INR | Up | 56.31 | 56.98/56.54 | 58.80/59.62 | 60.49 |

# WEALTHOPTIMIZER PMS


The Indian equity market presents an excellent opportunity for the long-term investors. Sharekhan offers you solutions to meet your financial objectives. WealthOptimizer is a portfolio management product that involves enhancing wealth over the long term. The goal is to not only outperform the market but also generate superior returns.

## Strategy

- To invest in the most undervalued stocks of growing companies on the basis of reported financial performance

## How the product works

- Fundamental analysis is performed on more than 5,000 companies
- Stocks with sound fundamentals are picked, subject to strategy conditions
- Top 10 stocks are selected each day based on the maximum scope to grow
- No particular sector forms more than 20% of the client's portfolio
- Fundamentals of stocks held are reviewed every quarter based on quarterly results
- Automated decision making system for transparent and disciplined investing

## Key product specifications

- Minimum investment amount: Rs25 lakh
- Recommended investment duration: Two years or more

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# Portfolio Management Service

We are pleased to introduce you to Sharekhan's Portfolio Management Service (PMS) in which we completely manage your investment portfolio so that you stop worrying about the market volatility and focus your energy on things that you like to do!

We have a wide range of strategies that you can choose from. Our strategies are based on fundamental research and technical analysis.

We have the following strategies on offer:

**ProPrime** (based on fundamental research)

- Diversified Equity

**ProTech** (based on technical analysis)

- Index Futures Fund
- Trailing Stops

## PROPRIME - DIVERSIFIED EQUITY

### OVERVIEW

The ProPrime—Diversified Equity PMS strategy is suitable for long-term investors looking to create an equity portfolio through disciplined investments that will lead to a growth in the portfolio's value with medium to high risk

### INVESTMENT STRATEGY

- Disciplined investment decisions are taken in specific stocks based on thorough fundamental research.
- Investments are made primarily in the Nifty Fifty or the BSE 100 scrips.
- Attempts to have an exposure of minimum of 70% in the Nifty Fifty stocks and that of minimum of 90% in the BSE 100 stocks.
- Endeavours to create a core portfolio of blue-chip companies with a proven track record and have partial exposure to quality companies in the mid-cap space

### PRICING

- Minimum investment of Rs25 lakh
- Charges
  - 2% per annum; AMC fee charged every quarter
  - 0.5% brokerage
  - 20% profit sharing after the 12% hurdle is crossed at the end of every fiscal

**Product performance as on July 31, 2017**

| (In %) | DE Strategy | Sensex | Nifty | Nifty 500 |
|---|---|---|---|---|
| 1 Month | 5.4 | 5.2 | 5.8 | 5.5 |
| 3 Month | 6.5 | 8.7 | 8.3 | 7.0 |
| 6 Month | 18.7 | 17.6 | 17.7 | 19.2 |
| 1 Year | 23.6 | 15.9 | 16.7 | 20.0 |
| 2 Year | 28.0 | 15.7 | 18.1 | 23.7 |
| 3 Year | 35.3 | 25.6 | 30.5 | 42.0 |

*Note : Net of Quarterly AMC Fees

**Disclaimer:** Returns are based on a client's returns since inception and may be different from those depicted in the risk disclosure document.

| Top 10 stocks |
|---|
| Maruti Suzuki India |
| Indusind Bank |
| HDFC Bank |
| LIC Housing Finance |
| L&T Finance Holdings |
| Larsen & Toubro |
| Britannia Industries |
| Zee Entertainment Enterprises |
| Reliance Industries |
| Petronet Lng |

### FUND OBJECTIVE

A good return on money through long-term investing in quality companies

# PROTECH - INDEX FUTURES FUND

## OVERVIEW

The **ProTech–Index Futures Fund** PMS strategy is suitable for long-term investors who desire to profit from both bullish and bearish market conditions. The strategy involves going long (buying) or going short (selling without holding) on Nifty futures by predicting the market direction based on a back-tested automated model.

## INVESTMENT STRATEGY

- The strategy has the potential to generate profits irrespective of the market direction by going long or short on Nifty futures.
- An automated basic back-testing model is used to predict the market direction for the Nifty which then decides the strategy to be deployed in terms of going long or short.
- The portfolio is not leveraged, ie its exposure never exceeds its value.

## PRICING

- Minimum investment of Rs25 lakh
- Charges
  - **AMC fees:** 0%
  - **Brokerage:** 0.05%
  - **Profit sharing:** Flat 20% charged on a quarterly basis

## FUND MANAGER'S VIEW

The index futures fund delivered a positive 0.41% this month maintaining apositive trend in returns. Since Oct 2016 we have been witnessing positive returns because of the trending market signals. There have been fewer bad signals from the automated model as the market is not spending a lot of time in a trading range. It declined into Dec and has been going up ever since. This is good sign and an increase in volatility would enhance our return profile.

On the market we do think that this move up in its 7th month is long in the tooth. The automated model has been long and should turn short if the market rolls over. The concern remains over trending markets and volatility. And at least one of those factors is now favorable as compared to the previous year's narrow market.

**Fund Manager: Rohit Srivastava**

### Product performance as on July 31, 2017

| (In %) | NT Strategy | Sensex | Nifty |
|---|---|---|---|
| 1 Month | 0.41 | 5.15 | 5.84 |
| 3 Months | 4.55 | 8.68 | 8.31 |
| Fy 16-17 | -14.88 | 16.88 | 18.55 |
| Fy 15-16 | 11.28 | -9.36 | -8.86 |
| Fy 14-15 | -3.41 | 24.89 | 26.65 |
| Fy 13-14 | 8.79 | 18.85 | 17.98 |
| Fy 12-13 | 3.65 | 8.23 | 7.31 |
| Fy 11-12 | 13.10 | -10.50 | -9.20 |
| Fy 10-11 | 9.20 | 10.90 | 11.10 |
| Fy 09-10 | 14.70 | 80.50 | 73.80 |
| Since Inception* | 160.83 | 221.16 | 233.50 |
| Best Month | 28.90 | 28.26 | 28.07 |
| Worst Month | -17.10 | -23.89 | -26.41 |
| Best Quarter | 33.30 | 49.29 | 42.04 |
| Worst Quarter | -17.73 | -24.98 | -24.53 |

*01-Feb-2006

**Disclaimer:** Returns are based on a client's returns since inception and may be different from those depicted in the risk disclosure document.

### Investments in

Nifty Index

## FUND OBJECTIVE

Absolute returns irrespective of market conditions.

# PROTECH - TRAILING STOPS

## OVERVIEW

Our **ProTech–Trailing Stops** PMS strategy is ideal for Traders and Investors looking for Regular Income from trading and desire to make profits in both bullish and bearish market conditions. It is designed to payout book profits on monthly basis.*

It is also for those investors who are looking for better income than Fixed Income or Deposits. This strategy involves going Long (buying) or Short (selling without holding) on stock futures.

* Terms and conditions apply

## INVESTMENT STRATEGY

- This strategy spots the winning trades based on technical analysis vs time frame-based portfolios, basically the momentum calls.
- A risk model has been developed for stock portfolio allocation that reduces the risk and portfolio volatility through staggered building of positions.
- It is non-leveraged—the exposure will never exceed the value of the portfolio.

## PRICING

- Minimum investment of Rs25 lakh
- Charges
  - **AMC fees:** 0%
  - **Brokerage:** 0.05%
  - **Profit sharing:** Flat 20% charged on a quarterly basis

## FUND MANAGER'S VIEW

The past couple of months have been difficult for trailing stops though we were able to keep losses down by capturing weakness in the Pharma and technology stocks and some midcaps. The market however has been divergent with a higher Nifty and negative breadth. This means that are greater number of stocks are falling as compared to those that are rising. . This has made the probability of trades come down and hit several stops. Once the market turns in line with the broad market, this trend is likely to change.

The 7 month long rally is long in the tooth and with the poor breadth there is a lead indication that it cannot sustain. But still it goes on, on the back of a few select stocks. The turn lower,when it happens, is likely to be  broad based and should have better high probability trades to catch. In other words, the stocks should also move in line with the trending index that has been clearly moving higher. Our top down approach from an index view to stocks would then capture the moved clearly with a higher Beta.

**Fund Manager: Rohit Srivastava**

**Product performance as on July 31, 2017**

| (In %) | TS Strategy | Sensex | Nifty |
|---|---|---|---|
| 1 Month | -2.21 | 5.15 | 5.84 |
| 3 Months | -3.18 | 8.68 | 8.31 |
| Fy 16-17 | 3.79 | 16.88 | 18.55 |
| Fy 15-16 | -0.56 | -9.36 | -8.86 |
| Fy 14-15 | -3.69 | 24.89 | 26.65 |
| Fy 13-14 | -1.06 | 18.85 | 17.98 |
| Fy 12-13 | 14.89 | 8.23 | 7.31 |
| Fy 11-12 | 29.00 | -6.10 | -4.60 |
| Fy 10-11 | | | |
| Fy 09-10 | | | |
| Since Inception* | 42.83 | 75.48 | 81.53 |
| Best Month | 9.10 | 11.25 | 12.43 |
| Worst Month | -5.09 | -8.93 | -9.28 |
| Best Quarter | 10.18 | 13.52 | 13.53 |
| Worst Quarter | -8.20 | -12.69 | -12.47 |

*09th May 2011

**Disclaimer:** Returns are based on a client's returns since inception and may be different from those depicted in the risk disclosure document.

**Investments in**

Nifty Index

Stock futures

**FUND OBJECTIVE**

Absolute returns irrespective of market conditions.

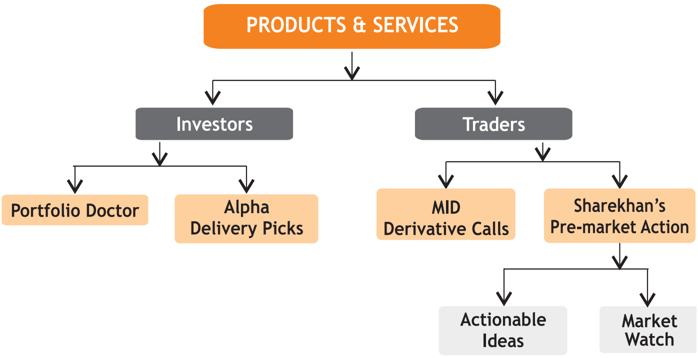


# Advisory Products and Services

The Advisory Desk is a central desk consisting of a Mumbai-based expert team that runs various sample model portfolios (for illustrative purposes only) for clients of all profiles, be they traders or investors.

These products are different from Sharekhan's research-based technical and fundamental offerings as these essentially try to capture the trading opportunities in stocks where momentum is expected before or after some event including the announcement of results or where some news/ event is probable.

Advisory products are ideal for those who do not have time to either monitor the market tick by tick or shift through pages of research for data or pour over complex charts to catch a trend. However, all these products require perfect discipline and money management.




## For investors

### PORTFOLIO DOCTOR

It is a service under which the Portfolio Doctor reviews an existing portfolio based on various parameters and suggests changes to improve its performance. To avail of this service please write to the Portfolio Doctor at **portfoliodoctor@sharekhan.com.**

### NEW ALPHA DELIVERY PICKS

This is a long only, cash market delivery product where stock ideas will be rolled out based on short-term triggers with proper fundamental rationale. Recently we revised certain features of Alpha Delivery Picks to incorporate ideas from both the Fundamental research desk and the Market analysis team. The time frame of the stock ideas in New Alpha Delivery Picks will be a maximum of two months. Stop loss will be 5-10% and profit potential will be 10-20%. We will report the old series' performance data separately. For more details please write to us at **alphapicks@sharekhan.com**

### New Alpha Delivery Picks Rules

| | |
|---|---|
| **Ideas** | Ideas based on Stock Ideas, Viewpoints, Stock Updates, Market analysis |
| **Weightage (%)** | 7 |
| **Stop Loss (%)** | Maximum 10, minimum 5 |
| **Profit Potential (%)** | Maximum 20, minimum 10 |
| **Time Frame** | Maximum 2 months |
| **Trail Stop loss** | 5% trailing Stop loss on 5% rise in stock price |
| **Exit Rules** | A) Pre defined / Trail stop loss is hit |
| | B) Unexpected event/news/ outcome |
| | C) Time frame |
| **Performance Reporting** | Daily |

## For traders

### SHAREKHAN'S PRE-MARKET ACTION

These ideas are put out in Sharekhan's Pre-market Action report along with stop loss and targets valid for a day. There is a market watch list of stocks with positive and negative bias for intra-day traders. For more details please write to us at **premarket@sharekhan.com.**

### MID DERIVATIVE CALLS

These calls are based on the analysis of open interest, implied volatility and put-call ratio in the derivative market. It is a leveraged product and ideal for aggressive traders. These calls have pre-defined stop loss, targets, time frame and quantity to execute. For details of the product please write to us at **derivative@sharekhan.com.**

## Report Card

**MID performance***

| Product | New Alpha Delivery Picks | |
|---|---|---|
| Month | July 2017 | FY2017-18 |
| No. of calls | 11 | 30 |
| Open | 9 | 9 |
| Profit booked | 1 | 8 |
| Stop loss hit | 3 | 13 |
| Strike rate (%) | 25 | 38 |

**MID Derivative Calls performance***

| Ticket size (Rs) | 100,000 | |
|---|---|---|
| Month | July 2017 | FY2017-18 |
| No. of calls | 57 | 149 |
| Profit booked | 37 | 93 |
| Stop loss hit | 20 | 56 |
| Strike rate (%) | 65 | 62 |

* we had 8 open calls in April (not considered)

# SHAREKHAN'S TOP MUTUAL FUND PICKS (EQUITY) JULY 13, 2017

Data as on June 30, 2017

| Scheme name | NAV (Rs) | | Returns (%) | | | |
|---|---|---|---|---|---|---|
| | | Absolute 6 months | Compound annualised | | | |
| | | | 1 yr | 3 yrs | 5 yrs | Since inception |
| **Large Cap Funds** | | | | | | |
| IDFC Classic Equity Fund - Reg - Growth | 41.2 | 21.6 | 25.5 | 14.7 | 17.0 | 12.6 |
| BNP Paribas Equity Fund - Growth | 79.4 | 25.8 | 15.8 | 13.0 | 18.0 | 17.6 |
| Birla Sun Life Top 100 Fund - Growth | 53.0 | 17.8 | 18.8 | 12.7 | 19.0 | 15.3 |
| ICICI Prudential Focused Bluechip Equity Fund - Growth | 35.7 | 16.1 | 18.4 | 12.2 | 17.0 | 15.0 |
| Franklin India Bluechip - Growth | 420.7 | 14.6 | 13.1 | 12.1 | 14.9 | 21.6 |
| **Indices** | | | | | | |
| BSE Sensex | 30921.6 | 16.1 | 14.5 | 6.8 | 12.1 | 16.0 |
| **Mid & Small Cap Funds** | | | | | | |
| Kotak Emerging Equity Scheme - Reg - Growth | 36.2 | 23.1 | 25.6 | 25.3 | 26.7 | 13.4 |
| Canara Robeco Emerging Equities - Growth | 84.1 | 30.3 | 32.7 | 24.5 | 29.3 | 18.9 |
| Reliance Small Cap Fund - Growth | 37.0 | 26.5 | 34.8 | 24.4 | 31.9 | 21.3 |
| Sundaram Select Midcap - Reg - Growth | 467.0 | 20.0 | 26.6 | 21.5 | 26.8 | 29.4 |
| HDFC Mid-Cap Opportunities Fund - Growth | 51.7 | 21.7 | 28.6 | 20.9 | 26.3 | 17.8 |
| **Indices** | | | | | | |
| BSE MID CAP | 14,644 | 21.7 | 25.0 | 16.0 | 18.9 | 21.6 |
| **Multi Cap Funds** | | | | | | |
| Motilal Oswal MOSt Focused Multicap 35 Fund - Reg - Growth | 23.8 | 24.7 | 30.4 | 25.7 | -- | 31.4 |
| L&T India Value Fund - Reg - Growth | 34.1 | 23.4 | 30.2 | 21.5 | 26.8 | 17.8 |
| Kotak Select Focus Fund - Reg - Growth | 30.2 | 21.0 | 24.1 | 18.7 | 21.6 | 15.2 |
| Mirae Asset India Opportunities Fund - Reg - Growth | 42.3 | 20.9 | 24.7 | 16.7 | 21.4 | 16.9 |
| Birla Sun Life Equity Fund - Growth | 654.7 | 19.3 | 29.3 | 16.5 | 22.8 | 24.8 |
| **Indices** | | | | | | |
| BSE 500 | 13,178 | 19.4 | 19.5 | 10.4 | 14.5 | 15.0 |
| **Tax-saving Funds (ELSS)** | | | | | | |
| Birla Sun Life Tax Relief 96 - Growth | 27.3 | 20.8 | 21.3 | 18.6 | 22.1 | 11.4 |
| DSP BlackRock Tax Saver Fund - Growth | 42.0 | 17.6 | 22.2 | 16.6 | 21.4 | 14.7 |
| L&T Tax Advantage Fund - Reg - Growth | 50.0 | 23.7 | 26.6 | 16.5 | 19.2 | 15.2 |
| Franklin India Taxshield - Growth | 508.6 | 16.1 | 14.4 | 15.9 | 19.2 | 24.0 |
| Reliance Tax Saver (ELSS) Fund - Growth | 57.8 | 22.3 | 25.0 | 14.5 | 22.3 | 16.1 |
| **Indices** | | | | | | |
| Nifty 500 | 8,332 | 19.3 | 19.4 | 10.5 | 14.8 | 9.7 |
| **Thematic Funds** | | | | | | |
| Sundaram Rural India Fund - Reg - Growth | 39.3 | 22.1 | 27.7 | 22.5 | 22.5 | 13.1 |
| ICICI Prudential Banking and Financial Services Fund - Retail - Growth | 56.5 | 34.1 | 40.8 | 22.4 | 26.3 | 21.6 |
| Franklin Build India Fund - Growth | 37.3 | 20.9 | 22.7 | 21.6 | 27.0 | 18.3 |
| DSP BlackRock Natural Resources & New Energy Fund - Reg - Gth | 29.9 | 15.8 | 44.4 | 19.1 | 18.8 | 12.7 |
| Birla Sun Life Special Situations Fund - Growth | 22.5 | 17.5 | 22.8 | 15.7 | 20.9 | 9.0 |
| **Indices** | | | | | | |
| Nifty 50 | 9,521 | 16.3 | 14.9 | 7.7 | 12.5 | 14.0 |
| **Balanced Funds** | | | | | | |
| L&T India Prudence Fund - Reg - Growth | 24.6 | 18.5 | 20.3 | 16.0 | 19.6 | 15.1 |
| HDFC Balanced Fund - Growth | 138.0 | 16.0 | 21.5 | 15.0 | 18.8 | 16.9 |
| ICICI Prudential Balanced - Growth | 117.8 | 12.6 | 21.1 | 14.8 | 19.4 | 15.0 |
| Franklin India Balanced Fund - Growth | 107.7 | 11.1 | 12.1 | 14.7 | 17.0 | 14.5 |
| SBI Magnum Balanced Fund - Growth | 113.7 | 13.1 | 13.7 | 14.1 | 19.0 | 16.2 |
| **Indices** | | | | | | |
| Crisil Balanced Fund Index | -- | 11.8 | 13.8 | 9.1 | 11.7 | 12.6 |

**BNP Paribas Mutual Fund Equity schemes**

| Scheme name | NAV (Rs) | | Returns (%) | | | |
|---|---|---|---|---|---|---|
| | | Absolute 6 months | Compound annualised | | | |
| | | | 1 yr | 3 yrs | 5 yrs | Since inception |
| BNP Paribas Mid Cap Fund - Growth | 32.1 | 26.3 | 22.2 | 20.1 | 26.1 | 11.0 |
| BNP Paribas Dividend Yield Fund - Growth | 43.5 | 22.7 | 22.4 | 15.4 | 19.7 | 13.3 |
| BNP Paribas Long Term Equity Fund - Growth | 34.9 | 25.2 | 16.0 | 14.1 | 19.1 | 11.5 |
| BNP Paribas Equity Fund - Growth | 79.4 | 25.8 | 15.8 | 13.0 | 18.0 | 17.6 |

Every individual has a different investment requirement, which depends on his financial goals and risk-taking capacities. We at Sharekhan first understand the individual's investment objectives and risk-taking capacity, and then recommend a suitable portfolio. So, we suggest that you get in touch with our Mutual Fund Advisor before investing in the best funds.

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the mutual funds mentioned in the article.



# SHAREKHAN'S TOP SIP FUND PICKS

## JULY 13, 2017

Data as on June 30, 2017

| Investment period | | 1 year | | 3 years | | 5 years | |
|---|---|---|---|---|---|---|---|
| Total amount invested (Rs) | | 12,000 | | 36,000 | | 60,000 | |
| Funds would have grown to (Rs) | NAV | Present value (Rs) | Avg annual return (%) | Present value (Rs) | Avg annual return (%) | Present value (Rs) | Avg annual return (%) |
| **Large-Cap Funds** | | | | | | | |
| IDFC Classic Equity Fund - Reg - Growth | 41 | 13,559 | 13.0 | 46,269 | 8.7 | 91,739 | 8.9 |
| Birla Sun Life Top 100 Fund - Growth | 53 | 13,176 | 9.8 | 43,847 | 6.8 | 93,075 | 9.2 |
| ICICI Prudential Focused Bluechip Equity Fund - Growth | 36 | 13,142 | 9.5 | 43,506 | 6.5 | 89,465 | 8.3 |
| BNP Paribas Equity Fund - Growth | 79 | 13,448 | 12.1 | 43,089 | 6.2 | 90,981 | 8.7 |
| Franklin India Bluechip - Growth | 421 | 12,891 | 7.4 | 42,520 | 5.7 | 85,907 | 7.4 |
| ***BSE Sensex*** | ***30922*** | ***13,086*** | ***9.1*** | ***40,835*** | ***4.3*** | ***78,476*** | ***5.5*** |
| **Mid & Small Cap Funds** | | | | | | | |
| Mirae Asset Emerging Bluechip Fund - Growth | 45 | 14,062 | 17.2 | 52,600 | 13.5 | 1,32,812 | 17.2 |
| Reliance Small Cap Fund - Growth | 37 | 14,155 | 18.0 | 51,312 | 12.5 | 1,36,269 | 17.8 |
| Canara Robeco Emerging Equities - Growth | 84 | 14,040 | 17.0 | 50,197 | 11.7 | 1,28,143 | 16.4 |
| Kotak Emerging Equity Scheme - Reg - Growth | 36 | 13,505 | 12.6 | 49,263 | 11.0 | 1,19,625 | 14.8 |
| Sundaram Select Midcap - Reg - Growth | 467 | 13,390 | 11.6 | 48,551 | 10.5 | 1,16,673 | 14.2 |
| ***BSE Midcap*** | ***14644*** | ***13,278*** | ***10.7*** | ***46,849*** | ***9.2*** | ***1,01,558*** | ***11.1*** |
| **Multi-Cap Funds** | | | | | | | |
| L&T India Value Fund - Reg - Growth | 34 | 13,720 | 14.4 | 49,111 | 10.9 | 1,17,043 | 14.3 |
| Birla Sun Life Advantage Fund - Growth | 391 | 13,359 | 11.4 | 47,041 | 9.3 | 1,06,501 | 12.2 |
| Kotak Select Focus Fund - Reg - Growth | 30 | 13,428 | 11.9 | 46,576 | 9.0 | 1,02,315 | 11.3 |
| Mirae Asset India Opportunities Fund - Reg - Growth | 42 | 13,547 | 12.9 | 46,190 | 8.7 | 1,00,729 | 10.9 |
| Franklin India High Growth Companies Fund - Growth | 36 | 13,238 | 10.3 | 44,561 | 7.4 | 1,04,445 | 11.7 |
| ***BSE 500*** | ***13178*** | ***13,260*** | ***10.5*** | ***43,204*** | ***6.3*** | ***85,954*** | ***7.5*** |
| **Tax-saving funds (ELSS)** | | | | | | | |
| L&T Tax Advantage Fund - Reg - Growth | 50 | 13,760 | 14.7 | 46,955 | 9.3 | 98,374 | 10.4 |
| Birla Sun Life Tax Relief 96 - Growth | 27 | 13,522 | 12.7 | 45,867 | 8.4 | 1,02,134 | 11.2 |
| DSP BlackRock Tax Saver Fund - Growth | 42 | 13,087 | 9.1 | 45,726 | 8.3 | 99,978 | 10.8 |
| Reliance Tax Saver (ELSS) Fund - Growth | 58 | 13,593 | 13.3 | 45,056 | 7.8 | 1,04,500 | 11.7 |
| Franklin India Taxshield - Growth | 509 | 12,995 | 8.3 | 43,383 | 6.4 | 94,415 | 9.5 |
| ***Nifty 50*** | ***9521*** | ***13,051*** | ***8.8*** | ***41,301*** | ***4.7*** | ***79,854*** | ***5.9*** |

| BNP Paribas Mutual Fund Equity schemes | | | | | | | |
|---|---|---|---|---|---|---|---|
| Funds would have grown to (Rs) | Category | Present value (Rs) | Compounded annualised return (%) | Present value (Rs) | Compounded annualised return (%) | Present value (Rs) | Compounded annualised return (%) |
| BNP Paribas Mid Cap Fund - Growth | Mid Cap | 13,592 | 13.3 | 46,934 | 9.2 | 1,10,992 | 13.1 |
| BNP Paribas Dividend Yield Fund - Growth | Multi Cap | 13,534 | 12.8 | 45,012 | 7.7 | 96,416 | 10.0 |
| BNP Paribas Long Term Equity Fund - Growth | ELSS | 13,433 | 12.0 | 43,160 | 6.2 | 93,317 | 9.2 |
| BNP Paribas Equity Fund - Growth | Large Cap | 13,448 | 12.1 | 43,089 | 6.2 | 90,981 | 8.7 |

Every individual has a different investment requirement, which depends on his financial goals and risk-taking capacities. We at Sharekhan first understand the individual's investment objectives and risk-taking capacity, and then recommend a suitable portfolio. So, we suggest that you get in touch with our Mutual Fund Advisor before investing in the best funds.■

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the mutual funds mentioned in the article.



## Sharekhan Earnings Guide

Prices as on August 03, 2017

| Company | CMP (Rs) | Sales | | | Net profit | | | EPS | | | (%) EPS growth FY19/FY17 | PE (x) | | | RoCE (%) | | RoNW (%) | | DPS Rs. | Div Yld(%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | | FY17 | FY18E | FY19E | FY18E | FY19E | FY18E | FY19E | | |
| **Automobiles** | | | | | | | | | | | | | | | | | | | | |
| Apollo Tyres | 271 | 13,180.0 | 15,110.0 | 16,821.3 | 1,099.3 | 1,148.3 | 1,334.9 | 21.6 | 22.6 | 26.2 | 10% | 12.5 | 12.0 | 10.3 | 13.9 | 14.9 | 14.0 | 14.2 | 3.0 | 1.1 |
| Ashok Leyland | 109 | 19,930.0 | 24,178.7 | 27,415.1 | 1,582.7 | 1,501.5 | 1,743.6 | 5.4 | 5.1 | 6.0 | 5% | 20.2 | 21.4 | 18.2 | 21.9 | 24.3 | 22.5 | 23.9 | 1.6 | 1.4 |
| Bajaj Auto | 2,834 | 21,766.7 | 24,494.1 | 27,629.3 | 3,827.6 | 3,871.4 | 4,399.2 | 132.3 | 133.9 | 152.1 | 7% | 21.4 | 21.2 | 18.6 | 28.1 | 29.1 | 20.5 | 21.0 | 55.0 | 1.9 |
| Gabriel India | 164 | 1,529.1 | 1,716.3 | 1,939.1 | 83.2 | 100.8 | 117.8 | 5.8 | 7.0 | 8.2 | 19% | 28.3 | 23.4 | 20.0 | 25.1 | 26.1 | 19.3 | 19.5 | 1.3 | 0.8 |
| Hero Motocorp | 3,838 | 28,475.0 | 32,144.0 | 36,949.5 | 3,377.1 | 3,789.5 | 4,259.2 | 169.1 | 189.8 | 213.3 | 12% | 22.7 | 20.2 | 18.0 | 45.3 | 44.2 | 32.4 | 31.7 | 85.0 | 2.2 |
| M&M | 1,417 | 41,895.4 | 46,329.1 | 50,254.4 | 3,687.7 | 3,874.4 | 4,340.9 | 59.4 | 62.4 | 69.9 | 8% | 23.9 | 22.7 | 20.3 | 16.8 | 17.4 | 13.7 | 14.0 | 13.0 | 0.9 |
| Maruti Suzuki | 7,737 | 68,035.0 | 79,196.0 | 90,637.0 | 7,338.0 | 8,032.0 | 10,216.0 | 242.9 | 265.9 | 338.2 | 18% | 31.9 | 29.1 | 22.9 | 27.6 | 28.9 | 20.9 | 21.8 | 75.0 | 1.0 |
| Rico Auto Industries | 75 | 1,079.2 | 1,226.2 | 1,421.2 | 49.5 | 64.9 | 91.2 | 3.7 | 4.8 | 6.7 | 35% | 20.4 | 15.7 | 11.3 | 13.0 | 15.9 | 11.4 | 14.2 | 0.6 | 0.8 |
| TVS Motor | 587 | 12,135.0 | 14,267.9 | 16,882.9 | 615.1 | 784.6 | 1,147.0 | 12.9 | 16.5 | 24.1 | 37% | 45.5 | 35.6 | 24.3 | 27.5 | 34.1 | 27.4 | 31.7 | 2.5 | 0.4 |
| **Banks & Financials** | | | | | | | | | | | | | | | | | | | | |
| Axis (UTI) Bank | 506 | 29,784.4 | 30,493.4 | 34,638.6 | 3,679.3 | 5,033.9 | 7,513.0 | 15.4 | 21.0 | 31.4 | 43% | 32.9 | 24.1 | 16.1 | - | - | 8.7 | 11.9 | 5.0 | 1.0 |
| Bajaj Finance | 1,702 | 5,468.6 | 7,360.1 | 9,802.9 | 1,836.4 | 2,549.9 | 3,328.3 | 33.6 | 46.6 | 60.9 | 35% | 50.7 | 36.5 | 28.0 | - | - | 23.8 | 25.0 | 3.6 | 0.2 |
| Bajaj Finserv | 5,115 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1.8 | 0.0 |
| Bank of Baroda | 158 | 20,271.5 | 22,040.4 | 24,866.7 | 1,383.1 | 3,002.7 | 4,019.1 | 6.0 | 13.0 | 17.4 | 70% | 26.4 | 12.2 | 9.1 | - | - | 7.2 | 9.1 | 1.2 | 0.8 |
| Bank of India | 155 | 18,598.4 | 18,397.1 | 21,077.4 | (1,558.3) | 1,037.7 | 2,377.2 | -14.8 | 9.8 | 22.5 | - | - | 15.7 | 6.9 | - | - | 3.1 | 6.9 | 0.0 | 0.0 |
| Capital First | 764 | 1,228.2 | 1,807.4 | 2,582.9 | 239.0 | 338.0 | 481.2 | 24.5 | 34.7 | 49.4 | 42% | 31.2 | 22.0 | 15.5 | - | - | 13.8 | 17.1 | 2.6 | 0.3 |
| Federal Bank | 113 | 4,134.4 | 4,774.9 | 5,633.0 | 830.8 | 965.5 | 1,340.7 | 4.3 | 5.0 | 6.9 | 27% | 26.4 | 22.7 | 16.4 | - | - | 8.2 | 10.5 | 0.8 | 0.7 |
| HDFC | 1,737 | 9,509.6 | 10,574.1 | 12,054.9 | 7,442.6 | 8,233.9 | 9,212.7 | 46.8 | 51.7 | 57.8 | 11% | 37.1 | 33.6 | 30.0 | - | - | 18.1 | 17.9 | 15.0 | 0.9 |
| HDFC Bank | 1,780 | 45,435.7 | 53,711.1 | 64,583.0 | 14,549.6 | 17,388.2 | 20,932.6 | 56.8 | 67.9 | 81.7 | 20% | 31.3 | 26.2 | 21.8 | - | - | 18.4 | 19.5 | 11.0 | 0.6 |
| ICICI Bank | 296 | 41,241.8 | 39,729.7 | 45,846.5 | 9,801.1 | 9,569.0 | 12,258.6 | 16.8 | 14.9 | 21.0 | 12% | 17.6 | 19.8 | 14.1 | - | - | 9.4 | 11.5 | 0.0 | 0.0 |
| LIC Hsg. Fin. | 681 | 3,755.5 | 4,352.8 | 5,112.3 | 1,931.1 | 2,315.5 | 2,755.7 | 38.2 | 45.9 | 54.6 | 19% | 17.8 | 14.9 | 12.5 | - | - | 0.0 | 0.0 | 6.2 | 0.9 |
| Max Financial | 614 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.0 |
| PTC India Fin. Ser. | 40 | 483.4 | 616.5 | 760.9 | 345.3 | 418.4 | 510.4 | 5.4 | 6.5 | 7.9 | 22% | 7.5 | 6.2 | 5.1 | - | - | 16.3 | 17.8 | 1.5 | 3.7 |
| PNB | 149 | 23,944.5 | 25,477.7 | 28,989.8 | 1,324.8 | 1,714.5 | 3,248.5 | 6.2 | 8.1 | 15.3 | 57% | 24.0 | 18.5 | 9.8 | - | - | 4.0 | 7.3 | 1.0 | 0.7 |
| Union Bank of India | 144 | 13,868.0 | 14,847.9 | 16,739.2 | 555.2 | 1,795.1 | 2,798.3 | 8.1 | 26.1 | 40.7 | 125% | 17.8 | 5.5 | 3.5 | - | - | 7.3 | 10.5 | 0.0 | 0.0 |
| Yes Bank | 1,785 | 9,954.1 | 12,838.4 | 16,835.6 | 3,330.1 | 4,343.9 | 5,884.0 | 78.9 | 95.2 | 128.9 | 28% | 22.6 | 18.8 | 13.9 | - | - | 18.3 | 21.3 | 10.0 | 0.6 |
| **Consumer Goods** | | | | | | | | | | | | | | | | | | | | |
| Britannia | 3,874 | 9,324.1 | 10,745.9 | 12,319.5 | 884.5 | 1,017.1 | 1,247.9 | 73.7 | 84.8 | 104.0 | 19% | 52.6 | 45.7 | 37.2 | 52.0 | 47.4 | 34.0 | 33.7 | 22.0 | 0.6 |
| Emami | 1,141 | 2,532.6 | 2,728.4 | 3,269.5 | 549.8 | 611.9 | 803.4 | 24.2 | 27.0 | 35.4 | 21% | 47.1 | 42.3 | 32.2 | 35.2 | 43.9 | 33.0 | 37.5 | 7.0 | 0.6 |
| GSK Consumers* | 5,418 | 4,421.1 | 4,704.1 | 5,259.4 | 656.7 | 757.6 | 827.9 | 156.1 | 180.1 | 196.8 | 12% | 34.7 | 30.1 | 27.5 | 34.6 | 33.6 | 22.8 | 22.1 | 70.0 | 1.3 |
| GCPL | 970 | 9,608.8 | 10,764.2 | 12,389.6 | 1,307.1 | 1,442.8 | 1,783.9 | 19.1 | 21.2 | 26.2 | 17% | 50.8 | 45.8 | 37.0 | 17.6 | 21.1 | 24.4 | 24.6 | 15.0 | 1.5 |
| Hindustan Unilever | 1,170 | 34,487.0 | 38,424.3 | 43,396.0 | 4,249.0 | 5,106.4 | 6,145.4 | 19.7 | 23.6 | 28.4 | 20% | 59.4 | 49.6 | 41.2 | 101.5 | 102.3 | 74.1 | 74.8 | 17.0 | 1.5 |
| ITC | 281 | 55,448.5 | 65,623.5 | 75,501.0 | 10,200.9 | 11,905.3 | 13,964.1 | 8.4 | 9.8 | 11.5 | 17% | 33.5 | 28.7 | 24.5 | 32.7 | 36.0 | 25.6 | 27.9 | 4.8 | 1.7 |
| Jyothy Laboratories | 392 | 1,749.1 | 1,873.2 | 2,216.3 | 204.1 | 260.1 | 250.0 | 11.3 | 14.3 | 13.8 | 11% | 34.7 | 27.4 | 28.4 | 17.3 | 21.2 | 22.0 | 18.4 | 6.0 | 1.5 |
| Marico | 328 | 5,935.9 | 6,481.0 | 7,547.3 | 811.0 | 881.5 | 1,069.4 | 6.3 | 6.8 | 8.3 | 15% | 52.0 | 48.2 | 39.5 | 45.2 | 48.6 | 35.5 | 37.0 | 3.5 | 1.1 |
| Zydus Wellness | 886 | 430.6 | 486.2 | 569.9 | 111.3 | 127.5 | 153.0 | 28.5 | 32.6 | 39.2 | 17% | 31.1 | 27.2 | 22.6 | 22.5 | 23.3 | 20.7 | 21.1 | 6.5 | 0.7 |
| **IT / IT services** | | | | | | | | | | | | | | | | | | | | |
| FSL | 34 | 3,555.6 | 3,839.5 | 4,103.5 | 280.0 | 303.1 | 345.9 | 4.2 | 4.5 | 5.1 | 10% | 8.1 | 7.5 | 6.6 | 12.7 | 14.3 | 13.6 | 13.6 | 0.0 | 0.0 |
| HCL Technologies | 876 | 46,722.0 | 50,402.8 | 56,537.0 | 8,456.0 | 8,866.7 | 10,025.3 | 60.7 | 63.7 | 72.0 | 9% | 14.4 | 13.7 | 12.2 | 30.0 | 29.4 | 24.7 | 24.0 | 24.0 | 2.7 |
| Infosys | 984 | 68,484.0 | 70,666.8 | 77,544.7 | 14,357.0 | 14,370.6 | 15,890.6 | 62.8 | 62.9 | 69.5 | 5% | 15.7 | 15.6 | 14.2 | 27.5 | 27.5 | 19.8 | 19.9 | 25.8 | 2.6 |
| Persistent Systems | 635 | 2,878.4 | 3,059.5 | 3,442.6 | 312.9 | 334.4 | 372.9 | 39.1 | 41.8 | 46.6 | 9% | 16.2 | 15.2 | 13.6 | 21.8 | 21.4 | 16.5 | 16.2 | 9.0 | 1.4 |
| TCS | 2,489 | 117,966.0 | 121,376.3 | 132,525.2 | 26,289.0 | 25,861.5 | 28,858.2 | 137.3 | 135.1 | 150.8 | 5% | 18.1 | 18.4 | 16.5 | 36.0 | 35.7 | 28.0 | 27.7 | 47.0 | 1.9 |
| Wipro | 289 | 55,040.2 | 55,631.0 | 58,953.9 | 8,489.5 | 8,819.1 | 9,628.3 | 17.5 | 18.2 | 19.8 | 6% | 16.5 | 15.9 | 14.6 | 12.1 | 11.8 | 14.8 | 14.1 | 3.0 | 1.0 |
| **Cap goods / Power** | | | | | | | | | | | | | | | | | | | | |
| BHEL | 139 | 27,588.0 | 30,203.0 | 31,689.0 | 496.0 | 714.0 | 1,088.0 | 2.0 | 2.9 | 4.4 | 48% | 69.3 | 47.8 | 31.5 | 3.9 | 5.2 | 2.1 | 3.1 | 0.8 | 0.6 |
| CESC | 962 | 7,410.0 | 8,231.0 | 8,820.0 | 863.0 | 939.0 | 1,047.0 | 64.8 | 70.5 | 78.6 | 10% | 14.8 | 13.6 | 12.2 | 6.3 | 7.5 | 7.9 | 9.7 | 10.0 | 1.0 |
| Crompton Greaves | 82 | 6,120.0 | 5,996.0 | 6,819.0 | 183.0 | 152.0 | 256.0 | 2.9 | 2.4 | 4.1 | 19% | 28.2 | 34.0 | 19.9 | 8.3 | 10.3 | 3.6 | 5.7 | 0.0 | 0.0 |
| Finolex Cable | 476 | 2,671.0 | 2,748.0 | 2,898.0 | 316.0 | 310.0 | 340.0 | 20.6 | 20.3 | 22.3 | 4% | 23.1 | 23.4 | 21.3 | 21.8 | 21.6 | 23.3 | 21.6 | 3.0 | 0.6 |
| Greaves Cotton | 159 | 1,634.3 | 1,856.3 | 2,042.2 | 174.7 | 196.5 | 219.1 | 7.2 | 8.0 | 9.0 | 12% | 22.1 | 19.9 | 17.7 | 28.0 | 29.0 | 20.1 | 20.8 | 5.5 | 3.5 |
| Kalpataru Power | 352 | 4,895.0 | 5,620.0 | 6,357.0 | 269.0 | 330.0 | 380.0 | 17.5 | 21.5 | 24.7 | 19% | 20.1 | 16.4 | 14.2 | 18.3 | 18.9 | 12.5 | 12.9 | 1.5 | 0.4 |
| KEC International | 304 | 8,584.0 | 9,895.0 | 11,086.0 | 305.0 | 439.0 | 559.0 | 11.9 | 17.1 | 21.7 | 35% | 25.5 | 17.8 | 14.0 | 22.0 | 24.9 | 24.3 | 24.9 | 2.0 | 0.7 |
| PTC India | 117 | 14,074.8 | 15,340.4 | 16,968.0 | 283.6 | 306.2 | 350.0 | 9.6 | 10.3 | 11.8 | 11% | 12.2 | 11.3 | 9.9 | 15.3 | 16.4 | 9.7 | 10.3 | 2.5 | 2.1 |



| Company | CMP (Rs) | Sales | | | Net profit | | | EPS | | | (%) EPS growth | PE (x) | | | RoCE (%) | | RoNW (%) | | DPS Rs. | Div Yld(%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY19/FY17 | FY17 | FY18E | FY19E | FY18E | FY19E | FY18E | FY19E | | |
| Skipper | 223 | 1,703.0 | 1,957.0 | 2,236.0 | 98.0 | 116.0 | 144.0 | 9.6 | 11.3 | 14.1 | 21% | 23.3 | 19.8 | 15.8 | 23.5 | 24.9 | 21.7 | 22.7 | 1.6 | 0.7 |
| Thermax | 909 | 3,764.0 | 3,945.0 | 4,307.0 | 278.0 | 296.0 | 331.0 | 23.3 | 24.8 | 27.8 | 9% | 39.0 | 36.6 | 32.7 | 16.7 | 16.9 | 11.5 | 11.6 | 6.0 | 0.7 |
| Triveni Turbine | 139 | 745.0 | 842.0 | 945.0 | 124.0 | 146.0 | 165.0 | 3.7 | 4.4 | 5.0 | 16% | 37.7 | 31.7 | 27.9 | 48.8 | 47.9 | 33.8 | 32.8 | 1.2 | 0.9 |
| V-Guard Industries | 181 | 2,151.0 | 2,550.0 | 3,053.0 | 152.0 | 186.0 | 242.0 | 3.6 | 4.4 | 5.7 | 26% | 50.3 | 41.1 | 31.7 | 35.3 | 37.3 | 26.2 | 27.7 | 0.7 | 0.4 |
| Va Tech Wabag | 623 | 3,207.9 | 3,799.5 | 4,368.1 | 102.4 | 180.4 | 217.5 | 18.8 | 33.1 | 39.9 | 46% | 33.1 | 18.8 | 15.6 | 24.8 | 25.3 | 16.4 | 16.9 | 4.0 | 0.6 |
| **Infra / Real Estate** | | | | | | | | | | | | | | | | | | | | |
| Gayatri Projects | 165 | 2,115.4 | 2,469.9 | 2,899.0 | 89.8 | 96.1 | 129.2 | 5.1 | 5.4 | 7.3 | 20% | 32.5 | 30.4 | 22.6 | 11.5 | 12.6 | 10.3 | 12.7 | 0.5 | 0.3 |
| IRB Infra | 220 | 5,845.9 | 5,847.8 | 6,610.0 | 715.5 | 1,180.3 | 1,379.3 | 20.4 | 33.6 | 39.2 | 39% | 10.8 | 6.6 | 5.6 | 15.5 | 17.6 | 20.4 | 20.0 | 5.0 | 2.3 |
| Jaiprakash Asso | 25 | 6,219.3 | - | - | (4,841.9) | - | - | -19.9 | - | - | - | - | - | - | - | - | - | - | 0.0 | 0.0 |
| Larsen & Toubro | 1,175 | 110,011.0 | 125,961.0 | 140,062.0 | 5,920.0 | 6,370.0 | 7,337.0 | 42.3 | 45.5 | 52.4 | 11% | 27.8 | 25.8 | 22.4 | 10.3 | 11.3 | 12.4 | 13.7 | 14.0 | 1.2 |
| NBCC | 217 | 6,279.0 | 12,269.0 | 15,735.0 | 351.0 | 602.0 | 777.0 | 3.9 | 6.7 | 8.6 | 48% | 55.7 | 32.4 | 25.2 | 53.6 | 57.0 | 32.8 | 35.0 | 1.6 | 0.7 |
| Sadbhav Eng. | 289 | 3,320.3 | 3,805.8 | 4,261.7 | 187.8 | 201.2 | 233.0 | 10.9 | 11.7 | 13.6 | 11% | 26.4 | 24.6 | 21.3 | 10.4 | 10.9 | 11.5 | 11.9 | 0.7 | 0.2 |
| **Oil & gas** | | | | | | | | | | | | | | | | | | | | |
| Oil India | 285 | 9,510.0 | 9,696.0 | 10,422.0 | 2,210.0 | 1,954.0 | 2,055.0 | 29.2 | 25.8 | 27.2 | -3% | 9.8 | 11.1 | 10.5 | 8.2 | 8.4 | 6.6 | 6.8 | 14.3 | 5.0 |
| Reliance | 1,650 | 305,382.0 | 327,129.0 | 355,550.0 | 29,833.0 | 30,117.0 | 37,251.0 | 100.8 | 101.8 | 125.9 | 12% | 16.4 | 16.2 | 13.1 | 9.0 | 10.0 | 10.1 | 11.2 | 11.0 | 0.7 |
| Selan Exp | 160 | 55.8 | - | - | 8.7 | - | - | 5.3 | - | - | - | 30.4 | - | - | - | - | - | - | 5.0 | 3.1 |
| **Pharmaceuticals** | | | | | | | | | | | | | | | | | | | | |
| Aurobindo Pharma | 741 | 15,089.9 | 16,575.6 | 18,732.8 | 2,290.0 | 2,641.0 | 3,317.0 | 39.1 | 45.1 | 56.6 | 20% | 19.0 | 16.4 | 13.1 | 26.1 | 27.0 | 24.8 | 24.5 | 2.5 | 0.3 |
| Cadila Healthcare | 546 | 9,429.2 | 11,254.8 | 13,872.5 | 1,487.3 | 2,166.3 | 2,766.9 | 14.5 | 21.1 | 27.0 | 36% | 37.7 | 25.9 | 20.2 | 18.1 | 20.2 | 24.9 | 25.2 | 3.2 | 0.6 |
| Cipla | 557 | 14,630.2 | 16,807.0 | 19,815.0 | 1,006.4 | 1,932.3 | 2,605.6 | 16.3 | 24.0 | 32.4 | 41% | 34.2 | 23.2 | 17.2 | 13.0 | 15.7 | 14.1 | 16.2 | 2.0 | 0.4 |
| Divi's Labs | 670 | 4,106.3 | 4,258.8 | 4,557.0 | 1,060.4 | 1,066.8 | 1,142.8 | 39.9 | 40.2 | 43.1 | 4% | 16.8 | 16.7 | 15.5 | 27.1 | 25.8 | 21.0 | 20.0 | 10.0 | 1.5 |
| Glenmark Pharma | 702 | 9,186.0 | 9,883.0 | 11,043.0 | 1,275.0 | 1,411.0 | 1,613.0 | 45.2 | 50.0 | 57.2 | 12% | 15.5 | 14.0 | 12.3 | 21.6 | 21.8 | 24.2 | 21.9 | 2.0 | 0.3 |
| Lupin | 993 | 17,494.3 | 17,586.3 | 20,330.1 | 2,713.4 | 2,062.6 | 2,698.6 | 60.1 | 45.7 | 59.8 | 0% | 16.5 | 21.8 | 16.6 | 12.2 | 14.8 | 12.8 | 14.4 | 7.5 | 0.8 |
| Sun Pharma | 516 | 31,578.4 | 31,997.4 | 33,625.3 | 6,964.4 | 6,711.1 | 7,653.4 | 29.0 | 28.0 | 31.9 | 5% | 17.8 | 18.4 | 16.2 | 16.6 | 16.8 | 15.8 | 15.5 | 1.0 | 0.2 |
| Torrent Pharma | 1,254 | 5,713.0 | 6,234.4 | 7,241.6 | 934.0 | 950.5 | 1,187.8 | 54.9 | 55.9 | 69.9 | 13% | 22.8 | 22.4 | 17.9 | 17.8 | 18.7 | 18.3 | 18.1 | 14.0 | 1.1 |
| **Building Materials** | | | | | | | | | | | | | | | | | | | | |
| Grasim | 1,126 | 36,068.4 | 44,227.6 | - | 3,167.3 | 3,579.9 | - | 67.9 | 76.7 | - | - | 16.6 | 14.7 | - | 15.7 | - | 10.6 | - | 22.5 | 2.0 |
| Shree Cement | 18,135 | 8,429.2 | 10,103.5 | 12,711.3 | 1,339.9 | 1,554.5 | 2,236.1 | 384.6 | 446.2 | 641.8 | 29% | 47.2 | 40.6 | 28.3 | 21.6 | 24.4 | 18.5 | 22.1 | 116.0 | 0.6 |
| The Ramco Cements | 688 | 3,949.5 | 4,333.2 | 4,707.3 | 649.3 | 710.4 | 804.0 | 27.3 | 30.2 | 34.1 | 12% | 25.2 | 22.8 | 20.2 | 13.3 | 13.8 | 17.9 | 17.6 | 3.0 | 0.4 |
| UltraTech Cement | 4,084 | 23,891.4 | 29,092.1 | 35,464.5 | 2,641.4 | 2,586.5 | 3,120.6 | 96.4 | 94.4 | 113.9 | 9% | 42.4 | 43.3 | 35.9 | 12.4 | 12.8 | 9.9 | 10.7 | 9.5 | 0.2 |
| **Discretionary** | | | | | | | | | | | | | | | | | | | | |
| Arvind | 364 | 9,235.5 | 10,991.4 | 12,721.5 | 332.7 | 400.6 | 650.5 | 12.9 | 15.5 | 25.2 | 40% | 28.2 | 23.5 | 14.4 | 10.4 | 15.0 | 10.7 | 15.6 | 2.4 | 0.7 |
| Century Ply (I) | 279 | 2,179.4 | 2,440.4 | 2,896.3 | 327.8 | 371.0 | 454.3 | 19.4 | 21.9 | 26.8 | 18% | 14.4 | 12.8 | 10.4 | 13.1 | 15.6 | 18.2 | 20.2 | 1.0 | 0.4 |
| Cox and Kings | 275 | 1,818.7 | 2,135.1 | 2,583.4 | 178.4 | 191.9 | 270.8 | 8.0 | 8.6 | 12.2 | 23% | 34.3 | 31.8 | 22.6 | 16.9 | 18.8 | 24.4 | 27.3 | 1.0 | 0.4 |
| Info Edge (India) | 999 | 802.1 | 911.3 | 1,107.2 | 208.4 | 241.7 | 313.6 | 17.2 | 20.0 | 26.0 | 23% | 58.1 | 49.9 | 38.4 | 15.7 | 16.9 | 11.0 | 12.7 | 4.5 | 0.5 |
| Inox Leisure | 252 | 1,220.7 | 1,451.1 | 1,648.4 | 30.6 | 81.2 | 115.1 | 3.3 | 8.8 | 12.5 | 95% | 76.3 | 28.6 | 20.1 | 14.9 | 18.3 | 12.8 | 15.4 | 0.0 | 0.0 |
| KKCL | 1,666 | 492.4 | 481.9 | 565.2 | 85.3 | 83.3 | 99.8 | 69.2 | 67.6 | 80.9 | 8% | 24.1 | 24.6 | 20.6 | 19.2 | 20.9 | 22.1 | 23.7 | 19.0 | 1.1 |
| Orbit Exports | 142 | 130.5 | 146.2 | 175.4 | 20.1 | 22.7 | 29.6 | 7.1 | 8.1 | 10.6 | 22% | 20.0 | 17.5 | 13.4 | 22.6 | 25.3 | 16.5 | 18.7 | 2.6 | 1.8 |
| Relaxo Footwear | 459 | 1,739.8 | 1,935.5 | 2,256.8 | 123.0 | 154.2 | 190.7 | 10.2 | 12.8 | 15.9 | 25% | 45.0 | 35.9 | 28.9 | 25.4 | 22.5 | 16.6 | 17.3 | 1.0 | 0.2 |
| Thomas Cook India | 221 | 8,588.0 | 11,056.8 | 13,406.7 | 77.5 | 162.5 | 267.1 | 2.1 | 4.4 | 7.3 | 86% | 105.0 | 50.1 | 30.2 | 16.2 | 27.5 | 10.2 | 14.9 | 0.4 | 0.2 |
| Wonderla Holidays | 348 | 270.4 | 338.3 | 429.0 | 33.7 | 51.9 | 83.6 | 6.0 | 9.2 | 14.8 | 57% | 58.0 | 37.8 | 23.5 | 17.4 | 25.9 | 11.8 | 17.7 | 1.0 | 0.3 |
| ZEEL | 540 | 6,434.2 | 6,675.0 | 7,812.9 | 1,218.7 | 1,368.2 | 1,798.2 | 12.7 | 14.3 | 18.7 | 21% | 42.5 | 37.8 | 28.9 | 22.0 | 25.4 | 17.9 | 20.0 | 2.5 | 0.5 |
| **Diversified / Miscellaneous** | | | | | | | | | | | | | | | | | | | | |
| Bajaj Holdings | 2,403 | 842.0 | - | - | 2,473.2 | - | - | 222.2 | - | - | - | 10.8 | - | - | - | - | - | - | 32.5 | 1.4 |
| Bharat Electronics | 181 | 9,140.4 | 10,422.7 | 12,098.2 | 1,547.6 | 1,781.6 | 2,057.7 | 6.9 | 8.0 | 9.2 | 15% | 26.2 | 22.6 | 19.6 | 25.5 | 33.2 | 19.4 | 25.2 | 1.2 | 0.7 |
| Bharti Airtel | 424 | 95,468.3 | 98,878.4 | 109,053.3 | 3,799.8 | 3,468.6 | 4,629.8 | 9.5 | 8.7 | 11.6 | 11% | 44.7 | 48.8 | 36.6 | 9.7 | 11.1 | 5.2 | 6.3 | 1.4 | 0.3 |
| Gateway Distriparks | 270 | 393.4 | 426.4 | 475.9 | 74.1 | 81.2 | 95.8 | 6.8 | 7.5 | 8.8 | 14% | 39.6 | 36.2 | 30.6 | 8.4 | 10.0 | 8.1 | 9.9 | 7.0 | 2.6 |
| PI Industries | 729 | 2,382.9 | 2,649.9 | 3,152.6 | 457.7 | 460.6 | 549.1 | 33.9 | 34.1 | 40.7 | 10% | 21.5 | 21.4 | 17.9 | 30.4 | 29.7 | 25.4 | 24.2 | 2.5 | 0.3 |
| Ratnamani Metals | 836 | 1,476.2 | 1,791.0 | 2,138.1 | 144.5 | 183.1 | 227.2 | 31.1 | 39.4 | 49.0 | 26% | 26.9 | 21.2 | 17.1 | 20.1 | 21.9 | 14.9 | 16.2 | 5.5 | 0.7 |
| Supreme Industries | 1,101 | 4,462.3 | 4,955.7 | 5,997.7 | 430.4 | 406.6 | 547.2 | 33.9 | 32.0 | 43.1 | 13% | 32.5 | 34.4 | 25.5 | 28.1 | 32.7 | 20.7 | 23.6 | 15.0 | 1.4 |
| UPL | 881 | 16,679.8 | 18,956.8 | 21,774.8 | 1,826.6 | 2,098.6 | 2,619.5 | 36.2 | 41.6 | 51.9 | 20% | 24.3 | 21.2 | 17.0 | 17.1 | 18.8 | 23.3 | 23.4 | 7.0 | 0.8 |

**Note:**
Crompton Greaves is in the process of selling its overseas power system business by Q4FY2016. Hence, we have not estimated the FY2017 numbers
Aurobindo Pharma post 1:1 bonus
Divis Labs post 1:1 bonus
Cadila Healthcare post stock split from Rs 5 to Rs 1
Godrej Consumer Products post 1:1 bonus

## Remarks

### Automobiles

**Apollo Tyres**

- Apollo Tyres (ATL) is the market leader in Truck and Bus tyre segments with a 28% market share in India. The company had invested $600 million in the past to set up a greenfield facility in Hungary and Rs4,000 crore for the expansion of capacity at its Chennai facility. The expanded capacities are likely to come on stream by FY2017-18. ATL has recently commenced operations at its greenfield facility in Hungary and the plant is already certified by leading OEMs for supplies. The Hungary plant's capacity (6.2 million tyres per annum) is similar to the current Vredestian plant capacity (6 million tyres per annum). ATL aims to produce ~1.8 million passenger car tyres from Hungary in FY2018, which would be ramped up to 5.5 million by FY2020. ATL aims to produce 0.7 million truck tyres from the Hungary plant and is expected to reach its full capacity by FY2020. The Hungary plant will further boost ATL's European operations going forward. Further, the recent foray in the Two Wheeler (2W) tyres segment has strengthened the presence of Apollo Tyres' across all the key automobile segments. ATL is likely to witness a revival in demand in the Truck & Bus replacement segment, as the threat from the Chinese imports has receded substantially. As per a notification from the US Department of Commerce, Chinese Truck & Bus tyre imports into the US have not been found hurting the American tyre companies, and as such, it has refused to impose anti-dumping duties on them. Therefore, the Chinese tyre companies are likely to shift focus back to the relatively high- margin US market, leading to a drop in exports to countries such as India. Hence, we expect ATL to benefit and regain market share from the Chinese tyre companies. Overall, we expect a 13% CAGR in top- line for ATL over FY2017-2019, as the management targets a double digit volume growth for FY2018. ATL has undertaken a price increase of 4% (blended) for its Indian operations, and has also announced a price hike of ~8% for the European operations in the winter tyre segment, effective May 2017 to counter the increase in RM costs. The management has indicated that it will take further price hikes in order to maintain OPM. We retain our 'Buy' recommendation on ATL with a revised price target of Rs270.

**Ashok Leyland**

- Ashok Leyland (ALL), the second largest CV (Commercial Vehicles) manufacturer in India, is a pure CV play.The commercial vehicle (CV) industry is poised for healthy growth in FY2018 on the back of improving economic growth led by the factors such as the successful GST rollout, the government's thrust on infrastructure and mining. Improved fleet operator profitability would also lead to better industry growth. Further, the company has planned a slew of new product launches in the light commercial vehicle (LCV) segment. Also, well acceptance of the new IEGR technology in the medium and heavy commercial vehicle (MHCV) segment coupled with network expansion has driven market share gains for ALL, and we expect it to outpace industry growth in FY2018. We expect ALL to report a 9% volume CAGR over FY2017-FY2019, as against industry growth expectations of about 7%. We retain our Buy recommendation on the stock with a revised price target (PT) of Rs.120.

**Bajaj Auto**

- Bajaj Auto (BAL) is a leading Motorcycle and Three Wheeler (3W) manufacturer with a significant presence in the export markets. In the domestic market, it is a leader in the premium motorcycle segment. The domestic motorcycle industry is expected to gain momentum in FY2018, driven by the improvement in the liquidity situation post demonetisation and the forecast of a normal monsoon. We expect the domestic motorcycle industry to grow by 6-7% in FY2018 as against a growth of 4% in FY2017Post transitory issues related to GST, we expect domestic volume growth to recover and estimate 4% growth in FY2018. Moreover, given the stability in crude oil prices and a low base in the past two years, BAL's export volumes are likely to grow by 14% to 1.6 million units in FY2018. Overall, we expect 8% volume growth in FY2018. However, higher raw-material prices, expiry of fiscal incentives at Pantnagar and increased competitive intensity would maintain pressure on BAL's margins. We expect the company's operating margin to drop by 230BPS YoY to 18% in FY2018. We retain our Hold rating on the stock with an unchanged price target of Rs.2,900.

**Gabriel India**

- Gabriel India (GIL) is one of India's leading manufacturers of shock absorbers and front forks with a diversified customer base. A firm outlook for the Two wheeler industry is based upon the improvement in on the ground demand post demonetization, pent-up demand due to deferment of purchases during 2HFY2017 (courtesy demonetisation) and an increase in farm incomes on the back of higher MSPs and forecast of a normal monsoon for 2017-2018. The PV industry is also likely to see a double-digit growth, driven by new launches. Further, Gabriel has received an order from the Indian Railways for the new LHB coaches and supplies are likely to commence from H2FY2018. We expect Gabriel's top-line to grow at a CAGR of 12% between FY2017 and FY2019. Gabriel managed to expand margins on a YoY basis, led by RM price negotiations with OEM customers and an improved product mix. We expect Gabriel's margins to improve further, underpinned by a healthy product mix. Also, the company's focus on parts simplification and increased automation will enable it to reach double-digit margins in FY2019. We retain a 'Buy' rating on the stock with a revised price target of Rs150.

**Hero MotoCorp**

- Hero MotoCorp (HMCL) is the largest Two Wheeler (2W) manufacturer in the world with sales of over 6.6 million vehicles in FY2017 and a domestic market share of 39%. The outlook for the domestic two-wheeler industry is encouraging, driven by forecast of a normal monsoon leading to positive rural sentiments, the upcoming festive season and the successful roll out of GST. Also, buoyant rural sentiments on account of higher farm incomes and liquidity reaching normal levels post demonetisation would be the key demand driver for Hero. The company has also lined up a slew of new launches in the scooters and premium motorcycle segment during FY2018, which would boost volume growth. We have factored a 9% CAGR in domestic volumes for FY2017-FY2019 and expect the company to grow in line with the industry. Additionally, aggressive plans for exports markets, which include tapping markets of Asia and LATAM, coupled with scaling up of production at its Bangladesh and Columbia plants provides visibility on the pickup in volumes. We expect Hero's exports volumes to reach 4.2 lakh units by FY2019 from 1.8 lakh units as of FY2017. Going ahead, given the improved rural demand, slew of new product launches and improving export volumes (due to penetration in new markets) would lead to strong double-digit volume growth of ~11% for FY2018. We retain our Buy rating on the stock with an unchanged price target of Rs.4,100.

**M&M**

- M&M is a leading maker of Tractors and Utility Vehicles (UV) in India. M&M's tractor volumes grew impressively by 23% for FY2017. A well progressing and evenly spread out monsoon, increase in sowing acreages and farm loan waivers in select states are expected to drive tractor volumes. Also new tractor launches and sustained demand for existing products would boost the tractor sales. We expect M&M's tractors volumes to report a 12% CAGR over FY2017- FY2019. M&M's auto segment volumes too are likely to grow at a 10% CAGR over the next 2 years driven by improved demand(under GST prices of Utility vehicles have reduced by 8-10%) and new product launches. We maintain our Buy recommendation on the stock with a revised SOTP-based price target of Rs 1,525.

**Maruti Suzuki**

- Maruti Suzuki is India's largest Passenger Vehicle (PV) maker with a strong 47% market share as of FY2017. It has been able to gain market share over the last two years on the back of a diverse product portfolio, a large distribution network with an increased focus on rural markets and a shift in consumer preference to petrol models from diesel. The demand outlook for passenger vehicles is encouraging, given the upcoming festive season and new product launches lined up. Themarket leader, Maruti is likely to continue to outpace industry growth, as four of its models (Baleno, Brezza, Ignis and Dzire), which form ~35% of the vehicle portfolio, command a waiting period of 2-5 months. Further, to curtail the waiting period for its cars, Maruti is speeding up production at its new Gujarat plant. Maruti targets to manufacture 150,000-160,000 units at Gujarat plant in FY2018, up from the earlier estimate of ~130,000 units. With supply constraints expected to ease out significantly, we expect Maruti to post strong double-digit volume growth at a ~12% CAGR over the next two years, which is substantially higher than the 8-10% growth expected for the passenger vehicle industry. We expect Maruti to sustain its trend of outpacing the industry, given the robust order book for its existing models. We maintain our Buy recommendation on the stock with a revised PT of Rs.8,500.

**Rico Auto Inds.**

- Rico Auto is one of the largest producers of high-pressure non-ferrous die castings for the auto sector. The significant cash inflow due to stake sale in a JV company has enabled it to deleverage its balance sheet. Additionally, a lower interest burden will result in a growth in the earnings and free cash flowRico Auto has embarked on an aggressive growth plan, which encompasses foray into new areas such as aftermarkets for two wheelers and four wheelers, fast-growing defence business and reentry into the clutch segment. Given the buoyant outlook for the two-wheeler segment, the management expects the existing alloy wheels business to grow by 50% to ~Rs.120 crore by FY2018. Also the company is in midst of a restructuring exercise, which aims at substantially improving its operational efficiencies. Also, new growth avenues coupled with incremental orders at better pricing would aid margin expansion. This coupled with robust topline growth is likely to generate strong operating leverage. Thus, we expect the company's OPM to expand by 180BPS over the next two years. We maintain our Buy recommendation on the stock with a revised PT of Rs.94.

**TVS Motor**

- TVS Motor (TVSM) is the fourth largest 2W manufacturer in the country with a strong presence in the Scooter segment. Over the past couple of years, the Scooter segment's growth has surpassed the growth rate of the Motorcycle segment. Currently, it contributes ~30% to the company's total 2W volumes. TVSM is aiming to outgrow the domestic 2W industry in FY2018 on the back of new launches and a wider distribution reach. TVSM plans to introduce a brand new scooter and a premium motorcycle developed in collaboration with BMW AG. TVSM is aiming to increase the market share from the current level of 15.3% to~17% in FY2018. We expect TVSM to register a 15% YoY volume growth in FY2018 as against the expected growth of ~8% for the Two Wheeler (2W) industry. Driven by the improvement in the brand image of its products (Jupiter and Apache), TVSM has been successfully able to take price hikes in the recent past to pass on the increasing costs. Further, introduction of premium products and adoption of better manufacturing processes under the alliance with BMW would boost the Operating Profit Margin (OPM) going forward. We expect TVSM's OPM to expand by 170BPS over the next two years. We retain our 'Buy' rating on the stockwith a revised price target of Rs580.

## Banks & Finance

**Axis Bank**

- Axis Bank is the third largest private sectors bank, which continues to grow faster than the industry and has diversified its book in favor of the retail segment (~40% of loans in retail segment). The bank's liability profile has improved significantly, which would help to sustain the margins at healthy levels. We expect the earnings growth to remain reasonably strong driven by healthy operating performance. Though asset quality pressures have emerged as pain points due to exposure in the infrastructure and steel sectors, we expect the stress to persist in near term.

**Bajaj Finance**

- Bajaj Finance, owned by Bajaj Finserv, is a fast growing, well-diversified leading NBFC in the country. It has assets spread across products, viz loans for consumer durables, two-wheelers and three-wheelers, loans to small & medium enterprises (SME), mortgage loans and commercial loans. Despite strong growth in loans, the asset quality and provisioning remain among the best in the system. Given the strong growth rate, high margins and return ratios, its premium valuations within the NBFC space is justified.

**Bajaj Finserv**

- Bajaj Finserv is a financial conglomerate that has a presence in the financing business (vehicle finance, consumer finance and distribution) and is among the top players in the life insurance and general insurance segments. Its consumer finance (Bajaj Finance) and general insurance businesses continue to report a robust performance, while the life insurance business is showing signs of pick-up after being affected by a change in regulations.

**Bank of Baroda**

- Bank of Baroda is among the top public sector banks (PSB) having a sizeable overseas presence (over 100 offices in 24 countries) and a strong network of more than 5,000 branches across the country. It has a stronghold in western and eastern India. Its performance metrics remain better than that of the other PSBs and asset quality has deteriorated in-line with the RBI's directive to clean the balance sheet.

**Bank of India**

- Bank of India has a network of more than 4,800 branches, spread across the country and abroad, along with a diversified product and services portfolio, and steadily growing assets. The operating performance and earnings have eroded significantly due to margin deterioration and a sharp rise in NPA. Given the rise in the number of incremental stressed loans and the relatively weaker capital position, its valuations may remain subdued.

**Capital First**

- Capital First (erstwhile Future Capital Holdings) had been acquired by global private equity firm, Warburg Pincus (a 36% stake). The present management has taken several initiatives to tap the high-growth retail product segments, like gold loans, loan against property and loan against shares. It has a strong CAR and sound asset quality. Its loan bookis expected to sustain a 25-30% growth over the next three years. As a result of several initiatives taken, the operating leverage will play out and may lead to significant pick-up in profitability over the medium term.

**Federal Bank**

- Federal Bank is among the better performing old private sector banks in India with a strong presence in south India, especially Kerala. Under the new management, the bank has taken several initiatives, which would improve the quality of its earnings and asset book. The asset quality has shown stress in the past few quarters, though we expect a gradual improvement in the NPAs and the operating performance to pick up gradually. The valuations seems attractive over the medium to long term.

**HDFC**

- HDFC is among the top mortgage lenders providing housing loans to individuals, corporates and developers. It has interests in banking, asset management and insurance through its key subsidiaries. As these subsidiaries are growing faster than HDFC, the value contributed by them would be significantly higher going forward. Due to a dominant market share and consistent return ratios, it should continue to command a premium over the other NBFCs. Any unlocking of value from its insurance business will be positive for the stock.

**HDFC Bank**

- HDFC Bank is among the top performing banks in the country having deep roots in the retail segments. Despite the general slowdown in credit growth, the bank continues to report a strong growth in advances from retail products. Its relatively high margins (compared with its peers), strong branch network and better asset quality make HDFC Bank a safe bet with a scope for expansion in the valuations.

**ICICI Bank**

- ICICI Bank is India's largest private sector bank with a network of over 4850 branches. The bank has made inroads into retail loans (~45% of the book) and significantly improved its liability franchisee. The operating profit improved significantly though its exposure to some troubled sectors (infrastructure, steel, etc.) has increased pressure on the asset quality. However, a healthy growth in the operating income and proceeds from the monetisation of its stake in various subsidiaries will help to deal with the NPA challenges.

**LIC Housing**

- LIC Housing Finance is the third largest mortgage financier (including banks) in India with a market share of 11% and loan book of over Rs1,00,000 crore. It is promoted by Life Insurance Corporation of India, which is among the most trusted brands in the country. With more than 200 branches, 1,241 direct sales agents, 6,535 home loan agents and 782 customer relationship associates, the company has among the strongest distribution structures in India to support business expansion. Going ahead, a revival in the economy and moderation in the borrowing rates could be the key triggers for the stock. Therefore, considering stable RoE of ~20%, sound asset quality and healthy growth outlook, the company's fundamentals are strong.

**PNB**

- Punjab National Bank has one of the best liability mixes in the banking space, with low-cost deposits constituting more than 44% of its total deposits. This helps it to maintain one of the highest margins among PSBs. However, in view of the weakness in the economy and relatively higher exposure to troubled sectors, the asset quality stress has increased and NPA issues are likely to persist over the next few quarters.

**PFS**

- PTC India Financial Services, owned by PTC India, is focused on providing financial solutions to projects in the energy value chain. Given the robust lending opportunities in the renewable energy segment and the likely reforms in the thermal power segment, the loan growth is expected to remain strong over the next two to three years. The proceeds from exits in investments would add to the profitability. The asset quality despite some deterioration is manageable.

**Union Bank**

- Union Bank of India has a strong branch network and an all-India presence. The bank aspires to become the largest retail and MSME bank. Hence, it has ramped up its manpower and infrastructure to ramp up retail, SME lending. The bank's asset quality challenges have come to fore (mainly from the corporate portfolio) whereas low tier-1 CAR also remains an area of concern.

**Yes Bank**

- Yes Bank, a new generation private bank, started its operations in November 2004 and has emerged as one of the top performing banks. It follows a unique business model based on knowledge banking, which offers product depth and a sustainable competitive edge over established banking players. The bank is suitably poised to ride the recovery in the economy and the retail deposit franchise is showing a sharp improvement, which will support the margins in the medium to long term

## Consumer goods

**Britannia**

- Britannia is the second largest player in the Indian biscuit market with ~30% market share. Under a new leadership, Britannia has been able to leverage and monetise its strong brand and premium positioning in the biscuits and snacks segments. The company is well placed to sustain its higher-than-industry growth rate with an improving distribution reach, deepening penetration in rural India, entry into newer categories and focus on cost efficiency. Britannia's management believes that the normalcy in consumption pattern (post the demonetisation-led shock) would take about 3-6 months from the current levels. However, the long-term growth strategy will remain intact. We recommend a 'Buy' on the stock. with a revised price target of Rs3,850.

**Emami**

- Emami is one of the largest players in the domestic FMCG market with a strong presence in the under-penetrated categories such as Cooling Oil, Antiseptic Cream, Balm and Men's Fairness Cream. The recently acquired "Kesh King" brand has improved the product and margin profile of the company. The management expects volume growth to recover to 10-12% in the short to medium term, as most of its products are in low-penetrated categories, and to enhance the company's direct distribution reach to about eight lakh outlets by end of FY2018. Boroplus cream, Kesh King and Zandu range of healthcare products will be some of the key volume drivers going ahead. On the international front, the MENAP region is expected to see a recovery in the revenue performance.

**GSK Consumer**

- GSK Consumer Healthcare is a leading player in the MFD segment with ~70% share in the domestic market. GSK Consumer's management has undertaken various initiatives to drive volume growth such as: 1) Price strategy to penetrate deeper into the rural areas/ small towns; 2) Media efficiency to create awareness in the urban markets; 3) Various programmes to connect with the urban consumers in a better way, and 4) Optimisation of costs in the supply chain. GSK Consumer is a dominant player in the HFD category with volume market share of 52.3%. With a strong cash kitty, it has the potential to revive growth in the coming years.

**GCPL**

- Godrej Consumer Products is a major player in personal wash, hair colour and household insecticide market segments in India. The recent acquisitions, i.e. Strength of Nature, Darling Group, Tura, Megasari and Latin American companies, have helped the company to expand its geographic footprint and improve growth prospects. GCPL is expected to be relatively less affected by demonetisation compared to other FMCG companies, as its domestic business constitutes ~50% of overall consolidated revenue. The company saw strong recovery in the performance of its domestic business in Q4FY2017 and we expect it to sustain the same in the coming quarters. Further, the company's international business is expected to post a better performance, underpinned by the revival in Indonesia and expectations of strong revenue growth and improvement in profitability in Africa. However, the recent run up in the stock price does not provide much upside from the current levels.

**HUL**

- Hindustan Unilever is India's largest FMCG Company. The implementation of GST will have a near-term impact on the company's procurement; manufacturing; distribution; accounting and taxation; and IT and customer development.Being present in the essential consumer goods categories, HUL will be one of the key beneficiaries of GST implementation due to lower tax rate under GST in most of the key categories including soaps, toothpaste and detergents. Though the growth prospects are intact, the recent run-up in the stock price has capped the upside.

**ITC**

- ITC has a strategy of effectively utilizing the excess cash generated from its cash cow, the cigarette business, to strengthen and enhance its other non-cigarette businesses. The recent cess hike on cigarettes will keep cigarette sales volume under pressure in the near term. The non-cigarette FMCG business would see better growth in the coming years, with an expected pick-up in rural demand. This however will not add substantially to the profitability of the company. Hence in view of near term concern on cigarette business we have a Hold recommendation on the stock.

**Jyothy Labs**

- Jyothy Laboratories is the market leader in the fabric whitener segment in India. With the successful integration of Henkel it has transformed itself from a one-brand wonder to an aggressive FMCG player. We expect JLL to see an early recovery (Post the demonetisation) because of its strong presence in South India, which has high penetration of non-cash transactions. Moreover, the company is focusing on enhancing its direct distribution reach.

**Marico**

- Marico is among India's leading FMCG companies. Its core brands, Parachute and Saffola, have a strong footing in the market. It follows a three-pronged strategy, which hinges on expansion of its existing brands, launch of new product categories (especially in the beauty and wellness space) and growth through acquisitions.. Marico is one of the strongest players in the domestic branded Hair Oil and Edible Oil markets, with a leadership position in both the categories. The shift in consumer pattern, along with its clear focus on improving the prospects of the growing Value-added Hair Oil portfolio and niche segments such as Male Grooming would act as a key catalyst to boost revenue growth in the near to medium term.

**Zydus Wellness**

- Zydus Wellness has small product portfolio, consisting of just three brands (Nutralite, Sugar Free and Everyuth) that cater to a niche category. The management of Zydus Wellness is confident of good revenue growth in the coming quarters on account of a revamped distribution system and regular media & promotional initiatives to improve brand awareness (largely in the urban markets). The company is aiming to improve the growth prospects of its key categories by regular new product/variant additions and plans to expand its footprint into the international markets.

## IT/IT services

**Firstsource**

- Firstsource Solutions is a specialized BPO service provider. The management remained cautious on the demand trajectory for FY2018 due to a sharp deterioration in its Mortgage Business, and softness in the Collection Business. Overall, FSL foresees industry level growth of 6-8% in CC terms in FY2018 and its OPM to improve by 50-60BPS on CC basis for FY2018. The health of its balance sheet is improving gradually, as the company is reducing its debt burden consistently through internal accruals. We expect the ongoing macro overhang to restrict the stock's outperformance in the near-to-medium term, as FSL has a 37.6% exposure to the UK market.

**HCL Tech**

- HCL Technologies has a leadership position in ERD and IMS space, that together accountfor ~58% of the company's total revenue. The management believes that cross-selling to the existing ERD and IMS clients could unravel a larger business opportunity going forward. The company has not shied away from taking the inorganic route to strengthen its offerings. In addition, the management has made investments in digital technologies (DRYiCE), which will catapult the company to the next level of growth during the ongoing digital transition. We remain positive on the company in view of its large order wins, acquisitions in the ERD space, investments in applications space and superior earnings visibility.

**Infosys**

- Infosys is India's premier IT and IT-enabled Services Company that provides business consulting, technology, engineering and outsourcing services. Under the leadership of Vishal Sikka, the company is doing the right thing by investing in the digital space (both organic and inorganic), improving client engagement through design thinking, and automation. Although the company's investments in Digital and Automation businesses are appreciable, meaningful benefits from this strategy are taking much longer to fructify than anticipated earlier (partly attributed to material weakness in other segments). We remain positive on the company's growth prospects for the coming years.

**Persistent**

- Persistent Systems has proven expertise and a strong presence in newer technologies, strength to improve its IP base and a decent margin profile, which sets it apart from the other mid-cap IT companies. PSL is focusing on the development of IoT products and platforms, as it sees significant traction from Industrial Machinery, SmartCity, Healthcare and Smart



Agriculture verticals. Further, led by the alliance with IBM to build IoT solutions for IBM's Watson platform and re-sell agreement with IBM, we expect the revenue momentum to accelerate in FY2018/FY2019 and the margins are likely to improve in FY2018 on the back of the initiatives taken by the company.

**TCS**

- Tata Consultancy Services is among the pioneers of the IT services outsourcing business in India and is the largest IT service firm in the country. Its management expects the digital revenues to grow much faster in the coming years; these grew by 29% YoY to $3 billion in FY2017. Given the macro headwinds, ongoing industry transition, and modest earnings growth over FY2017-2019E, we do not see enough merits for an upgrade in TCSO n a longer term basis. Our preference in TCS is due to its diversified portfolio and its head-start in the Digital space.

**Wipro**

- Wipro is among the top five IT companies in India but in the last few years it has been lagging the industry in terms of growth. We believe, owing to weakness in verticals like healthcare and telecom, it is unlikely to show material improvement in FY2018 earnings. The management has given an ambitious target of $15 billion revenues and 23% margin by 2020. We see the target of new CEO Abid Ali Neemuchwala as an uphill task looking at the current growth trajectory. Therefore, we remain skeptical, as anecdotal evidence on Wipro in the last two to three years does not inspire confidence.

## Capital goods/Power

**BHEL**

- Bharat Heavy Electricals (BHEL), India's biggest power equipment manufacturer, has been the prime beneficiary of the multi-fold increase in the investments made in the domestic power sector over the last few years. However, the order inflow has been showing signs of slowing down which would remain a major concern for the company. The key challenge before the company now would be to maintain a robust order inflow and margin amid rising competition and lower order inflow.

**CESC**

- CESC is the power distributor in Kolkata and Howrah (backed by 1,225MW of power generation capacity) which is a strong cash generating business. Further, 600MW of regulated generation capacity (to serve Kolkata distribution) has come on stream recently in Haldia. Also its 600MW thermal power project at Chandrapur has signed PPA and started operating. The losses in the retail business are coming down gradually over the past and it is expected to break-even soon. The BPO subsidiary, Firstsource, is performing well in-line with expectations. However, the recent diversification into unrelated businesses like IPL franchisee would hurt its valuations. CESC has announced the demerger of the business into four verticals namely Power Distribution, Power Generation, Retail and IT Outsourcing. The restructuring looks beneficial for minority shareholders optically. However, we await clarity on the financials of the demerged companies till October 1, 2017.

**Crompton Greaves**

- Crompton Greaves' key businesses - Industrial and Power Systems - are going through a rough patch and are potential beneficiaries of the upcoming investment cycle revival. Also, the company is looking to unlock value by selling its international subsidiaries.

**Finolex Cables**

- Finolex Cables, a leading manufacturer of Power and Communications Cables, is set to benefit from an improving demand environment in its core business of cables. It is leveraging its brand strength to build a high-margin consumer product business. It has recently launched Fans and Switch Gears. Further, it is planning to launch Water Heaters soon. The addition of new products in the product portfolio could be the next growth driver. We anticipate a healthy earnings growth, return ratios in high teens and superior cash flows, which bode well for the stock. Therefore, we remain positive on the stock.

**Greaves Cotton**

- Greaves Cotton (GCL) is a mid-sized and well-diversified engineering company. Its core competencies are in Diesel/ petrol Engines, Power Gensets, Agro Engines, Pump Sets (engine segment) and Construction Equipment (infrastructure equipment segment). The management has taken a strategic call to close and hive off the loss-making infrastructure equipment division. GCL expects FY2018 to be a better year, as the liquidity situation post demonetisation has been improving gradually. GCL is witnessing volume recovery in the Automotive segment. GCL is also expecting a healthy growth in FY2018 in view of the new product launches lined up in the Farm Equipment and Genset segments. Also, with GCL expanding its distribution reach, the Aftermarket business is expected to grow in double digits. Further, GCL has already commenced the supplies of BS4-compliant engines to its Automotive customers. BS4 engines fetch 8-10% better realisation vis-a-vis BS3 engines, and would aid in boosting the top-line growth. GCL's top-line is likely to grow at a healthy 12% CAGR over the next two years, driven by new product launches in the Farm Equipment and Genset businesses, commencement of high realisation BS4 engine supplies and expansion of the distribution reach in the Aftermarket space. The recent foray by Greaves Cotton in the Multi-brand Spares business offers an additional growth avenue to the company Further, GCL is likely to broadly maintain its margin going ahead. We remain positive on the stock and maintain our 'Buy' rating with a revised price target of Rs190.

**Kalpataru**

- Kalpataru Power Transmission is a leading EPC player in the Power Transmission & Distribution space in India. Opportunities in this space are likely to grow significantly, thereby providing healthy growth visibility. The OPM of the standalone business is likely to remain around 10%, while the OPM of JMC Projects (a subsidiary) is showing signs of improvement. We see some value unlocking potential from the sale of assets or listing of new business in future. We remain positive.

**KEC**

- KEC International is a Global Power Transmission Infrastructure EPC major. It has presence in the verticals of Power T&D, Cables, Railways, Water, Renewable (Solar Energy) and Civil. Globally, the company has powered infrastructure development in more than 61 countries. KEC is a leader in Power Transmission EPC projects and has more than seven decades of experience. Over the years, it has grown through the organic as well as inorganic route. We estimate the company's OPM to improve to ~ 10% and D-E ratio to improve to 0.6:1 by the end of FY2019E, we retain our positive outlook on the stock.

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| **PTC India** | ◆ PTC India is a leading power trading company in India with a market share of 35-40% in the short-term trading market. Over the last few years, the company has made substantial investments in areas like power generation projects and power project financing, which will start contributing to its earnings. We retain our positive stance on expected healthy volume uptick, with an increasing share of long-term contract business. |
| **Skipper** | ◆ Skipper is uniquely placed to exploit the growing opportunities in two lucrative segments: power (transmission tower manufacturing and EPC projects) and water (PVC pipes). It had a comfortable order book of Rs2,600 crore orders at the end of Q4FY2017 in the transmission business, which looks promising given the huge investments proposal by the government in the power T&D segment in the next five years. It has expanded the PVC capacity manifold (4x) and aspires to turn into a national player from a regional player. |
| **Thermax** | ◆ The Energy and Environment businesses of Thermax are direct beneficiaries of the continuous rise in India Inc's capex. Thermax group's order book stands at around its consolidated revenues . However, the company has shown an ability to maintain double-digit margins in a tough macro-economic environment. We retain 'Hold' on the stock due to its rich valuation. |
| **Triveni Turbines** | ◆ Triveni Turbines (TTL) is a market leader in 0-30MW steam turbine segment. TTL is at an inflexion point with a strong ramp-up in the after-market segment and overseas business while the domestic market is showing distinct signs of a pick-up. The company has also formed a JV with GE for steam turbines of 30-100MW range which is likely to grow multi-fold in the next 4-5 years. TTL is virtually a debt-free company with a limited capex requirement and an efficient working capital cycle, reflected in very healthy return ratios. Further, boosted by the expected uptick in the domestic capex cycle, the company's earnings are likely to grow by 15-16% per annum over the next two years. |
| **V Guard Ind** | ◆ V-Guard Industries is an established brand in the electrical and household goods space, particularly in south India. Over the years, it has successfully ramped up its operation and network to become a multi-product company. The company has a strong presence in the south region. It is also aggressively expanding in non-south markets and is particularly focusing on the tier-II and III cities where there is a lot of pent-up demand for its products. We remain positive. |
| **Va Tech Wabag** | ◆ VA Tech Wabag (VTW) is one of the world's leading companies in the water treatment field with eight decades of plant building experience. Given the rising scarcity of fresh water availability, we expect flow of huge investments in water segment both globally and domestically. With rising urbanisation and industrialisation in India, we expect substantial investments in this space. Given the large opportunity ahead and inherent strengths of VTW, like professional management, niche technical expertise and global presence, we remain positive on the stock. |
| | **Infrastructure/Real estate** |
| **Gayatri Proj** | ◆ Gayatri Projects is a Hyderabad-based infrastructure company with a very strong presence in irrigation, road and industrial construction businesses. The order book stands at Rs12,932 crore, which is 6.1x its FY2017 revenue. It has completed its power and road BOT portfolio and plans to unlock value by offloading stake to private equity. The company has potential to transform itself into a bigger entity. |
| **IRB Infra** | ◆ IRB Infrastructure Developers is the largest toll road BOT player in India and the second largest BOT operator in the country with all its projects being toll based. It has an integrated business model with an in-house construction arm which provides a competitive advantage in bidding for the larger projects and captures the entire value from the BOT asset. Further, it has a profitable portfolio as majority of its operational projects have become debt-free and it has presence in high-growth corridors, which provides healthy cash flow. Thus, it is well poised to benefit from the huge opportunity in the road development projects on the back of its proven execution capability and the scale of its operations. |
| **Jaiprakash Asso** | ◆ Jaiprakash Associates has been facing earnings pressure across business verticals. Further, it has just concluded its cement asset sale worth Rs.16,000 crore and transferred 1,000 acres land worth Rs.13,000 crore to an SPV, which will reduce its debt burden. The company, going ahead, will be focusing primarily on EPC business and balance portfolio of business verticals and aim to reduce its debt further. The current business restructuring has led to a cautious view on the stock. |
| **L&T** | ◆ Larsen & Toubro, being the largest engineering and construction company in India, is a direct beneficiary of the domestic infrastructure capex cycle. Further, backed by its sound execution track record and healthy order book, the company is expected to perform well. Monetisation of the non-core businesses will continue for some time, leaving scope for further value unlocking. Measures planned by the company to improve its return ratios augur well. Hence, we remain positive on the stock. |
| **NBCC** | ◆ NBCC (India), a Navratna public sector enterprise is notified as a Public Works Organization (PWO), which gives it a unique eligibility to bag orders on a nominated basis from government departments and PSUs. NBCC has already amassed a huge order book, which gives it a strong revenue visibility for the next five years. Moreover, future prospects look much brighter given the opportunities from multiple areas, like redevelopment of old government colonies in Delhi, Rajasthan & Odisha, development of government lands, Smart Cities, 'Housing for All 2022' and 'Amrut. Considering the huge competitive advantage, a unique business model, high return ratios and healthy cash flows, we remain positive on the stock. |
| **Sadbhav Eng** | ◆ SEL is engaged in 1) EPC business for Transport, Mining and Irrigation sectors, and 2) Development of Roads & Highways on BOT basis through SIPL. SEL has a healthy order book of Rs9,258 crore (2.8x its FY2017 revenue, including L1 in two HAM projects worth Rs1,575 crore), with presence in 11 states. The company has robust in-house integrated execution capabilities with qualified human resource and owned equipment. We expect SEL to benefit from an improvement in order execution, enhanced order inflows (particularly from the Transport segment) and resolution of working capital issues, resulting in a sturdier balance sheet. Further, the improving outlook for the Indian Road sector and limited competitive intensity augur well for SEL since it is present in both, asset creation and EPC verticals. |

## Oil & gas

**Oil India**
- Oil India has several hydrocarbon discoveries across reserves in Rajasthan and the north-eastern region of India. The company holds 2P (proved and probable) reserves of 79mmt for oil and 124mmtoe for gas. Its reserve- replacement ratio is also healthy. Though currently weak global crude oil prices are weighing on its performance, operational performance is healthy and offers high dividend yield.

**Reliance Ind**
- Reliance Industries has one of the largest and complex refining businesses in India, which enjoys a substantially higher refining margin over the benchmark GRM. Further, its petrochemical business is also highly efficient, where RIL is expanding capacity. We expect the GRM to remain healthy and the petrochem margin to be maintained in the medium term on an uptick in the domestic demand. Capex in downstream business (incremental capacity in the petchem business and petcoke gasification in refining) would be the earnings driver in the coming years. Large investment in Reliance Jio could add value in long term.

**Selan Exploration**
- Selan Exploration Technology is an oil E&P company with five oil fields in the oil-rich Cambay Basin of Gujarat. The initiatives taken to monetise the oil reserves in its Bakrol and Lohar oil fields are likely to improve production. Based on this, we expect it to ramp up production significantly, subject to approval for the new wells. However, weak global oil prices are likely to be an overhang on the stock in the medium term.

## Pharmaceuticals

**Aurobindo Pharma**
- Aurobindo Pharma is set to post a healthy growth on the back of a ramp-up in the US and European markets, thanks to a strong product pipeline built over a period and focus on niche segments like injectibles, hormones, penems and sterile products. The expected increase in the export-led business and a favorable tilt in the revenue mix are likely to boost the margin, resulting in a faster growth in the earnings as compared to the revenues. Pricing pressure, USFDA inspections and appreciating rupee warrant a caution in the near term.

**Cadila**
- The USFDA recently inspected Cadila Healthcare's Moraiya facility and gave a clearance without any 483 observations. This clears the big overhang on the growth prospects of the company's US business (which was affected due to delayed product approvals by the USFDA), as the pace of approval will improve going ahead. We feel that several high-value products like generic Toprol XL, Lialda, Transdermal, Respiratory products, etc. would receive approval in the near to medium term. This would be a key catalyst for growth and margin expansion over the FY2018-2019 period.

**Cipla**
- Cipla has brought about a paradigm shift in its business strategy. To revive growth it has (1) enhanced focus on technology-intensive products in the inhalation and nasal spray segments; (2) established front-end presence in the key markets like South Africa, USA and Europe; (3) developed an appetite for inorganic expansions; and (4) invested in future growth areas like biosimilars. The UK approval for gSeretide comes at a crucial time for Cipla, as it will help the company to gain traction in its business across global markets. The Cipla management sounded confident of ramping up USA and EU businesses with new product launches, and expects benefits from cost- control initiatives to drive the company's earnings from FY2018 onwards. The company has recently received EIR's for Indore, Goa and InvaGen plants. For the India business, the management has cautioned that the GST impact will linger for two quarters, resulting in de-stocking during the pre-implementation quarter followed by another two months post the GST rollout (to educate the channel partners on the regulatory requirements).

**Divi's Labs**
- USFDA lifts import alert 99-32 (implying refusal to permit inspection of a facility or provide reasonable access to FDA's inspection personnel) from unit-2 at Vishakhapatnam. The US Food & Drug Administration (USFDA) had issued two import alerts (import alert 99-32 and 66-40) for Divis Laboratories' Unit-2 at Visakhapatnam, Andhra Pradesh, with exemption of ten products from the import alert. Vizag's Unit-II accounts for nearly 32% of exports to the US. Overall exposure to the US market from Vizag's unit-II is 22-23%. However, exemption of 10 products has reduced the impact to less than 5% of total sales. Lifting of import alert 66-40 and warning letter is crucial to watch for as it will allow Divis to export to the US and business will be back to normalcy. Given the overhang on the time-line of a resolution, we continue to keep our price target under review and maintain our 'Hold' rating.

**Glenmark Pharma**
- The management has guided for a 12-15% revenue growth for FY2018 with flattish OPM as there is significant pressure in the US base business (10-12% price decline) due to consolidation of players and increasing competition.. Although few more significant opportunities fall in FY2018, we feel the pricing pressure in the US base business, limited visibility on margin expansion and lower–than-expected debt reduction will remain the key headwinds in the near term. Timely monetisation of Para IV opportunities (like gWelchol and gRenvela) (FY2018/FY2019) and big licensing deals in the R&D business will be the key catalysts to keep an eye on.

**Lupin**
- The Lupin management has indicated that the next 12-15 months will be difficult, as the US, Japan and India businesses are undergoing structural changes. Mounting pricing pressure due to consolidation of distribution channels, increasing competition in gFortamet and gGlumetza, slow ramp up of Gavis portfolio and appreciating rupee will add to the pressure on US business and delay in key product approvals are likely to persist going forward.gRenvela opportunity for the US market is also lost due to entry of another generic player, with many other players in fray. Therefore, we feel that Lupin will continue to witness pressure on its US business and margins over the next few quarters. Moreover, management has further reduced its already-weak operating margin guidance of 24-26% to 21-23% for FY2018.

**Sun Pharma**
- The USFDA has classified the company's Halol facility under the Official Action Indicated (OAI) post the re-inspection done in December 2016. This indicates further delay in the resolution of the Halol plant issue (expect remediation to be over by the end of FY2018 post which the USFDA will again re-inspect the plant), and till then the company will not receive any new product approval. The management has confirmed site transfer of some NDAs and key products to mitigate the risk from delayed approvals. However, taking into consideration uncertainties like pricing pressure, GST



roll-out, price cuts in the domestic business in the near term, the management has guided for a single digit de-growth in sales for FY2018. R&D spend will be in the range of 9-10% of sales in FY2018 (v/s. 7.6% in FY2017), and the tax rate will also increase, thereby exerting more pressure on the profitability.

**Torrent Pharma**

- Two key geographies, namely the US and India (contributing 32% each to the company's total sales) are going through challenging times due to rising competition and price cuts, respectively. Torrent Pharma is re-filing gRenagel in the US, which could mean delay in its approval. In the India business, the management is focusing on improving profitability by building larger brands. The management guided for growth above Indian pharma market (IPM) going forward, as it strengthened its gynecology franchise by adding some brands from Novartis in 4QFY17 which shall see traction in H2FY2018. Overall we feel few more key ANDA approvals in the US market, Dahej facility ramp up and pick up in domestic business will be a key near-term trigger to watch out for.

## Building materials

**Grasim**

- Grasim is better placed compared with the other large players in the cement space due to its strong balance sheet, comfortable debt/ equity ratio, attractive valuation and diversified business. The full ramp-up of Vilayat plant (increasing capacity to 804,000 tonne) is likely to aid VSF volumes going ahead, though prices may soften in the near term. Further, the merger of ABCIL and expansion in caustic division are likely to maintain a strong performance in the chemical division. On the cement front, the company expects demand to pick up in the near term while a slow execution of government projects and surplus inventory remain areas of concern.

**The Ramco Cements**

- The Ramco Cements, one of the most cost-efficient cement producers in India, will benefit from the capacity addition carried out ahead of its peers in the southern region. The company is mulling over the expansion of its satellite grinding capacity from 4MTPA to 7.1MTPA at a cost of Rs1,095 crore. The expansion aims to strengthen reach in Andhra Pradesh, West Bengal and North Eastern states.. The company has reaped the benefits through cost-saving measures, besides constantly reducing its debt, leading to improved profitability. In a nutshell, better volumes, cost efficiencies and reducing leverage have yielded benefits for the company.

**Shree Cement**

- Shree Cement's expansion plan to reach 40MT by FY2020 (currently 27.2mtpa) and increasing geographical footprint in the Eastern and Southern region is likely to aid in better volumes growth going ahead. The cement pricing discipline should help in improving realization for FY2018-2020. However, the increased cost structure (power and freight cost) affecting operating margins and higher effective tax rate is likely to limit net earnings growth in the near term.

**UltraTech Cement**

- UltraTech Cement is India's largest cement company with expected capacity to reach 95.4mtpa by the end of FY2019. We expect UltraTech to report industry-leading volume growth on the back of timely capacity expansion (acquisition of Jaypee Group's cement assets) and likely revival in demand (with the start of affordable housing projects and enhanced spending on infrastructure development). However, the rise in the cost of Petcoke and Diesel along with integration of Jaypee Group's cement asset integration pose near term risk to OPM.

## Discretionary consumption

**Arvind**

- Arvind is one of the India's leading vertically integrated textile companies with an experience of more than eight decades in the industry. The company has switched itself into branded retail space by enhancing its branded portfolio. Arvind is a licensee for marketing various marquee global brands in India like Arrow, US Polo, Tommy Hilfiger, Calvin Klein. It also operates Specialty Retail stores under the licensee brands like GAP, The Children's Place, Aeropostale and Sephora. The company also has presence in retail space through Unlimited and The Arvind stores. Arvind has registered a decent financial background with revenue CAGR growth of 15% and PAT CAGR growth of 23% over past five years. The long-term growth story remains intact. However, due to near-term headwinds of GST leading to de-stocking and an early EOSS, we have maintained Buy with a price target of Rs. 485.

**Century Plyboards**

- Century Plyboards is a leading player in the organised plywood industry with a market share of 25%. A strong growth in the sector, Century's premium positioning and brand equity strength, and the successful GST roll-out would enable it to post a revenue growth (CAGR) of 19.2% over FY2017-2019E. On the back of a revenue growth and better absorption of fixed costs, the earnings are likely to grow at a rate of 23.2% CAGR over FY2017-2019E We believe that the structural growth triggers for Century Plyboards are becoming visible due to 1) The implementation of GST (expected to result in a shift of market share to the organised players from the unorganised players, as they lose the cost advantage); 2) The government's relentless focus on affordable housing; 3) The MDF unit getting operational in tandem with GST implementation.

**Cox & Kings:**

- Cox & Kings is an integrated player in the tourism & travel industry, with a strong presence in the global leisure travel segment and the education tourism segment in Europe. It has a 30% market share in the global outbound tourism market. During FY2016 and FY2017 the company's business was affected by events such as terrorist attacks in Brussels and Parris, Brexit (affecting the Education business in the UK and resulting in a sharp depreciation in GBP) and demonetisation in India (a short-term negative impact on the India Leisure Travel business). Also, the company restructured its business by exiting from its non-core businesses in the past two years. We expect FY2018 to be much better operationally, with business fundamentals improving in the domestic and international markets. After the recent run-up in the stock price, the limited upside led us to downgrade the stock's rating from Buy to Hold with a revised price target of Rs295.

**Info Edge (India)**

- Info Edge is India's premier online classified company in the recruitment, matrimony, real estate, education and related service sectors. Naukri is a quality play on the improving macro environment and is directly related to the GDP growth and Internet/mobile penetration. Further, prevailing lower competitive intensity in the real estate space is positive in terms of profitability. We continue to derive comfort on Info Edge's business strength, with leading market share in key businesses. We expect its earnings trajectory to catch up, as macro headwinds subside.

**INOX Leisure**

- INOX Leisure (ILL), India's second largest multiplex operator with 119 properties and 476 screens across 58 cities (accounting for about 27% of the multiplex screens in India) is scripting a blockbuster growth story through a mix of inorganic and organic expansion plans to scale up the total screen count to 976 screens over the next 24-30 months. The ILL mega show is supported by an improving content quality in the Indian mainstream and regional cinema with its movies regularly hitting the Rs100-crore or Rs200-crore box-office collection mark. FY2017 was a difficult year for ILL, and the management expects FY2018 to be a better year, underpinned by a strong content pipeline, GST implementation and improvement in other operating metrics. We continue to remain positive on ILL from a long-term perspective, given its pan-India growth plans, healthy balance sheet (lower financial leverage) and potential benefits from GST rollout.

**KKCL**

- Kewal Kiran Clothing (KKCL) is a branded apparel play with four brands in its kitty. Killer, its flagship denim brand, has created a niche space in the minds of consumers. Q1FY2018 was dull because of inventory de-stocking by various trade channels. Management is confident of regaining growth in H2FY2018 as consumer demand is expected to improve on account of stable inflation and better macro environment. In view of near-term GST headwinds and slow recovery in discretionary categories we maintain our Hold recommendation on the stock

**Orbit Exports**

- Orbit Exports (Orbit) is a leading manufacturer and exporter of novelty fabrics, exporting its products to over 32 countries. It is a recognised star export house and operates in the niche area of high-end fancy fabrics, which are mainly used by designers in women's fashion apparels. The Orbit management indicated that the Latin American business has started recovering and a good performance can be expected in the coming quarters. The Middle East business is however expected to remain under pressure. The high-margin Ribbons & Made-ups business is expected to grow in strong double digits. Overall, the management is confident of growing in mid-to-high teens in the short to medium term. Further, Orbit has one of the better balance sheets in the Textile industry and we expect it to improve further in the coming years. However, in view of near-term concerns in the export markets, we maintain our 'Hold' rating on the stock.

**Relaxo Footwear**

- Relaxo Footwear is present in the fast-growing footwear category, wherein it caters to customers with its four top-of-the-mind-recall brands, viz, Hawaii, Sparx, Flite and Schoolmate. It has emerged as an attractive investment opportunity due to its growing scale, strong brand positioning and healthy financial performance. With the rural and urban demand expected to recover from the demonetisation shock (due to improvement in the liquidity situation), we expect Relaxo's revenue growth to gradually improve in the subsequent quarter. Also, the implementation of GST will bring under its fold all the unorganised players, and we believe that the price difference between branded and unbranded players will get reduced.

**Thomas Cook (I)**

- Thomas Cook India (TCIL), owned by the legendary value investor Prem Watsa, is an integrated leisure travel and human service management company in India. FY2017 was a year of integration for TCIL's travel and HR businesses. Though the momentum in revenue growth will sustain going forward, margins are likely to improve in a gradual manner, as benefit from the integration of recent acquisitions will take some time to fructify. Further, the company is planning to re-brand its VO business and, therefore, investment in the VO brand will increase. In view of the short-term pressure on margins and the recent run-up in the stock, we downgrade our rating to Hold on the stock with an unchanged price target of Rs229.

**Wonderla Holidays**

- Wonderla Holidays Ltd (WHL) is the largest amusement park company in India with over a decade of successful and profitable operations. It owns and operates two amusement parks under the brand name Wonderla in Kochi and Bengaluru, and came up with a third park in Hyderabad in Q1FY2017. The setting up of a new park in Chennai will make WHL one of the strongest players in the South Indian market. The Hyderabad park will continue to drive the company's performance in the near term, while a gradual improvement in footfalls at Kochi and Bangalore would result in double-digit revenue growth in the medium to short term. Therefore, we maintain our 'Buy' recommendation with an unchanged price target of Rs 425.

**Zee Entertainment**

- Zee Entertainment Enterprises (ZEEL), part of the Essel group, is one of India's leading TV media and entertainment companies. It has a bouquet of more than 40 channels across Hindi, regional, sports and lifestyle genres. ZEEL continues to outperform the broadcasting advertising market and expects to continue the momentum with an improvement in the macro economy. ZEEL's ad growth could be impacted in the near-term led by GST implementation, as the largest ad revenue sources are currently turned tightfisted on ad spends. We expect growth in the ad spends to bounce back to earlier level from Q3FY2018. Given ZEEL's consistent focus on the five key pillars to drive growth, we believe that successful execution of this strategy will have a material impact on sustainable growth going forward. We continue to see ZEEL as the prime beneficiary of macro revival and digitisation.

## Diversified/Miscellaneous

**Bajaj Holdings**

- Bajaj Holdings & Investment (BHIL, erstwhile Bajaj Auto) was demerged in December 2007, whereby its manufacturing business was transferred to the new Bajaj Auto Ltd (BAL) and its strategic business consisting of the wind farm and financial services businesses was vested with Bajaj FinServ (BFS). All the businesses and properties, assets, investments and liabilities of erstwhile Bajaj Auto, other than the manufacturing and strategic ones, now remain with BHIL. BHIL is a primary investment company focused on new business opportunities. Given the strategic nature of BHIL's investments (namely BAL and BFL), we have given a holding company discount of 54% to BHIL's equity investments. The liquid investments and investments in other group companies have been valued at cost. Further, the price target (PT) for BFS has been revised upwards to Rs3,950, as BAGIC and BAF businesses are showing improved performances and are likely to maintain the high growth trajectory. Also, the Life Insurance business is improving steadily. However, the outlook for BAL remains weak and we continue to have a 'Hold' rating on the stock. Consequently, we have maintained our 'Buy' rating with a price target to Rs2,516.

**BEL**

- Bharat Electronics, a PSU manufacturing electronic, communication and defense equipment, stands to benefit from the enhanced budgetary outlay for strengthening and modernising the country's security equipment. The "Make in India" initiative of the government will support the earnings growth in the coming years, as it is the only player with strong research and manufacturing units across the country. The company's current order book of around Rs41,052 crore provides revenue visibility for the next three to four years.

**Bharti Airtel**

- Bharti Airtel is the leader in the Indian mobile telephony space. With Reliance Jio's shift from free to deep discounted price, Airtel has also rolled out its aggressive pricing strategy accordingly to counter Reliance Jio's offerings and is able maintain its market share. Going forward, from a long-term perspective, explosive growth in the data segment, strong network and reach will help Bharti emerge stronger, but the near-term intensifying competitive intensity in the sector would continue to impact the company's earnings performance. We maintain our Hold rating on the stock with a price target of Rs450.

**GDL**

- With its dominant presence in the Container Freight Station segment the Rail Freight and Cold Chain businesses, Gateway Distriparks has evolved as an integrated logistic player. Its CFS business is a cash cow while its investments in the Rail Freight and Cold Storage businesses have started bearing fruits. It is one of the largest players in the CFS business and has also evolved as the largest player in the Rail Freight business as well as the Cold Storage business. The proposed capex for all the three segments will strengthen its presence in each of the segments and increase its pan-India presence going forward.

**Max India**

- Max India has demerged into three different entities of which Max Financial Services will hold Max Life Insurance (new Max India will hold Max Healthcare, Max Bupa Health Insurance and Antara businesses). Max Life Insurance (held by Max Financial Services) is among the leading private sector insurers, has gained the critical mass and enjoys the best operating parameters in the industry. As the insurance sector is showing signs of stabilisation, the company's favorable product mix and a strong distribution channel will result in healthy growth in the premiums and profits.

**PI Industries**

- PI Industries (PII), a leading agro-chemical company, has a differentiated business model with focus on the fast-growing custom synthesis and manufacturing (CSM) business, which contributes 60% of its revenues. To sustain the growth momentum, the company has expanded its manufacturing capacity in Jambusar at a cost of Rs300 crore and the new capacity has commissioned in H2FY2016. PII is gradually ramping up production at the recently commissioned Jambusar facility. PI has recently entered into a strategic partnership with a multinational chemical major for co-marketing of its products in the Indian market. Also, the IMD has forecasted a normal monsoon for 2017, which coupled with the expanded product offerings provide comfort for domestic business growth. On the exports front, the global Agrochemicals market is on track to recover owing to commodity prices showing signs of firming and a likely correction in the channel inventories. The CSM business' order book for the quarter stood at ~$1 billion (against $800 million for Q3FY2017), up by an impressive 25% QoQ. We expect the overall revenue to grow at a CAGR of 15% between FY2017 andFY2019. Further, the product mix is likely to turn in favor of the high-margin CSM business due to the foray into the Pharma segment and an expected pick-up in the CSM orders. This is expected to result in ~ 60BPS margin improvement over the next 2 years. We upgrade our recommendation to 'Buy' with a revised price target of Rs970.

**Ratnamani Metals**

- Ratnamani Metals & Tubes (RMTL) is the largest stainless steel tube and pipe maker in India. Despite the challenging business environment due to increasing competition, we remain positive on RMTL on the back of its strong balance sheet, the company's ability to generate superior return ratios in the coming years and expansion of Seamless SS Tube capacity in the next few years. Further, the management has maintained a strong outlook on the potential opportunities in the Oil & Gas sector and inter-connection of the rivers across the country.

**Supreme Ind**

- Supreme Industries is a leading manufacturer of plastic products with a significant presence across piping, packaging, industrial and consumer segments. We remain positive on its new launches of value-added products and capacity expansion plans, which are largely funded by its robust internal accruals. The company enjoys superior return ratios with low gearing levels. With diversified products, an extensive distribution network, improved capital structure and government thrust's on better infrastructure, Supreme has emerged as one of the best proxy play on the increasing use of plastic consumption in India. Hence, we remain positive on the stock.

**UPL**

- UPL is a leading global producer of crop protection products, intermediates, specialty chemicals and other industrial chemicals. It has presence across agricultural inputs segment ranging from seeds to crop protection products and post-harvest activities. It has also started to focus on premium products in agro-chemicals. UPL's consistent focus and ability to introduce innovative productspresence in high-growth Outlook for the Indian business is strong given the sharp increase in cotton acreages, forecast of a normal monsoon and new product introductions. Further, post the rollout of GST substantial re-stocking is likely to happen, which would boost the volumes in Q2FY2017. Secondly, the North American operation too are expected to witness improved traction due to Increase in cotton acreages, high insect infestation likely due to wet conditions and ban on Xtent technology (competitors product), which has spurred up the demand for UPL's herbicides in few states in the US and the same is likely to sustain. We expect UPL's topline to grow at in double digits at 14% CAGR over the next 2 years. Considering the benefits of operating leverage and a better product mix, the OPM is expected to improve by 80BPS in FY2018. We retain our buy recommendation on stock with a revised PT of Rs 980.

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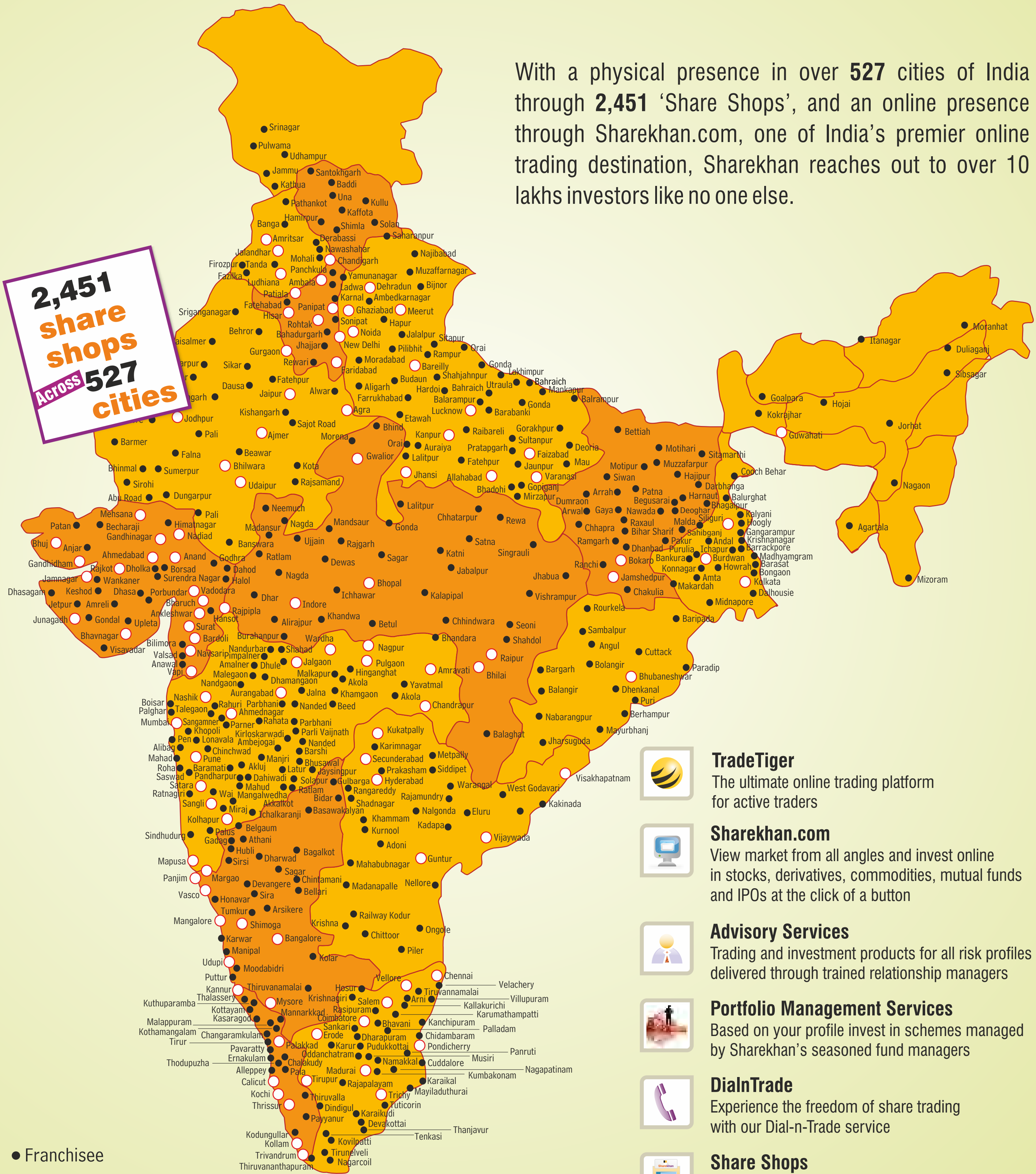


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