Sharekhan
by BNP PARIBAS

Value Guide

May 2017
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Intelligent Investing

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From Sharekhan's Desk

"Buy low, sell high" is the foremost tenet of investing. But, most people find it difficult to follow the simple rule in practical life due to 'Greed' & 'Fear' - two negative human emotions that prevent us from taking rational decisions.

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Sharekhan by BNP PARIBAS

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STOCK IDEAS STANDING (AS ON MAY 03, 2017)

COMPANY	CURRENT RECO	PRICE AS ON 03-MAY-17	PRICE TARGET	52 WEEK		ABSOLUTE PERFORMANCE				RELATIVE TO SENSEX			
				HIGH	LOW	1M	3M	6M	12M	1M	3M	6M	12M
Automobiles													
Apollo Tyres	Buy	245	270	254	139	15.5	32.5	25.7	58.6	14.7	23.9	13.5	30.4
Ashok Leyland	Buy	83	105	112	74	-1.0	-11.9	-8.4	-17.5	-1.7	-17.6	-17.3	-32.2
Bajaj Auto	Hold	2933	3000	3122	2364	5.7	4.8	4.6	19.8	5.0	-2.0	-5.6	-1.5
Gabriel India	Buy	124	130	130	85	-1.1	10.5	5.3	39.5	-1.8	3.4	-4.9	14.7
Hero MotoCorp	Buy	3377	3670	3740	2820	6.0	7.4	5.0	20.3	5.3	0.5	-5.2	-1.1
M&M	Buy	1349	1450	1509	1141	3.8	5.9	-2.7	1.9	3.0	-0.9	-12.1	-16.2
Maruti Suzuki ☜	Buy	6644	7265	6730	3790	9.4	8.6	16.4	75.4	8.6	1.6	5.1	44.2
Rico Auto Industries	Buy	61	75	75	34	6.3	4.3	-11.8	65.0	5.6	-2.4	-20.4	35.6
TVS Motor	Buy	498	580	519	279	14.0	27.4	27.0	72.1	13.2	19.2	14.7	41.5
BSE Auto Index		***22896***		***23210***	***17886***	***3.0***	***3.0***	***4.6***	***26.9***	***2.3***	***-3.6***	***-5.5***	***4.3***
Banks & Finance													
Axis Bank	Hold	501	560	638	424	3.6	5.7	8.4	13.2	2.9	-1.1	-2.1	-6.9
Bajaj Finance	Hold	1270	**	1350	696	9.7	23.8	30.5	86.6	8.9	15.8	17.9	53.4
Bajaj Finserv	Hold	4563	**	4750	1725	11.5	33.6	42.9	141.3	10.7	25.0	29.1	98.4
Bank of Baroda	Buy	190	200	202	128	13.5	5.0	37.3	31.7	12.7	-1.8	24.0	8.3
Bank of India	Hold	185	**	197	78	37.9	44.6	81.0	124.5	37.0	35.3	63.5	84.6
Capital First	Hold	758	760	813	454	-1.0	11.0	15.5	65.4	-1.7	3.8	4.3	35.9
Corp Bank	Reduce	61	30	65	33	13.8	25.0	55.9	70.4	12.9	17.0	40.8	40.1
Federal Bank	Buy	112	125	120	48	24.4	33.1	46.9	132.9	23.5	24.5	32.7	91.5
HDFC	Buy	1571	1780	1592	1135	2.0	12.2	13.1	40.2	1.3	5.0	2.2	15.2
HDFC Bank ☜	Buy	1544	1750	1574	1110	7.1	17.1	23.4	37.2	6.3	9.5	11.5	12.8
ICICI Bank	Buy	273	320	302	213	3.9	5.8	10.4	41.8	3.1	-1.0	-0.3	16.6
LIC Housing Finance ☜	Buy	708	780	727	431	14.6	28.2	34.5	60.4	13.8	19.9	21.5	31.9
Max Financial	Hold	643	660	676	345	12.6	6.7	18.0	74.7	11.8	-0.2	6.6	43.7
PTC India Financial Services	Hold	46	46	49	33	12.2	11.3	20.7	26.3	11.4	4.1	9.1	3.8
Punjab National Bank	Hold	175	**	186	71	19.7	19.5	36.3	120.9	18.8	11.8	23.1	81.6
SBI	Buy	290	320	305	166	2.0	7.7	23.1	68.4	1.3	0.8	11.2	38.4
Union Bank of India	Hold	179	210	205	105	22.7	13.9	42.2	64.3	21.8	6.5	28.5	35.1
Yes Bank	Buy	1633	1780	1653	906	5.7	16.4	36.0	79.0	5.0	8.9	22.9	47.2
BSE Bank Index		***25246***		***25953***	***18398***	***5.1***	***11.6***	***18.6***	***40.9***	***4.3***	***4.5***	***7.1***	***15.9***
Consumer goods													
Britannia	Buy	3581	3750	3650	2519	5.9	11.2	8.8	28.4	5.1	4.0	-1.7	5.5
Emami	Buy	1069	1245	1261	935	6.3	-4.9	-6.8	16.4	5.6	-11.0	-15.8	-4.3
GSK Consumers	Hold	5143	5800	6600	4650	-1.0	1.2	-12.7	-11.6	-1.7	-5.3	-21.1	-27.3
Godrej Consumer Products	Buy	1815	**	1840	1272	6.4	14.2	18.4	36.0	5.7	6.9	7.0	11.8
Hindustan Unilever	Buy	934	950	960	782	3.9	12.6	12.8	14.3	3.2	5.3	1.9	-6.0
ITC	Buy	277	295	293	203	-0.1	3.0	12.9	38.1	-0.8	-3.6	2.0	13.6
Jyothy Laboratories	Hold	376	**	427	270	10.6	8.9	8.9	29.6	9.8	1.9	-1.6	6.6
Marico	Hold	315	325	330	235	4.8	22.6	20.4	25.8	4.1	14.8	8.8	3.4
Zydus Wellness	Buy	865	960	930	701	0.1	1.0	3.4	16.8	-0.6	-5.5	-6.6	-4.0
BSE FMCG Index		***9385***		***9631***	***7478***	***1.8***	***7.1***	***11.6***	***27.5***	***1.1***	***0.2***	***0.8***	***4.8***
IT / IT services													
Firstsource Solution	Hold	43	43	54	31	-1.8	6.0	10.8	4.3	-2.5	-0.9	0.0	-14.3
HCL Technologies	Buy	835	965	890	706	-5.6	-1.5	3.7	14.4	-6.2	-7.9	-6.3	-5.9
Infosys	Hold	934	1050	1279	900	-7.1	0.2	-3.4	-19.3	-7.7	-6.3	-12.8	-33.7
Persistent Systems	Buy	575	700	743	501	-1.0	-2.6	-9.3	-20.1	-1.7	-8.9	-18.1	-34.3
Tata Consultancy Services	Hold	2337	2450	2745	2052	-3.4	4.4	0.3	-4.2	-4.1	-2.4	-9.4	-21.3
Wipro	Hold	496	550	578	408	-1.4	9.2	11.0	-6.8	-2.1	2.2	0.2	-23.4
BSE IT Index		***9806***		***11776***	***9123***	***-4.7***	***1.0***	***0.2***	***-10.1***	***-5.4***	***-5.5***	***-9.5***	***-26.1***
Capital goods / Power													
Bharat Heavy Electricals	Hold	174	175	183	114	4.6	23.0	30.3	47.0	3.9	15.1	17.7	20.8
CESC	Buy	951	**	969	520	10.9	24.6	64.1	81.4	10.1	16.6	48.3	49.1
Crompton Greaves	Hold	77	**	89	56	-2.7	14.3	0.8	36.3	-3.4	6.9	-8.9	12.1
Finolex Cable	Buy	524	525	573	264	-0.8	17.6	21.4	90.1	-1.5	10.0	9.7	56.3
Greaves Cotton	Buy	172	190	179	115	2.3	27.2	32.3	35.6	1.5	19.0	19.5	11.5
Kalpataru Power Transmission	Buy	356	**	367	202	14.2	26.0	49.2	75.6	13.4	17.9	34.7	44.4
KEC International	Hold	216	230	233	110	1.9	42.5	74.3	70.7	1.2	33.4	57.4	40.3
PTC India	Hold	103	**	105	61	9.7	19.3	39.1	69.3	8.9	11.6	25.7	39.2
Skipper	Buy	191	205	197	125	0.4	20.5	33.8	32.3	-0.3	12.7	20.8	8.8
Thermax	Hold	1034	**	1071	690	5.5	24.6	21.1	42.3	4.7	16.6	9.4	17.0

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				HIGH	LOW	1M	3M	6M	12M	1M	3M	6M	12M
Triveni Turbine	Buy	139	140	148	104	-4.4	8.9	7.6	25.5	-5.1	1.9	-2.8	3.2
V-Guard Industries	Hold	184	185	213	76	16.2	36.4	44.4	185.9	15.3	27.6	30.4	135.1
Va Tech Wabag	Buy	684	800	737	450	-2.0	37.8	45.6	16.2	-2.7	29.0	31.5	-4.5
BSE Power Index		***2325***		***2358***	***1796***	***1.9***	***7.4***	***19.9***	***30.5***	***1.1***	***0.5***	***8.3***	***7.3***
BSE Capital Goods Index		***17679***		***18014***	***12770***	***4.7***	***18.2***	***24.4***	***38.3***	***4.0***	***10.5***	***12.4***	***13.7***
Infrastructure / Real estate													
Gayatri Projects	Hold	161	162	170	100	12.4	16.3	24.2	49.1	11.6	8.8	12.2	22.6
ITNL	Buy	114	145	125	66	3.2	4.4	17.9	58.5	2.5	-2.4	6.5	30.3
IRB Infra	Buy	265	305	273	177	9.4	12.8	21.7	26.0	8.7	5.5	9.9	3.6
Jaiprakash Associates	Hold	13	14	17	5	-5.1	-0.4	30.2	82.4	-5.8	-6.8	17.6	49.9
Larsen & Toubro	Buy	1720	**	1774	1223	4.3	16.9	22.0	40.6	3.5	9.4	10.2	15.6
NBCC	Buy	200	227	206	117	14.9	8.7	31.2	52.6	14.1	1.7	18.5	25.4
CNX Infra Index		***3223***		***3280***	***2548***	***3.0***	***8.9***	***17.5***	***26.5***	***2.2***	***1.9***	***6.1***	***4.0***
BSE Real estate Index		***1992***		***2019***	***1163***	***23.1***	***36.1***	***35.7***	***49.6***	***22.2***	***27.4***	***22.6***	***23.0***
Oil & gas													
Oil India	Hold	330	352	371	240	0.2	-1.2	12.8	41.1	-0.5	-7.6	1.9	16.0
Reliance ☜	Buy	1370	1550	1468	926	-1.2	31.4	35.0	38.8	-1.9	22.9	22.0	14.1
Selan Exploration Technology	Hold	185	345	231	154	2.7	1.3	2.6	2.9	2.0	-5.3	-7.4	-15.4
BSE Oil and gas Index		***14508***		***14746***	***8884***	***5.6***	***12.2***	***25.9***	***62.4***	***4.8***	***5.0***	***13.8***	***33.5***
Pharmaceuticals													
Aurobindo Pharma	Buy	585	795	895	582	-13.4	-13.6	-18.6	-26.9	-14.0	-19.1	-26.5	-39.9
Cadila Healthcare	Hold	453	475	475	305	3.4	26.3	18.2	42.7	2.6	18.2	6.8	17.3
Cipla	Hold	556	610	622	457	-7.2	-9.5	1.0	3.5	-7.9	-15.4	-8.8	-14.9
Divi's Labs	Hold	625	**	1382	606	-0.1	-17.6	-50.0	-40.4	-0.8	-22.9	-54.8	-51.0
Glenmark Pharmaceuticals	Buy	885	1150	994	729	0.2	-9.3	-1.1	5.0	-0.5	-15.1	-10.7	-13.6
Lupin	Hold	1265	1460	1750	1248	-12.0	-15.4	-11.2	-19.7	-12.7	-20.9	-19.8	-34.0
Sun Pharmaceutical Industries	Buy	629	775	855	572	-8.8	-2.4	-3.1	-21.4	-9.4	-8.7	-12.4	-35.4
Torrent Pharma	Hold	1344	1521	1770	1186	-11.7	1.9	3.5	-4.5	-12.3	-4.6	-6.5	-21.5
BSE Health Care Index		***14757***		***16866***	***13955***	***-4.6***	***-3.1***	***-2.4***	***-4.0***	***-5.2***	***-9.4***	***-11.9***	***-21.1***
Building materials													
Grasim ☜	Buy	1159	1160	1237	782	14.5	27.4	33.7	45.9	13.7	19.2	20.7	19.9
Shree Cement	Hold	19639	**	19998	12124	13.2	21.9	16.2	57.7	12.4	14.0	5.0	29.6
The Ramco Cements	Hold	688	725	728	466	1.0	-3.1	13.3	40.9	0.2	-9.3	2.3	15.9
UltraTech Cement	Hold	4301	4500	4355	3050	7.4	15.7	12.2	36.2	6.6	8.2	1.3	12.0
Discretionary consumption													
Arvind	Buy	420	520	426	272	2.4	10.8	5.1	52.7	1.6	3.6	-5.1	25.5
Century Plyboards (India)	Buy	256	**	271	154	-1.3	18.9	11.6	36.9	-2.0	11.2	0.8	12.5
Cox and Kings	Buy	224	**	242	146	-1.8	13.2	7.2	22.5	-2.5	5.9	-3.1	0.7
Info Edge (India)	Buy	848	950	1025	710	3.0	1.4	-7.5	15.4	2.3	-5.2	-16.4	-5.1
Inox Leisure	Hold	293	320	309	190	0.2	26.8	17.5	41.2	-0.5	18.6	6.2	16.0
KKCL	Buy	1782	2250	2007	1619	4.2	1.9	-0.6	2.2	3.4	-4.7	-10.3	-16.0
Orbit Exports	Hold	130	177	183	103	3.2	-18.7	1.9	3.3	2.5	-23.9	-8.0	-15.1
Relaxo Footwear	Buy	494	525	526	350	-1.7	11.2	18.8	-0.4	-2.4	4.0	7.3	-18.1
Thomas Cook India	Buy	204	**	238	165	-11.0	5.4	-3.5	11.3	-11.6	-1.4	-12.8	-8.5
Wonderla Holidays	Buy	381	425	420	316	-0.4	1.5	2.6	-0.2	-1.1	-5.0	-7.3	-17.9
Zee Entertainment ☜	Buy	527	580	590	396	-1.5	5.0	2.9	29.4	-2.2	-1.7	-7.1	6.4
Diversified / Miscellaneous													
Aditya Birla Nuvo	Hold	1667	**	1747	840	14.4	23.9	35.4	107.1	13.5	15.9	22.3	70.2
Bajaj Holdings	Buy	2066	2516	2245	1406	-2.7	4.1	-3.7	49.3	-3.4	-2.6	-13.0	22.7
Bharat Electronics	Hold	179	185	185	108	13.7	18.4	40.9	61.6	12.8	10.7	27.3	32.9
Bharti Airtel	Hold	346	350	401	283	1.2	-2.2	12.8	-3.9	0.5	-8.5	1.9	-21.0
Gateway Distriparks	Hold	255	290	326	209	1.1	-1.3	12.0	-8.5	0.4	-7.7	1.2	-24.8
PI Industries	Hold	864	920	964	592	4.1	-7.8	3.1	37.0	3.3	-13.7	-6.8	12.6
Ratnamani Metals and Tubes	Hold	814	**	832	469	4.2	20.0	33.0	65.2	3.5	12.3	20.1	35.8
Supreme Industries ☜	Buy	1152	1250	1202	731	6.6	21.7	30.4	43.7	5.8	13.9	17.8	18.1
UPL	Buy	813	918	865	490	10.3	9.9	20.7	41.3	9.5	2.8	9.0	16.2
BSE500 Index		***12998***		***13084***	***10206***	***2.7***	***9.6***	***14.0***	***29.1***	***2.0***	***2.5***	***2.9***	***6.2***
CNX500 INDEX		***8228***		***8279***	***6464***	***2.7***	***9.6***	***14.1***	***29.2***	***2.0***	***2.5***	***3.1***	***6.2***
CNXMCAP INDEX		***18126***		***18271***	***12811***	***5.2***	***14.3***	***20.8***	***42.4***	***4.5***	***6.9***	***9.1***	***17.0***

☜ In Top Picks basket

**** Price target under review**

That left out feeling again

"Buy low, sell high" is the foremost tenet of investing. But, most people find it difficult to follow the simple rule in practical life due to 'Greed' & 'Fear' - two human emotions that prevent us from taking rational decisions.

The movement in the Indian equities last six months is a text book example of the Greed & Fear cycle playing out yet again. From the lows of November 2016 (post demonetisation), the benchmark Indian stock indices have rallied sharply by 16-18%, whereas the Mid Cap and Small Cap indexes have surged by 27% and 35%, respectively. However, many investors failed to capitalise on the opportunity in November/December 2016, as fear was the overriding emotion ruling most people's minds.

On the other hand, there is a rush to enter the equity markets right now when the key indices are already hovering at new all-time high levels. Investors sitting on the fence in a bid to time the market to perfection are finally capitulating and jumping on to the bandwagon at relatively higher level and valuations. This behavior is exactly opposite to the simple rule of "Buy low and sell high".

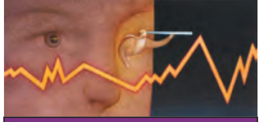
At Sharekhan, we had released a special report on November 23, 2016, identifying 10 quality stocks that were then available at attractive valuations. We had suggested accumulating these stocks over 6-8 weeks. The recommended stocks have given superlative returns in the last five months or so. Even the Sharekhan Top Picks portfolio has delivered over 25% over the last five months.

The Sharekhan Top Picks is our flagship investment portfolio of carefully chosen, well researched quality companies with an impeccable track record. The Sharekhan Top Picks have consistently given superior returns (compared to benchmark indices) for the past 100 months now. It is simple to follow and ideal for investors looking to create wealth over the medium to long term period.

Please refer to our Top Picks Report on page no. 11. We also have a range of other investment products that are actively tracked by our research and advisory teams.

The moral of the story is to avoid trying to time the markets to perfection. It is not practically possible to time the markets or precisely predict short-term stock/index movements. It is always advisable to buy in a systematic and gradual manner, which helps to average out cost of acquisition.

More importantly, leave crucial investing decisions to our in-house experts. Also, try to effectively leverage on the advice and products offered by Sharekhan. ■



MARKET OUTLOOK — MAY 08, 2017

Pause, adjust and play

Notwithstanding rich valuations, there are oasis of investment opportunities

Scaling new heights: The recent rally has resulted in the valuation of Indian equities moving into premium territory compared to both, the long-term average multiples and peers (other Emerging Markets). While on the valuation front, the Indian markets are not cheap anymore, we believe that the premium valuation can be justified due to India's relatively better fundamentals. Low interest rates and easing inflationary pressures will help to spur faster economic growth, and are intuitively seen as a precursor to an uptick in consumer demand and earnings growth (higher return ratios), which supports Indian markets' re-rating and premium valuation.

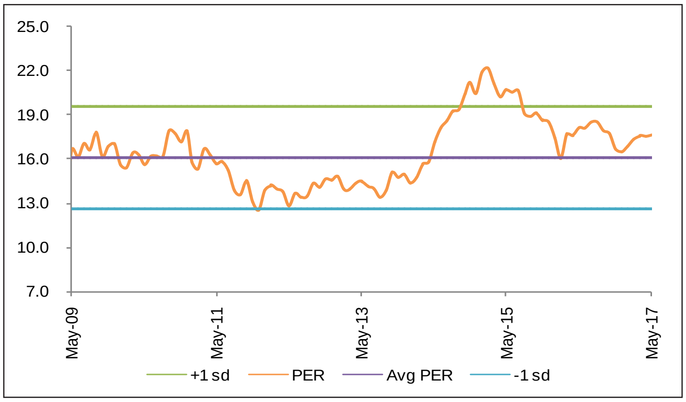
Policy measures to address structural issues: The present government is looking to resolve the constraints and bottlenecks in the economy, and is actively taking the requisite policy decisions to address the structural issues. The case in point is the recent move to tackle the massive NPAs - a healthy banking system is critical for a sustainable economic growth. Although the details of this move are still not fully revealed, it is clear that the Reserve Bank of India (RBI) would assume a central role in advising banks for active resolution of bad loans. Moreover, we believe that the coming days may see the government take several other initiatives, including a few definite steps for specific bad loans. The wheels of economic revival would also get a push from the improving fundamentals of Power and Infrastructure (especially Roads/Railways) sectors, as the policy initiatives announced so far start to yield the desired results.

Q4FY2017 earnings - initial signs positive; earnings estimates stable: Out of the Q4FY2017 results announced so far, there have been more 'hits' than 'misses', and the initial signs are encouraging as of now. The spill-over impact of demonetisation on Q4FY2017 earnings is much lower in intensity in many consumer-facing sectors than was expected earlier. Moreover, the consensus earnings estimates are also stable for the past few months.

Valuation - time to reduce exposure to Mid Caps in favour of Large Caps: Following the relatively much strong rally of ~25-28% in the Mid Cap/Small Cap indices during January-April 2017 (compared to ~11-13% in Nifty/Sensex), the Mid Caps are now trading at relatively richer valuations and the risk-reward has turned unfavourable. So, it might be a good idea to increase the exposure to the Large Cap stocks in your portfolio. It is only a tactical call and we remain constructive on Indian equity markets and believe that a sustainable multi-year rally is ahead of us.

Investment themes – oasis of opportunity for investors: In this report, we would like to highlight three key investment themes that would play out over the medium term and provide superior returns over the next 18-24 months. These are: 1) Resolution of NPAs in the banking system and the consequent re-rating of corporate lending focused banks (we prefer ICICI Bank and Axis Bank along with select public sector banks; however there could be some more pain in the near term and accumulation can be done in a staggered manner); 2) Affordable Housing and other sectors that will benefit from the government's policy measures aimed at providing housing to all Indians by 2022 and 3) GST implementation led shift of market share to the organised sectors in highly fragmented industries/segments.

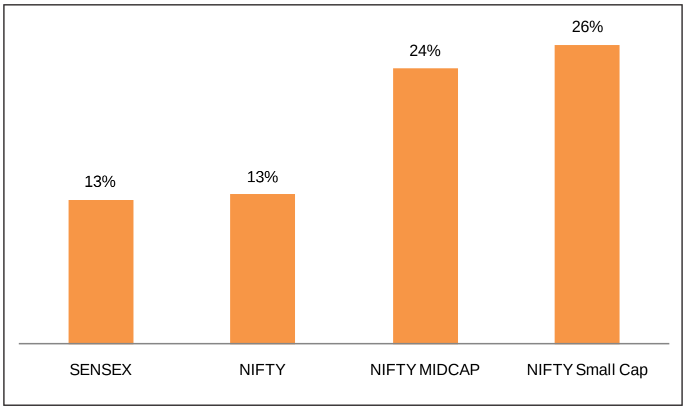
Sensex P/E Chart (based on one-year forward earnings)



Source: Bloomberg, Sharekhan Research

Strong rally building up: In the first four months of 2017, the Nifty/Sensex has appreciated by ~13% whereas the Mid Caps and the Small Cap indices are up by 24% and 26%, respectively. The sharp rally in the Indian markets has been driven by the constructive long-term outlook on the Indian economy and various high-frequency macro indicators pointing to a gradual pick- up in momentum.

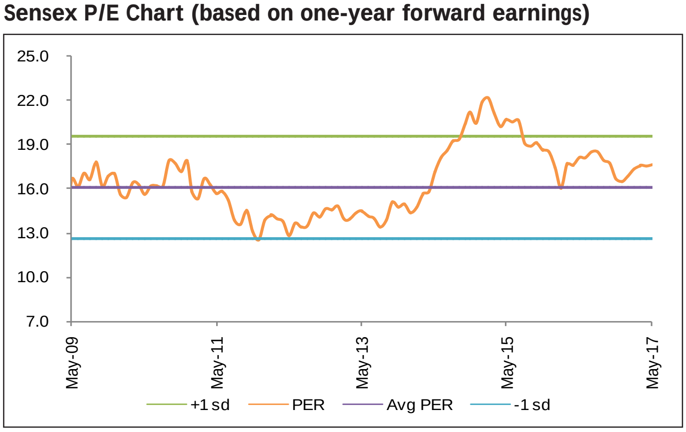
Four months Market returns



Source: Bloomberg, Sharekhan Research

Valuations - Prima facie at a premeium now: The Sensex now trades at 17.6x its one-year forward earnings estimates, which is a premium of over 10% to its long-term average price-earnings (P/E) multiples. The recent upsurge in the equity indices has been underpinned by expectations of a pick-up in the earnings growth in the coming years. Although the valuation of the Indian markets has turned premium, they are still justifiable owing to the favourable macro situation (low interest rates), a positive outlook and a reasonable Mcap-to-GDP ratio.

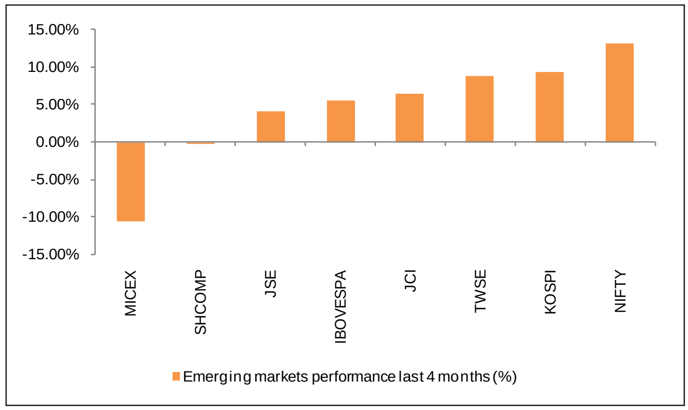
Sensex P/E Chart (based on one-year forward earnings)



Source: Bloomberg, Sharekhan Research

India outperforms other EMs: Within the Emerging Market universe, the appreciation in the Indian markets has been relatively higher and therefore, the Indian equities are trading at a premium valuation to the MSCI Emerging Market index.

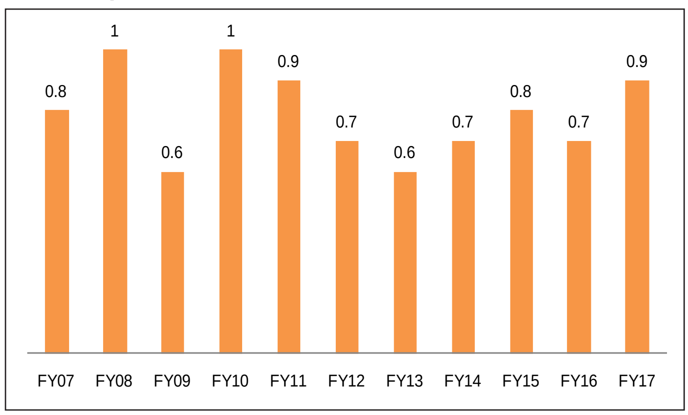
EM performance



Source: Bloomberg, Sharekhan Research

Valuation - not expensive on Mcap/GDP basis: At the peak of the 2008 market rally, India's Mcap/GDP ratio had touched 1.5x in January 2008 as against 0.9x now; normally equities bottom out at 0.6x level. So, when seen in terms of Mcap/GDP, the valuation of the Indian markets is still attractive, especially in the backdrop of low interest rates and the expected pick-up in corporate earnings growth in the coming years.

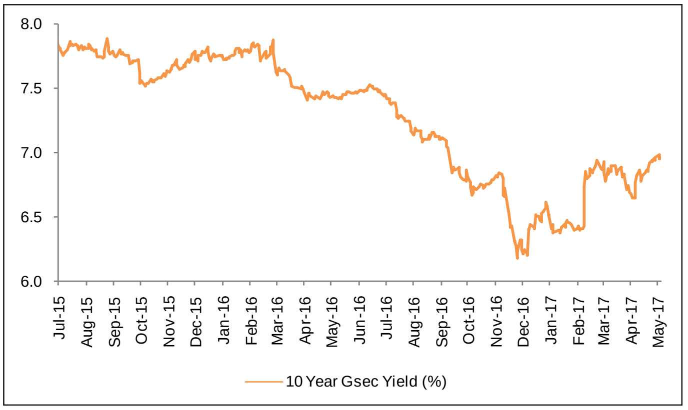
Market cap to GDP of Indian market



Source: Bloomberg, Sharekhan Research

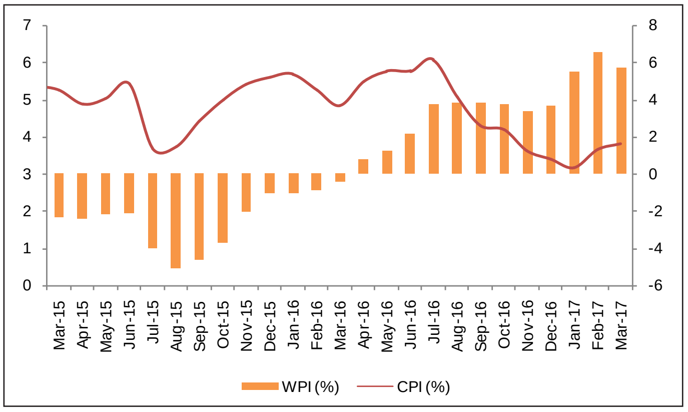
Favourable macro factors precursor to better economic and earnings growth: Low interest rates and easing inflationary pressures will spur faster economic growth and are a prelude to an uptick in consumer demand and earnings growth - which leads to re-rating of the equity markets and premium valuation at the beginning of the economic revival cycle.

India G-Sec yield



Source: Bloomberg, RBI, Sharekhan Research

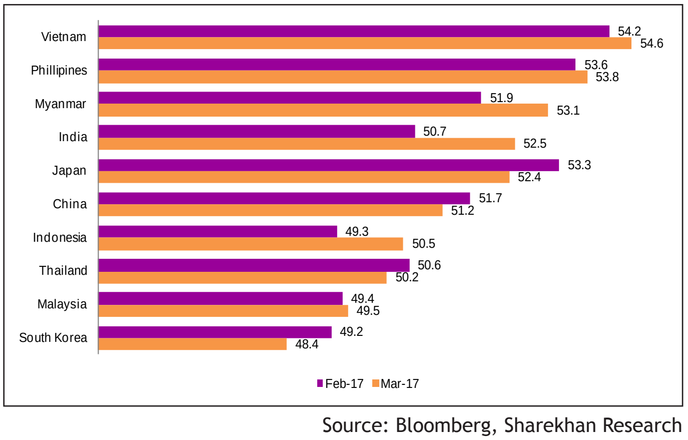
Indian inflation rates



Source: Bloomberg, RBI, Sharekhan Research

Manufacturing PMI - shows India's strength versus Asian peers: The Nikkei India manufacturing Purchasing Managers' Index (PMI) for March 2017 shows a smart rebound in Indian factory level activity on the back of new orders, both domestic and overseas. Being a lead indicator, this data lends further credence to the upbeat stock market levels.

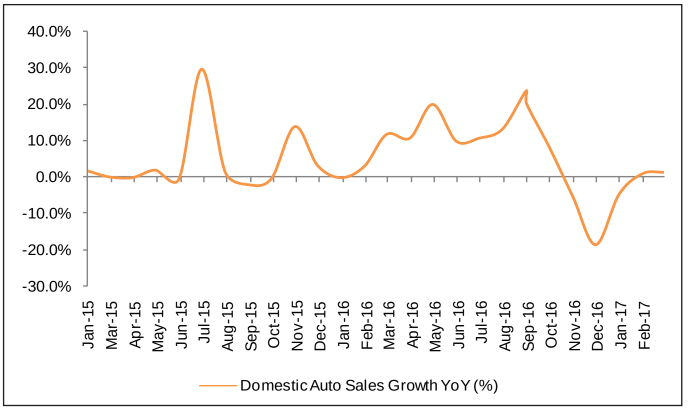
Indian manufacturing PMI



Source: Bloomberg, Sharekhan Research

India ready to surge ahead in manufacturing sector: Another positive data-point is pertaining to the Automobile sales, where most Passenger Vehicle manufacturers have reported healthy growth in sales volumes for April 2017. This shows that the Auto sector has swiftly overcome the demonetisation-related impact.

Domestic auto sales



Source: Bloomberg, Sharekhan Research

Policy measures - addressing issues in core sectors:

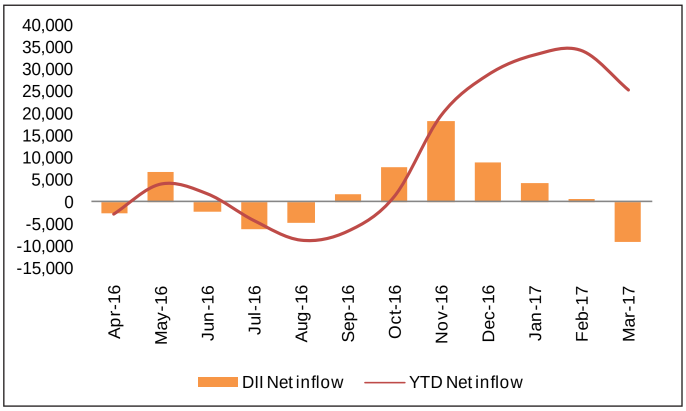
Banking sector - NPA ordinance aimed at resolution of bad loans: Banks are the backbone of any economy, but so far they had been hobbled by the huge NPA burden, especially the large corporate-centric banks and public sector banks. The changes proposed by the government would likely empower the banks (under the RBI's guidance) to take stricter measures to resolve the stressed assets problem and effectively deal with the defaulters.

Power sector - a new dawn (through UDAY): Huge investments stuck getting resolved through the pooling of Gas/Coal resources and reduce stress on State Electricity board - UDAY Scheme showing results.

Roads/Railways - new projects under hybrid model: Another big roadblock in economic growth was the huge number of road projects struck due to the lack of timely land/environment clearances and aggressive bidding by the construction companies. There have been some developments to help re-activate old stuck projects and boost new projects under a hybrid model, which entails lower implementation risk to bolster the execution of road projects.

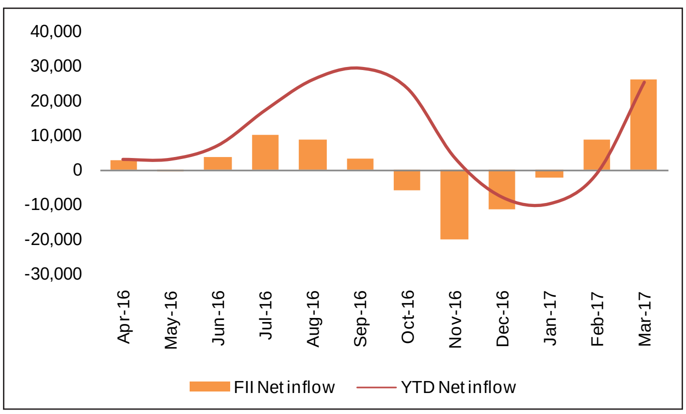
Liquidity driving capital inflows: With opportunities to earn decent returns in other asset classes (physical assets) being limited, the current pace of equity inflows from the retail investors is likely to sustain going ahead. FII flows, though unpredictable, tend to favor growth economies like India. Retail inflows are driven by lack of decent returns in other asset classes, reflected in the ever increasing Equity AUMs of Mutual Funds and other investment vehicles.

DII net purchases



Source: CDSL, Sharekhan Research

FII net purchases

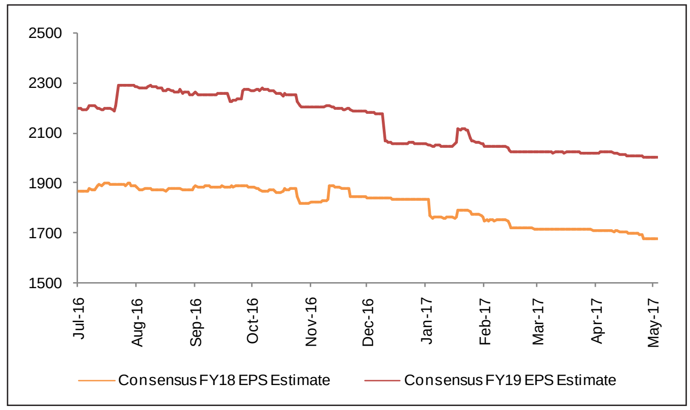


Source: CDSL, Sharekhan Research

Q4FY2017 earnings - initial signs positive; earnings estimates stable: Out of the Q4FY2017 results announced so far, there have been 'hits' than 'misses', and the initial signs are encouraging as of now. The spill-over impact of demonetisation on Q4FY2017 earnings has been much lower in intensity in many consumer-facing sectors compared to what was expected earlier. Moreover, the consensus earnings estimates have also been stable since the past few months.

From a fundamental perspective, the earnings growth over FY2017 to FY2018 is expected to be healthy (in double digits).

Sensex EPS estimates



Source: Bloomberg, Sharekhan Research

Strong revival in earnings to support valuation: We reckon that the recent steps taken by the government and the RBI to resolve the NPA mess point to a fair probability of some bad loans resolution and improvement in the pace of slippages in the medium term. Against this backdrop, we expect the Banking sector's earnings to normalise over a period, which will act as key trigger to support growth in FY2018E earnings. Also, the low base of FY2017 would also make FY2018E earnings growth look optically better.

Valuation - time to reduce exposure to Mid Caps in favour of Large Caps: Following the relatively much strong rally of ~25-28% in the Mid Cap/Small Cap indices during January-April 2017 (compared to ~11-13% in Nifty/ Sensex), the Mid Caps are now trading at relatively richer valuations and the risk-reward has turned unfavourable. So, it might be a good idea to increase the exposure to the Large Cap stocks in your portfolio.

Investment Themes - oasis of opportunity for investors: In this report, we would like to highlight three key investment themes that would play out over the medium term and provide superior returns over the next 18-24 months. These are: 1) Resolution of NPAs in the banking system and the consequent re-rating of corporate lending focused banks (we prefer ICICI Bank and Axis Bank along with select public sector banks; however there could be some more pain in the near term and accumulation can be done in a staggered manner); 2) Affordable Housing and other sectors that will benefit from the government's policy measures aimed at providing housing to all Indians by 2022. We also believe that the government's push for Affordable Housing would be beneficial to several sectors/ segments like Cement, Housing Finance Companies, Paints and Building Product 3) GST implementation led shift of market share to the organised sectors in highly fragmented industries/segments. Some sectors/ segments that are expected to benefit from GST would be Auto Ancilliaries, Branded Apparels, Building Materials, among others. We however remain cautious on Pharma (especially formulations) and neutral on IT Services.

SHAREKHAN TOP PICKS

The Sharekhan Top Picks is celebrating its 100th month since inception with a record of delivering a strong outperformance consistently. While the benchmark indices, the Nifty and Sensex, appreciated in the range of 1-1.5% in April, the Sharekhan Top Picks portfolio gave a handsome return of 7.2% in the same period. Despite the Large Cap bias of the Sharekhan Top Picks folio (65-70% in Large Cap index stocks), it comprehensively outperformed even the CNX Midcap index in April as well as over the longer timeframe of three years and five years. That's not all, the performance of the Sharekhan Top Picks has been consistent with its track record of continued outperformance for eight consecutive years.

It was an all-round performance by the Sharekhan Top Picks last month. All 12 stocks (except Zee Entertainment), ended up registering positive gains for the month, with four stocks giving close to double-digit returns. This month again, we are booking handsome gains in two companies - Bharat Electronics (BEL) and Indian Oil Corporation (IOCL). Both the companies were introduced into the Sharekhan Top Picks in December 2016. In the last five months, IOCL and BEL have appreciated by 44% and 27%, respectively.

To replace them, we are introducing Petronet LNG (PLNG) and Power Grid Corporation (Power Grid). PLNG is more of a churn within the Oil & Gas sector. Valuation of PLNG appears relatively favourable to us post the sharp run-up in IOCL. On the other hand, Power Grid is our preferred pick in the Power sector, where the policy changes are expected to benefit the power transmission companies.

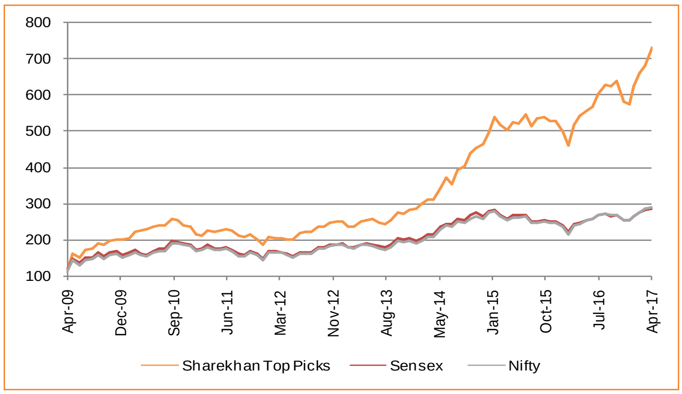
Consistent outperformance (absolute returns; not annualised) (%)

(%)	1 month	3 months	6 months	1 year	3 years	5 years
Sharekhan Top Picks	7.2	17.3	14.6	34.2	133.9	264.2
Sensex	0.9	8.1	7.0	16.6	32.9	77.5
Nifty	1.4	8.6	7.8	18.7	38.6	84.1
CNX MIDCAP 100	5.7	17.3	14.2	37.1	104.9	153.1

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

	Sharekhan (Top Picks)	Sensex	Nifty	CNX Mid-cap 100
YTD CY2017	27.1	12.3	13.6	26.0
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 (%)
		FY16	FY17E	FY18E	FY16	FY17E	FY18E		
Godrej Industries	**535**	72.3	-	-	7.4	-	-	**620**	16
Grasim Industries	**1,154**	22.1	16.1	15.7	9.4	11.2	10.2	**	-
HDFC Bank##	**1,542**	31.7	25.5	21.6	18.3	19.5	19.7	**1,750**	13
IndusInd Bank##	**1,446**	37.6	29.9	22.4	16.1	16.3	17.5	**1,679**	16
LIC Housing Finance##	**668**	20.3	17.5	14.3	19.6	19.1	19.3	**780**	17
Maruti Suzuki##	**6,526**	43.1	26.9	23.5	20.0	23.0	21.3	**7,265**	11
Petronet LNG	**424**	34.7	19.3	16.6	15.2	23.9	23.8	**	-
Power Grid Corp	**208**	18.2	13.2	11.7	12.5	14.9	14.9	**225**	8
Reliance Industries##	**1,395**	14.9	13.8	13.7	11.3	11.2	10.1	**1,550**	11
Sundram Fasteners	**400**	34.8	25.5	21.4	25.9	29.1	28.4	**442**	11
Supreme Industries##	**1,087**	60.4	32.1	27.5	17.4	24.7	24.3	**1,250**	15
ZEE Entertainment	**523**	52.9	39.4	34.0	21.5	25.5	24.7	**580**	11

*CMP as on April 28, 2017 # Price target for next 6-12 months ## Actual FY2017 reported numbers ** Under review
^ Used SOTP method to value the company

Name	CMP (Rs)	PER			ROE (%)			PRICE	UPSIDE
		FY16	FY17E	FY18E	FY16	FY17E	FY17E	TARGET (RS)	(%)
Godrej Industries	**535**	72.3	-	-	7.4	-	-	**620**	16

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 and 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 Oil Palm businesses. GAL has a strong financial track record, with revenue and PAT (before exceptional items) growing at a CAGR of 18% and 22%, respectively over FY2011-FY2016. GAL's implied market cap comes to ~Rs3,800 crore (assigning a discount of 20%) on the back of its trailing 12-month adjusted PAT of Rs215 crore, which is at a significant premium to its holding cost of Rs144 crore.
- 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 online and retail gourmet space) and has been growing consistently above 20% in recent times (FY2016 revenue at Rs270 crore).
- With businesses such as FMCG and Real Estate attaining a critical scale, GIL is expected to witness a strong earnings growth trajectory. The high probability of value unlocking in GAL will further enhance GIL's overall market value. Therefore, we expect a potential upside of 15-20% in GIL's stock price from the current level.

Grasim Industries	**1,154**	22.1	16.1	15.7	9.4	11.2	10.2	**	-

Remarks:

- Grasim Industries, a flagship company of the Aditya Birla Group is among India's largest private sector companies having core businesses of Cement (~70% of revenue with listed subsidiary UltraTech Cement), Viscose Stable Fibre (~20%) and Chemicals (~10%). The company has benefitted from improvement in its profitability in all of its three divisions with outlook continuing to be positive.
- The timely acquisition of JP Group's cement assets, continuous brownfield expansions and de-bottlenecking are likely to increase its cement capacity to over 95MT. The structural growth triggers like rising infrastructure investment and pick-up in rural demand are likely to help sustain a favourable growth outlook for the cement sector. The revival in VSF prices, absence of major capacity additions in China, low inventory and leverage of LIVA brand are likely to sustain VSF division's profitability going forward. Further, the company will expand its Caustic Soda capacity from 840KTPA to 1048KTPA in FY2018, which should sustain its volume growth.
- The current restructuring exercise of aligning high-growth businesses in Manufacturing (Cement, Textiles, Chemicals, Insulators, Solar etc) and Services (Financial Services and Telecom) provides a unique opportunity to investors to hold a well-diversified portfolio, which is expected to maintain strong growth momentum going forward across verticals. Overall, we expect Grasim Industries to reap benefits going forward, considering the revival in its core VSF division, strong demand and better realisations in Chemicals and sturdy growth outlook for the Cement business.

HDFC Bank	**1,542**	31.7	25.5	21.6	18.3	19.5	19.7	**1,750**	13

Remarks:

- HDFC Bank has a pre-eminent presence in the retail banking segment (~50% of loan book) and has been able to maintain a strong & 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 & 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, mortgages etc, 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 a robust asset quality due to its stringent credit appraisal procedures and negligible exposure to the 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. Recent demonetisation would help the bank to gain more deposits. Also, 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 a 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	**1,446**	37.6	29.9	22.4	16.1	16.3	17.5	**1,679**	16

Remarks:

- IndusInd Bank is among the fastest growing banks (25%+ CAGR over FY2012-FY2017), with a loan book of ~Rs1,092 billion and 1,000 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 centers) 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 the 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, the management expects the 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
		FY16	FY17E	FY18E	FY16	FY17E	FY17E	TARGET (RS)	(%)
LIC Housing Finance	**668**	20.3	17.5	14.3	19.6	19.1	19.3	**780**	17

Remarks:

- LIC Housing Finance (LICHF) is promoted by India's largest insurance company Life Insurance Corporation of India (LIC). LICHF is among the top housing finance companies in India with over 10% share in the mortgage lending segment. Key segments in which LICHF operates is Individual Home Loans, Loan Against Property and Developer Loans. The company has over 230 marketing offices, and a strong network of DSA and Home Loan agents.
- The government's push for Affordable Housing by providing interest subsidy on small home loans could help LICHF to take up opportunities in this segment too. Demonetisation could also help the company, as housing prices are expected to remain stable, if not reduce.
- Demonetisation has also brought the lending rates down, as a huge amount of liquidity suddenly rushed into the banking system. Therefore, banks have reduced lending rates on account of lower cost of funds and falling G-Sec yields. This in turn will help LICHF to borrow funds at a lower rate and hence cushion its margins.
- We expect LICHF to be among the better placed NBFCs to grab a sizable chunk of the growing housing demand amid a favourable interest rate environment, government's push for "housing for all" and a strong pan-India network.

Maruti Suzuki	**6,526**	43.1	26.9	23.5	20.0	23.0	21.3	**7,265**	11

Remarks:

- Maruti Suzuki India (Maruti) is India's largest passenger vehicle (PV) manufacturer with a strong 47% market share. Over the last two years, the company has been able to gain market share due to new product launches, a vast distribution network (with an increased focus on the rural markets) and a shift in consumer preference to petrol models from diesel models.
- The recently launched premium hatchback Baleno and the crossover Ignis 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 6-8 months each. Further, the recent entry in the light commercial vehicle (LCV) segment would also boost overall volumes.
- Maruti's parent company Suzuki Motor Corporation commissioned its greenfield plant in Gujarat in February 2017. The Maruti management expects to reach full capacity of 2.5 lakh units in Gujarat by the end of FY2018. The commissioning of the Gujarat plant would address supply concerns, besides helping the company to substantially cut the long waiting period on Ignis, Baleno and Vitara Brezza. We expect Maruti's volume to grow at a CAGR of 10% between FY2017 and FY2019, which is higher than the 8% growth expected for the domestic Passenger Vehicle (PV) industry.
- A sustained demand for Maruti's existing models, coupled with the planned new launches would help the company to bolster volumes going ahead. Further, the commissioning of the new Gujarat plant is expected to ease supply concerns and substantially reduce the waiting period for the recent launches. We expect the company to report 10% volume growth in FY2018. Maruti's revenue and profit are likely to increase by 13% and 14%, respectively over FY2017-FY2019. We retain 'Buy' rating on Maruti.

Petronet LNG	**424**	34.7	19.3	16.6	15.2	23.9	23.8	**	-

Remarks:

- Petronet LNG (PLNG) expanded its Dahej terminal's nameplate capacity to 15mmt (from 10mmt) in August 2016, with a contracted volume of 16.8mmt along with the use or pay clause. This provides a clear earnings visibility and also de-risks PLNG's business in case of lower volume off-take by the customers. We expect re-gasification volumes at Dahej to increase at a CAGR of 19% during FY2016-FY2018E to 15.8mmt, with the share of long-term and tolling volume at 90% vs 84% historical trend. The company plans to further increase the Dahej terminal's capacity to 17.5mmt (from 15mmt currently) by FY2020.
- Any resolution of pipeline connectivity issues in South India could improve capacity utilisation at PLNG's Kochi terminal and drive earnings growth beyond FY2019 (compared to low utilisation rate of 5-7% currently). Every 1mmt increase in volume at Kochi could add around Rs3/share to PLNG's EPS.
- PLNG has a strong balance sheet with negative net debt and low working capital cycle. We expect strong earnings CAGR of 45% over FY2016-FY2018E along with an expansion in Return on Equity to 23.8% from 15.2% in FY2016.

Power Grid Corp	**208**	18.2	13.2	11.7	12.5	14.9	14.9	**225**	8

Remarks:

- Power Grid Corporation of India (PGCIL) is India's largest and the world's second-largest power transmission utility, which derives revenue post capitalisation of the transmission line assets.
- 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 grow at a CAGR of 13% and translate into earnings CAGR of ~20% during FY2016-FY2019E.
- PGCIL has a very healthy balance sheet, sustainable earnings visibility, positive cash flow from operations and stable return ratios.
- 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 don't see any dilution risk as of now. PFCIL's stable, low-risk business model and healthy assured returns provide cushion to long-term investors.
- 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.

Name	CMP (Rs)	PER			ROE (%)			PRICE TARGET (RS)	UPSIDE (%)
		FY16	FY17E	FY18E	FY16	FY17E	FY17E		
Reliance Industries	**1,395**	14.9	13.8	13.7	11.3	11.2	10.1	**1,550**	11

Remarks:

- We expect Reliance Industries' (RIL) GRM to remain strong at $10.9/11.7 per bbl in FY2018/FY2019 given the robust global oil demand growth outlook for 2017 at 1.3-1.4mbpd (International Energy Agency estimate). Moreover, a likely improvement in diesel cracks would help RIL to maintain a premium of $4-5/bbl over the 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.
- RIL has commissioned the second phase of its Paraxylene (PX) expansion project, and the installation of RoGC and the downstream capacity expansion projects has also been completed, with pre-commissioning activities already underway. The Petcoke Gasification project is mechanically complete, with pre-commissioning activities expected to start in the next quarter. RIL's Telecom business has ramped up its subscriber base to 10.9 crore as on March 31, 2017, and retention of 7.2 crore for the Prime membership is much ahead of street expectation.
- We expect EBITDA/PAT CAGR of 21%/9% over FY2017-FY2019E, driven by the commissioning of the 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.

Sundram Fasteners	**400**	34.8	25.5	21.4	25.9	29.1	28.4	**442**	11

Remarks:

- 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%.
- 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.
- 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%.
- SFL's standalone OPM expanded impressively in Q3FY2017 and is expected to improve further to 19.3% by FY2019, aided by the impending strong growth in exports on the back of new client additions and higher share of value-added products (Powder Metal Parts and Shafts).
- SFL completely divested its holding in the loss-making German subsidiary and booked an exceptional loss of Rs46 crore in FY2016. We expect the company's subsidiaries to report a PAT of Rs14 crore in FY2017 as against a loss of Rs12.6 crore in FY2016.
- 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.

Supreme Industries	**1,087**	60.4	32.1	27.5	17.4	24.7	24.3	**1,250**	15

Remarks:

- Supreme Industries is a leading manufacturer of plastic products with a significant presence across Piping, Packaging, Industrial and Consumer segments.
- Supreme Industries has emerged as one of the best proxy plays on the growing plastic consumption in India on the back of a diversified product portfolio, an extensive distribution network, improved capital structure and government thrust on building a better infrastructure.
- We remain positive on the introduction of value-added products and capacity expansion plans, which are largely funded by robust internal accruals. Supreme Industries enjoys superior return ratios with low gearing levels, and we expect the company to maintain high return ratios going forward. We believe that the impending GST rollout in the long run will be a boon for the established players like Supreme Industries.

ZEE Entertainment	**523**	52.9	39.4	34.0	21.5	25.5	24.7	**580**	11

Remarks:

- Being among the key players in the domestic Cable TV industry value chain, we expect the broadcasters to be the prime beneficiaries of the mandatory digitisation process initiated by the government. The broadcasters would benefit from higher subscription revenue at minimal incremental capex, as the subscriber declaration standard improves under the new digitisation regime.
- Zee Entertainment Enterprises (ZEEL) continues to lead the Indian broadcasting industry in advertising revenue growth. ZEEL is one of the leading players in the Indian Cable TV broadcasting industry with a bouquet of 40+ TV channels across genres.
- The ZEEL management has stated that it is comfortable with the OPM level of ~30%+ and will re-invest the gains back into the business. Improvement in margins will be led by the sale of the loss-making Sports business (already completed in FY2017, likely to add 300-350BPS in FY2018).
- The recent acquisition of the general entertainment TV business of the Reliance Group will help ZEEL to expand its regional presence and facilitate a foray into the comedy genre in the Hindi speaking markets. The ZEEL management expects to achieve EBITDA breakeven by the time the consolidation of the acquisition is complete (H2FY2018).
- The ZEEL management has increased its focus on digital, movies, and international operations to improve the content monetisation. The management's intent to remain a pure play media company gives us confidence on the prudent capital allocation going forward. We continue to see ZEEL as the prime beneficiary of the revival in the domestic macro-economic environment and ongoing digitisation efforts.

WEALTH CREATOR PORTFOLIO APRIL 28, 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 continued to outperform the broader indices in April 2017, with cumulative weighted average return of 31.0% as against 13.5% and 17.9% returns of Sensex/Nifty.
- We are not making any changes in the current Wealth Creator Portfolio and expect it to maintain this outperformance in 2017 too.

COMPARATIVE RETURNS

Particulars	Returns (as on April 28, 2017)
	Since inception (August 21, 2014)
Wealth Creator folio (weighted average returns)	31.0
- Large-cap (64%)	27.0
- Mid-cap (36%)	38.2
Sensex	13.5
Nifty	17.9
CNX Mid-cap	61.8

UPDATE ON WEALTH CREATOR PORTFOLIO

Sr No	Scrip	Weights	Reco price (Rs) 28-April-2017	Price target (Rs) September-2019	Potential upside
	Large-caps (64 weightage; 8 each)				
1	Axis Bank	8	510	1210	137.3
2	Larsen & Toubro	8	1748	3800	117.4
3	Maruti Suzuki	8	6526	10500	60.9
4	Britannia	8	3627	6800	87.5
5	IndusInd Bank	8	1445	2450	69.6
6	Sun Pharmaceuticals	8	643	1450	125.7
7	Tata Consultancy Services	8	2272	5100	124.5
8	TVS Motor	8	496	825	66.5
	Mid-caps (36 weightage; 4 each)				
9	Capital First	4	762	1485	94.8
10	V-Guard	4	191	310	62.5
11	Indian Oil Corporation	4	440	750	70.5
12	IRB Infra	4	261	650	149.3
13	Network 18 Media	4	49	135	173
14	Gabriel India	4	124	200	61
15	Century Plyboards	4	257	440	71.2
16	Triveni Turbine	4	138	265	92
17	PI Industries	4	869	1900	118.6

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

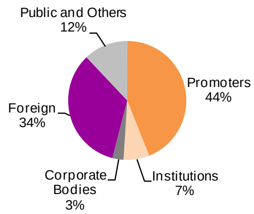
APOLLO TYRES

BUY | CMP: Rs240 | APRIL 20, 2017

COMPANY DETAILS

Price target:	Rs270
Market cap:	Rs12,214 cr
52-week high/low:	Rs241/139
NSE volume (No of shares):	29.8 lakh
BSE code:	500877
NSE code:	APOLLOTYRE
Sharekhan code:	APOLLOTYRE
Free float (No of shares):	28.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	15.9	24.2	8.9	34.7
Relative to Sensex	17.2	15.4	3.5	17.0

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

Earnings outlook improves; retain Buy with revised PT of Rs270

KEY POINTS

- **Commissioning of Hungary plant and receding threat from Chinese imports to boost topline:** Apollo Tyres (ATL) recently commenced operations at its greenfield facility in Hungary. As per ATL, the company aims to produce about 1.8 million passenger car tyres from Hungary in FY2018. ATL also aims to produce 0.7 million truck tyres from the Hungary plant and is expected to reach the fully ramped-up capacity by FY2020. The Hungary plant will further boost ATL's European operations going forward. Further, the threat of Chinese imports has considerably reduced. As a result, the domestic tyre companies have regained their lost market share.
- **Pricing power and benign RM outlook to expand margins in FY2018:** The company has been undertaking price hikes consistently since February 2017. ATL has announced price hikes of ~7% in Europe w.e.f. May 2017. International rubber prices have corrected by ~20% in the last two months while the domestic rubber prices have declined by ~10%. The outlook for rubber prices remains benign in the medium term. The company's consolidated margins are estimated to improve from 14.6% in FY2017 to 15.1% in FY2019.
- **Estimates and PT raised; maintain Buy:** The off-take of domestic tyre companies has improved on the back of the reduction in the Chinese tyre imports. Also, ATL's European operations would see strong double-digit topline growth with the commencement of the greenfield plant in Hungary. We expect a 13% CAGR in topline for ATL over FY2017-FY2019. We expect ATL's bottomline to grow at a CAGR of 20% over the next two years. We retain our 'Buy' recommendation with a revised price target of Rs270 (Rs238 earlier). ■

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

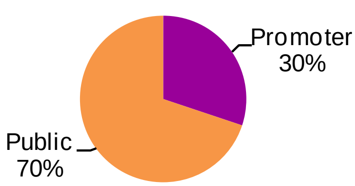
AXIS BANK

HOLD | CMP: Rs506 | APRIL 27, 2017

COMPANY DETAILS

Price target:	Rs560
Market cap:	Rs121,214 cr
52-week high/low:	Rs638/425
NSE volume (No of shares):	83.9 lakh
BSE code:	532215
NSE code:	AXISBANK
Sharekhan code:	AXISBANK
Free float (No of shares):	167.34 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	5.7	11.6	6.1	8.7
Relative to Sensex	3.2	2.4	-2.3	-7.4

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

Asset quality improves sequentially but pressure persists

KEY POINTS

- Axis Bank posted a decent performance in Q4FY2017, with a sequential (QoQ) improvement in asset quality and Net Interest Margin (NIM). The Net Interest Income grew by just 3.9% YoY to Rs4,728.6 crore. NIM improved by 40BPS QoQ to 3.83% (declined by 14BPS YoY), led by a strong loan book and better CASA growth on a QoQ basis.
- Axis Bank witnessed a 10% YoY growth in Advances during the quarter, mainly driven by Retail and SME segments. Retail loans showed a 22% YoY growth on account of strong traction in Auto Loans, Credit Cards and Home Loans (retail mix increased to 45% of total advances). The SME Loan Book witnessed a 10% YoY growth whereas the Corporate Loan Book remained flat YoY on account of tepid growth in corporate credit. The CASA balance grew by 26% YoY (21% QoQ), with Savings Accounts growing by 19% YoY (7% QoQ), and Current Accounts expanding by 37% YoY (49% QoQ). The year-end (FY2017) CASA ratio stood at 51%.
- Axis Bank's asset quality improved, with GNPA reducing to 5.04% while NNPA fell to 2.11% on a QoQ basis. The slippages from the Non-Watch List Accounts also reduced substantially from Rs1,631 crore in Q3FY2017 to Rs413 crore in Q4FY2017.
- **Valuation and outlook:** Axis Bank has been facing asset quality challenges for the past few quarters, which have affected its profitability and overall performance. Upgrades in earnings will hinge on the sustainability of improvement in asset quality in future. We maintain our 'Hold' recommendation with a price target of Rs560. ■

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

FEDERAL BANK

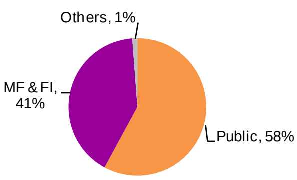
BUY | CMP: Rs107 | APRIL 28, 2017

Asset quality improvement springs a positive surprise

COMPANY DETAILS

Price target:	Rs125
Market cap:	Rs18,514 cr
52-week high/low:	Rs109/43.8
NSE volume (No of shares):	90.3 lakh
BSE code:	500469
NSE code:	FEDERALBNK
Sharekhan code:	FEDERALBNK
Free float (No of shares):	172.21 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	4.8	20.0	15.7	98.7
Relative to Sensex	2.1	11.2	7.2	70.2

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

- **Business momentum continues:** Federal Bank posted robust results for Q4FY2017 with strong business traction and an improved asset quality. Net Interest Income grew by 22.8% YoY (6.4% QoQ), mainly due to the 10BPS QoQ expansion in Net Interest Margin to 3.42%. Advances increased by 26% YoY with strong growth in Wholesale Credit (41% of Advances, up 34.7% YoY) and Retail Advances (excluding Agri, 30% of Advances, up 29.6% YoY). We believe that the evenly balanced business mix of Federal Bank is positive and all its segments demonstrated balanced growth during Q4FY2017.
- **Asset quality improves:** During Q4FY2016, Federal Bank's slippages stood at an elevated level, which had severely depressed its profitability. On a positive note, Provisions and Credit Cost have been recovering steadily in FY2017, and the same trend was maintained in Q4FY2017. As a percentage of total loans, GNPAs declined to 2.33% in Q4FY2017 from 2.77% in Q3FY2017 while NNPAs fell to 1.28% from 1.58% in Q3FY2017. The improvement in asset quality assumes greater significance since in this quarter some of the other comparable private banks struggled with their asset quality. The Provision Coverage Ratio stood at a healthy 71.75%.
- **Valuation and outlook:** We believe that Federal Bank has delivered a sturdy performance for Q4FY2017 considering that it was a very challenging period for the banking system, coming on the back of the demonetisation shock and the Reserve Bank of India-induced NPA recognition efforts. We maintain our 'Buy' rating with a revised price target of Rs125. ■

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

HDFC BANK

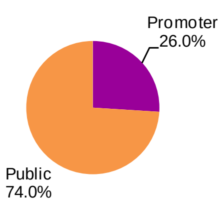
BUY | CMP: Rs1,533 | APRIL 24, 2017

Strong performance despite tough environment

COMPANY DETAILS

Price target:	Rs1,750
Market cap:	Rs392,774 cr
52-week high/low:	Rs1538/1086
NSE volume (No of shares):	22.5 lakh
BSE code:	500180
NSE code:	HDFCBANK
Sharekhan code:	HDFCBANK
Free float (No of shares):	201.93 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.9	21.0	17.8	38.3
Relative to Sensex	4.3	11.2	12.3	20.2

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

- In Q4FY2017, HDFC Bank (HDFCBK) registered a strong performance with its Net Interest Income (NII) growing by 21.5% YoY on the back of an asset growth of ~19% YoY and Net Interest Margin (NIM) of 4.3% vs 4.1% QoQ (4.2% YoY). Non-interest Income grew by 20.3% YoY due to Fees & Commission (up 16% YoY to Rs2,500 crore). Operating expenses grew by 13.9% YoY and the core Cost-to-Income ratio stood at 42.4% as against 44.9% in Q4FY2016.
- During Q4FY2017, HDFCBK saw a loan book growth of 19.4% YoY (12% QoQ), led by strong growth in Corporate, Business and Retail loans. Domestic retail loans and wholesale loans grew by 26.6% YoY and 20.7% YoY, respectively (domestic loan mix between Retail and Wholesale stood at 53:47). The strong growth in both the segments was driven by a sustained geographical expansion, a differentiated product range, digital initiatives, changed process and improved turnaround times.
- HDFCBK reported a broadly stable asset quality in Q4FY2017, with Gross Non-Performing Assets (GNPA) coming in at 1.05% (up by 10BPS YoY) and Net Non-Performing Assets (NNPA) at 0.3% (flat YoY).The increase in the GNPA was mainly due to Rs245 crore of NPL due to the Reserve Bank of India's 90-day dispensation.
- **Valuation and outlook:** HDFCBK continued the trend of a steady performance in Q4FY2017 on most business metrics despite this being a challenging quarter. Its consistent performance will help maintain its premium valuation. At 4.0x FY2018E ABV, we find valuation for HDFCBK reasonable. We maintain our 'Buy' rating with a rolled-over price target of Rs1,750. ■

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

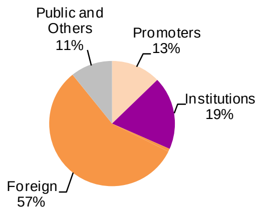
INFOSYS

HOLD — CMP: Rs931 — APRIL 13, 2017

COMPANY DETAILS

Price target:	Rs1,050
Market cap:	Rs213,937 cr
52-week high/low:	Rs1,278/900
NSE volume (No of shares):	38.5 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	-5.2	-3.1	-4.9	-16.2
Relative to Sensex	-7.5	-11.2	-10.3	-29.8

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

Weak performance; downgrade to Hold with revised PT of Rs1,050

KEY POINTS

- **Lackluster performance:** For Q4FY2017, Infosys' constant currency (CC) revenue remained flat QoQ, while the revenue in US dollar terms increased by 0.7% QoQ to $2,569 million. The below par performance was due to seasonal softness, execution challenges and 'distractions', according to Infosys management. EBIT margin declined by 50BPS QoQ to 24.6%, attributed to rupee appreciation. Consequently, the net profit declined by 2.8% QoQ to Rs3,603 crore.
- **Uninspiring guidance, weak commentary:** For FY2018, Infosys has guided for 6.5-8.5% revenue growth in CC terms. Although the overall guidance looks a tad below street expectations, what really irked the street is the unexciting management commentary for FY2018 despite a promising environment for potential improvement in BFSI spends in the US (rising interest rates) and an overall improvement in IT demand. However, the management commentary clearly pointed to another year of volatile and weak performance in FY2018.
- **Capital allocation policy is promising, but not fulfilling:** The Infosys management has announced that it intends to return Rs13,000 crore to its shareholders in FY2018 in the form of a one-time dividend or share buyback. Further, the management has also formulated a strategy to pay out 70% of free cash flows in the coming years to shareholders as against 50% of net profit currently. The overall payout to shareholders will improve by ~6%.
- **Downgrade to Hold with revised PT of Rs1,050:** We have revised down our earnings estimates for FY2018, owing to weak revenue trajectory and change in USD/INR estimates (to compress margins). At the current level, the stock is at a reasonable valuation of 14.7x/13.4x FY2018/FY2019 earnings estimates. However, the earnings CAGR of 5.4% over FY2017-FY2019E justifies the lower multiple. We downgrade our rating from 'Buy' to 'Hold' with a revised PT of Rs1,050. ■

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

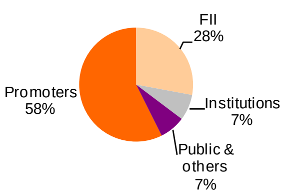
IRB INFRASTRUCTURE DEVELOPERS

BUY — CMP: Rs252 — APRIL 26, 2017

COMPANY DETAILS

Price target:	Rs305
Market cap:	Rs8,855 cr
52-week high/low:	Rs272/177
NSE volume (No of shares):	20.5 lakh
BSE code:	532947
NSE code:	IRB
Sharekhan code:	IRB
Free float (No of shares):	15.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	8.4	12.6	4.2	21.2
Relative to Sensex	6.6	3.9	-2.5	2.5

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

Success of InvIT to help build a sustainable growth model; retain Buy

KEY POINTS

- **Launch of India's maiden InvIT at conservative valuation:** IRB Infrastructure Developers will be launching India's maiden Infrastructure Investment Trust (InvIT) to raise Rs5,035 crore (comprising a fresh issue of Rs4,300 crore and offer for sale of 3.48 crore units) at a price band of Rs100-102 per unit. The InvIT comprises six operational projects valued at an Enterprise Value (EV) of Rs5,922 crore (1x P/B). IRB would receive Rs1,700 crore, and 8.9 crore units worth Rs888 crore (15% stake in EV). The management expects that post the issuance of InvIT, it will have a distributable post-tax EBITDA in excess of Rs700 crore per annum, which can offer a starting yield of 12% to Mutual Funds and FIIs, and ~10% to HNIs and individuals.
- **InvIT to deleverage balance sheet, free up capital and provide sustainable exit for future projects:** Through InvIT proceeds, IRB will be able to knock off Rs3,350 crore SPV debt along with Rs1,700 crore sub-debt and equity related to SPVs. Consequently, IRB's consolidated net debt-to-equity ratio is likely to fall to 1.8x from 3.1x now. Overall, InvIT is likely to help IRB to execute and transfer projects to help in maintaining its balance sheet strength and aiding in further investments in new projects.
- **Maintain Buy with revised price target of Rs305:** We believe that IRB is well poised to benefit from its successful execution of InvIT and the improving prospects of road development sector each year. We have rolled forward our DCF-based valuation and revised our price target to Rs305. We maintain our 'Buy' rating. ■

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

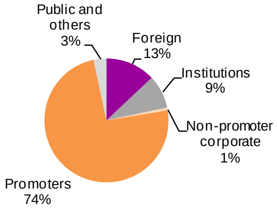
KEWAL KIRAN CLOTHING

BUY | CMP: Rs1,767 | APRIL 26, 2017

COMPANY DETAILS

Price target:	Rs2,250
Market cap:	Rs2,178 cr
52-week high/low:	Rs2,007/1,619
NSE volume (No of shares):	1,121
BSE code:	532732
NSE code:	KKCL
Sharekhan code:	KKCL
Free float (No of shares):	0.3 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-0.9	-0.3	-4.1	0.3
Relative to Sensex	-2.7	-8.0	-10.3	-15.1

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

A relatively stable performance; Balance sheet remains sturdy

KEY POINTS

- **Operating performance stable in a weak environment; higher other income leads to strong growth in PAT:** For Q4FY2017, KKCL's overall revenue was marginally up by 2.9% to Rs130.3 crore. Gross margins increased by ~60BPS YoY to 58.9% despite rising input costs. The S&A expenses as a percentage of sales increased, mainly led by an extended EOSS. The higher S&A expense, along with a muted sales performance led to a decline in the operating profit by ~6% YoY to Rs32 crore. Though the operating profit declined, a higher other income led to a ~56% YoY growth in PAT to Rs33.9 crore.
- **Balance sheet remains strong despite slowdown:** KKCL has succeeded in maintaining its reputation for a robust balance sheet and stringent working capital management. Its operating cash cycle was stable at 62 days despite an increase in the debtor days. The debt:equity ratio remained low at 0.11x in FY2017. KKCL's return ratios continued to be healthy, with RoCE and RoE coming in at 22% and 26%, respectively in FY2017.
- **Maintain Buy with unchanged price target of Rs2,250:** We expect KKCL's revenue to get back to the double-digit growth rate on the back of its strong brand portfolio and an enhanced distribution reach (implementation of GST will also play a key role in the coming years). The company has one of the best balance sheets in the Indian Branded Apparel industry, along with consistently high return ratios and positive free cash flows, which make KKCL one of the better picks in the Branded Apparel space. Therefore, we have maintained our 'Buy' recommendation on KKCL with an unchanged price target of Rs2,250. ■

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

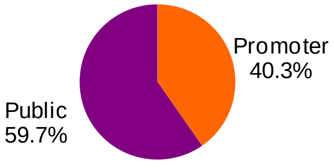
LIC HOUSING FINANCE

BUY | CMP: Rs676 | APRIL 26, 2017

COMPANY DETAILS

Price target:	Rs780
Market cap:	Rs33,913 cr
52-week high/low:	Rs688/431
NSE volume (No of shares):	22.5 lakh
BSE code:	500253
NSE code:	LICHSGFIN
Sharekhan code:	LICHSGFIN
Free float (No of shares):	30.12 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	12.1	23.5	12.8	49.2
Relative to Sensex	10.1	14.0	5.5	26.2

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

Solid performance on all parameters; maintain Buy with revised PT of Rs780

KEY POINTS

- LIC Housing Finance (LICHF) has posted better-than-expected results for Q4FY2017 with a strong net profit growth of 18.1% YoY to Rs529.2 crore, driven by a healthy 30.6% YoY growth in the Net Interest Income (NII) and contained operating expenditure (up 24.6% YoY). Despite a weak business environment, the overall loan book growth for LICHF remained steady at 15.5% YoY. Within the loan book, Individual Loans grew by 14.2% YoY while Developer Loans grew by 59.6% YoY.
- Net Interest Margin (NIM) expanded sharply by 26BPS YoY to 2.97% and incremental spreads improved by 70BPS YoY to 2.8% during Q4FY2017, mainly due to a substantial 80BPS drop in incremental Cost of Funds (CoF) while the incremental yields contracted by 10BPS YoY.
- LICHF's asset quality during Q4FY2017 remained stable, with the Gross Non-Performing Assets (GNPA) and Net NPA (NNPA) coming in at 0.43% and 0.14%, respectively versus 0.45% and 0.22% YoY. The GNPA and NNPA showed a steady improvement on a sequential basis, owing to an improvement in the NPAs of the individual segment to 0.20% from 0.32% in Q3FY2017.
- LICHF's mortgage growth is likely to pick up with a decline in the prevailing interest rates, improving affordability and the government's focus on the Affordable Housing space. LICHF is better placed in the non-banking finance companies to grab a pie of the growing housing demand, underpinned by a strong pan-India network and competitive interest rates. However, lower interest rates might put some stress on the company's NIM in the near term. The LICHF stock is available at 2.7x FY2018E ABV. We maintain our 'Buy' rating on the stock with a revised PT of Rs780. ■

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

Lupin

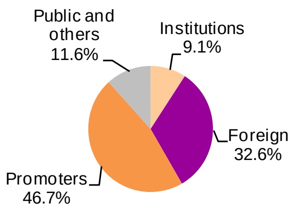
Hold

CMP: Rs1,337 | **April 27, 2017**

COMPANY DETAILS

Price target:	Rs1,460
Market cap:	Rs60,299 cr
52-week high/low:	Rs1750/1334
NSE volume (No of shares):	7.1 lakh
BSE code:	500257
NSE code:	LUPIN
Sharekhan code:	LUPIN
Free float (No of shares):	24.04 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-7.8	-9.8	-9.0	-12.8
Relative to Sensex	-10.0	-17.2	-16.2	-25.7

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

Goa plant gets Form 483; Currency appreciation to add pressure; PT reduced to Rs1,460

KEY POINTS

- **The event:** Lupin's Goa facility has been issued a Form 483 by the US Food & Drug Administration (USFDA) with three observations. The observations are as follows: 1) No written procedures for production and process controls; 2) Failure to review any unexplained discrepancy and failure of a batch; and 3) Control procedures not established to monitor the output of manufacturing processes. Although the USFDA observations are largely procedural in nature, the company's Goa facility is one its key facilities.
- **The impact:** Lupin's Goa plant is one of its key plants, as it contributes ~20% to the company's total sales. Although the USFDA observations seem to be pertaining only to the routine procedures and compliance, any delay in key product approvals, if any, will add to the pressure in the US business.
- **Currency appreciation to add to the woes:** Lupin is already facing high single-digit pricing pressure in the US business on account of increasing competition in Fortamet and gGlumetza, delay in key product approvals and channel consolidation. The recent appreciation of the Indian rupee against the US dollar is likely to add to the company's problems.
- **Downward revision of PT to Rs1,460; Maintain Hold:** Taking into consideration the recent regulatory development at the Goa plant, rupee appreciation and the change in regulations of India and US businesses, we have revised downward our sales estimates for FY2018 and FY2019 by 3% each. We have reduced our earnings estimates by 9%/10% for FY2018/FY2019. Consequently, we have revised downward our price target to Rs1,460. Any new approval from the Goa plant will be the key to watch.

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

Maruti Suzuki

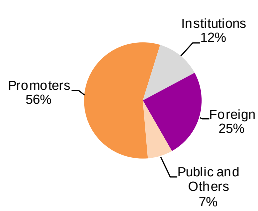
Buy

CMP: Rs6,371 | **April 27, 2017**

COMPANY DETAILS

Price target:	Rs7,265
Market cap:	Rs192,460 cr
52-week high/low:	Rs6444/3730
NSE volume (No of shares):	6.06 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	6.7	10.4	9.2	66.6
Relative to Sensex	4.2	1.3	0.5	41.9

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 results; maintain Buy with revised PT of Rs7,265

KEY POINTS

- **Q4FY2017 results largely in line with estimates:** Maruti Suzuki India's (Maruti) topline for the quarter grew by 20% YoY to Rs18,333 crore, driven by an impressive 15% YoY volume growth, while the realisations grew by ~5% YoY. Operating Profit Margin (OPM) for the quarter contracted by 130BPS YoY to 14%, owing to a steep increase in Raw Material costs and higher selling expenses. A lower tax rate for the quarter led to the PAT growing by 16% YoY to Rs1,709 crore.
- **Commissioning of Gujarat plant, strong demand for new launches to drive topline; Maruti to outpace industry growth:** Maruti launched the Ignis during Q4FY2017, which has received a good response and currently commands a waiting period of 8-10 weeks. The existing models - Baleno and Vitara Brezza - too continue to command strong waiting period of 4-6 months. Further, the company plans to launch the Third Generation Dzire in May 2017. Secondly, Maruti's parent company Suzuki Motor Corporation commissioned its greenfield plant in Gujarat in February 2017, which would address supply concerns. We expect Maruti's volume to grow at a CAGR of 10% between FY2017 and FY2019.
- **Raise estimates on capacity ramp-up; retain Buy with revised PT of Rs7,265:** A sustained demand for Maruti's existing models and the planned new launches would help the company to bolster volumes. Further, the commissioning of the new Gujarat plant is expected to ease supply concerns and reduce the waiting period significantly for the recent launches. Maruti's revenue and profit are likely to increase by 13% and 14%, respectively over FY2017-FY2019. We retain 'Buy' rating with a revised price target of Rs7,265.

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

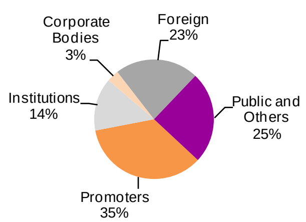
PERSISTENT SYSTEMS

BUY | **CMP: Rs568** | **APRIL 25, 2017**

Margins expand due to strong execution; Maintain Buy with a revised PT of Rs700

COMPANY DETAILS	
Price target:	Rs700
Market cap:	Rs4,542 cr
52-week high/low:	Rs758/501
NSE volume (No of shares):	1.1 lakh
BSE code:	533179
NSE code:	PERSISTENT
Sharekhan code:	PERSISTENT
Free float (No of shares):	5.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-6.4	-8.0	-13.6	-23.5
Relative to Sensex	-7.1	-15.2	-18.2	-34.3

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

- **Margins surprise positively:** During Q4FY2017, Persistent Systems' (PSL) revenue declined by 0.9% QoQ to $109 million, owing to a 3.9% drop in IP-led revenues. PSL delivered a better-than-expected EBITDA margin of 17.9% (up 200BPS QoQ), driven by the absence of higher provision for doubtful debt and lower SG&A expenses. Higher other income (up 19.1% QoQ), along with a lower tax provision (down 690BPS QoQ) resulted in a 2.8% QoQ growth in the net profit at Rs84.2 crore.
- **Margins to see further improvement in FY2018:** 1) PSL is seeing a good traction in the IOT business, underpinned by a strong deals pipeline and market positioning. Apart from the IBM-IOT partnership revenue, the management is getting visibility for direct selling to the enterprise customers; 2) PSL has teamed up with Partners Healthcare for a digital platform in Clinical Care and with USAA for digital innovation in Financial Services, and expects the partnerships to bear fruit in the future; 3) PSL management sounded confident on margin improvement in FY2018, as profitability challenges in the IBM-IOT partnership have been overcome and contribution from non-linear revenues has increased (which is now more than 50% of total revenue); and 4) PSL management expects a double-digit growth rate in the IBM alliance in FY2018.
- **Digital story playing out well; maintain Buy:** We continue to remain positive on PSL, as the company has been continuously focusing on strengthening its digital capabilities to remain relevant to customers in the ongoing IT industry transition. Given the uncertainties in the macro environment and the overhang on the sector in the form of the ongoing transition, we now ascribe a tad lower target multiple to factor in these risks. We maintain our 'Buy' recommendation with a revised price target of Rs700. ■

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

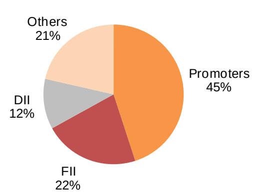
RELIANCE INDUSTRIES

BUY | **CMP: Rs1,416** | **APRIL 24, 2017**

GRM surprises positively; maintain Buy with revised PT of Rs1,550

COMPANY DETAILS	
Price target:	Rs1550
Market cap:	Rs460,511 cr
52-week high/low:	Rs1,448/926
NSE volume (No of shares):	44.3 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	11.0	36.7	31.8	34.7
Relative to Sensex	11.4	25.6	25.6	17.1

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

- **Higher than expected GRM leads to beat in operating profit:** RIL reported better-than-expected Q4FY2017 operating profit of Rs11,280 crore vs our estimate of Rs10,711 crore, primarily on the account of a strong beat in GRM at $11.5/bbl. The 5.4% beat in standalone PAT at Rs8,151 crore was led by a superior operating performance and substantially lower effective income tax rate at 18.5%, offset by a lower-than-expected other income.
- **PX project commissioned; RoGC undergoing pre-commissioning activities and Petcoke Gasification mechanically complete; Telecom subscribers of 10.9 crore is a big positive:** RIL has commissioned the second phase of its Paraxylene expansion project, and the installation of RoGC and downstream capacity expansion projects has also been completed and are undergoing pre-commissioning activities. The Petcoke Gasification project is mechanically complete. RIL's Telecom business has ramped-up its subscriber base to 10.9 crore and retention of 7.2 crore for the Prime membership is much ahead of street expectation.
- **Ethane, RoGC and Petcoke Gasification projects expected to add $1.7 billion in EBITDA in FY2019E:** RIL's Ethane import project would result into saving of $3.5-4/mmbtu in the feedstock cost and likely EBITDA contribution of ~$270 million. Moreover, the Petcoke Gasification project is expected to add GRM of $1.5/bbl and contribute EBITDA of ~$700 million. We expect the RoGC project to add ~$770 million to EBITDA.
- **Maintain Buy and revised PT of Rs1,550:** We have increased our price target to Rs1,550, as we assign higher EV/EBITDA multiple of 6.8x to RIL's Refining business given a robust outlook for refining margins. With $20 billion of downstream capex largely over and nearing the commissioning stage, we expect RIL's consolidated EBITDA to grow at a 21% CAGR over FY2017-FY2019E. Given the robust earnings growth outlook, we maintain our 'Buy' rating. ■

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

SHREE CEMENT

HOLD

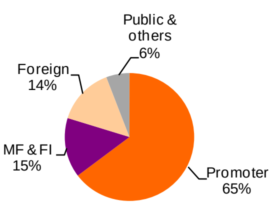
CMP: Rs17,330 | **APRIL 5, 2017**

Positive growth outlook captured in valuation; Downgrade to Hold

COMPANY DETAILS

Price target:	Rs18,200
Market cap:	Rs60,373 cr
52-week high/low:	Rs18519/12001
NSE volume (No of shares):	0.2 lakh
BSE code:	500387
NSE code:	SHREECEM
Sharekhan code:	SHREECEM
Free float (No of shares):	1.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	7.4	22.3	-3.4	41.1
Relative to Sensex	3.4	8.7	-9.2	17.7

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

KEY POINTS

- **Cement price hike of Rs20/bag MoM in April implies better demand environment:** Shree Cement has undertaken a price hike of Rs20/bag MoM in April 2017 across all the regions where it has a presence. Moreover, we expect strong 16% CAGR in volume during FY2017E-FY2019E, underpinned by the likely improvement in utilisation levels on the existing capacity and upcoming capacity. Pricing power and sustainable volume growth are expected to result in strong operating leverage, leading to earnings CAGR of 32% over FY2017E-FY2019E.
- **Capacity expansion by 1.5x to 40MT by FY2020 to drive long-term volume growth:** Shree Cement plans to set up a clinker unit in Chhattisgarh (2.8MT capacity) and grinding units in Bihar (2.9MT). Both these projects are expected to become operational by Q4FY2018. Further, in the next phase of expansion, the company is planning a 3.6MT grinding unit in Rajasthan and a 2.4MT clinker unit, besides a 4.0MT grinding unit in Karnataka. The company aspires to expand its capacity by 1.5x to 40MT by FY2020.
- **Downgrade to Hold (steep run-up factors in positive outlook) with revised PT of Rs18,200:** We believe that Shree Cement's capacity expansion plan is in the right direction, as the outlook for cement demand in India is improving, led by higher government spending on infrastructure development and a sharper focus on housing sector. However, Shree Cement's stock has appreciated by over 20% in the last three months and is currently trading at an EV/EBITDA of 18x/14x its FY2018E/FY2019E earnings. Therefore, we downgrade the stock to 'Hold' with a revised price target of Rs18,200. ■

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

SUPREME INDUSTRIES

BUY

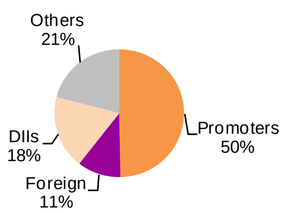
CMP: Rs1,087 | **APRIL 28, 2017**

Healthy growth outlook; maintain Buy with revised PT of Rs1,250

COMPANY DETAILS

Price target:	Rs1,250
Market cap:	Rs13,808 cr
52-week high/low:	Rs1020/779
NSE volume (No of shares):	64,568
BSE code:	509930
NSE code:	SUPREMEIND
Sharekhan code:	SUPREMEIND
Free float (No of shares):	6.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.1	14.5	19.9	38.2
Relative to Sensex	0.4	6.1	11.2	18.3

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

- **Topline dented by demonetisation's after-effects:** Demonetisation affected Supreme Industries' topline growth in Q4FY2017, which grew by 6.9% YoY to Rs1,282.6 crore. The company's OPM improved by 138BPS YoY to 18.9%, led by an expansion in margins across segments (attributed to a higher contribution from the value-added products). Net profit grew by 29.2% YoY to Rs127.3 crore.
- **Expect volume growth of 12-15% in FY2018:** (1) The management remains confident of delivering a strong 12-15% growth in overall volumes in FY2018, and expects to reach a topline of Rs5,300 crore. However, it expects some volatility in demand for a few weeks post the implementation of GST; (2) The management expects overall OPM to be ~15-15.5% in FY2018; (3) Total debt at the end of FY2017 stood at Rs228 crore, down from Rs413 crore in FY2016. The management expects the company to be virtually debt free by the end of FY2018; (4) The total planned capex for FY2018 is estimated at Rs300-350 crore, which will be funded entirely from the internal accruals.
- **On a firm footing; GST regime to aid further growth visibility:** Supreme Industries is on a firm footing, with a strong product portfolio and new product launches expected to drive growth in the coming years. Further, the impending GST implementation will be a game changing event for the organised players like Supreme Industries. Besides, the government's thrust on Affordable Housing and enhanced allocation towards Irrigation projects will aid future growth for the companies like Supreme Industries. We arrive at a SoTP-based target price of Rs1,250 (including Rs60 from holding company Supreme Petrochem). We maintain our 'Buy' rating. ■

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

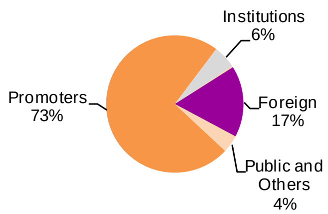
TATA CONSULTANCY SERVICES

HOLD | CMP: Rs2,309 | APRIL 18, 2017

COMPANY DETAILS

Price target:	Rs2,450
Market cap:	Rs454,903 cr
52-week high/low:	Rs2,740/2,054
NSE volume (No of shares):	12.3 lakh
BSE code:	532540
NSE code:	TCS
Sharekhan code:	TCS
Free float (No of shares):	52.6 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-8.3	1.9	-1.5	-6.7
Relative to Sensex	-7.6	-5.9	-8.1	-19.8

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

In-line quarter, no positive surprise; maintain Hold

KEY POINTS

- **Steady quarter:** Tata Consultancy Services' (TCS) constant currency (CC) revenues grew by 1% QoQ to $4,430.9 million, while reported revenues grew by 1.5% QoQ to $4,452 million. EBIT margin stood at 25.7%, down 28BPS QoQ, impacted by rupee appreciation (40BPS). Lower-than-expected decline in other income and lower tax provisioning led to net income beat (down by 2.5% QoQ to Rs6,608 crore).
- **Digital revenues remain strong, legacy services muted:** In Q4FY2017, Digital revenues contributed 17.9% to the topline, up by 8.1% QoQ to $796.9 million. For FY2017, Digital revenues grew by 29% YoY to $3 billion, which is slower compared to the 53% YoY growth delivered in FY2016 (albeit on a lower base). Nevertheless, it is still almost 4.5x higher than the company-level growth in FY2017. The worrying part is that the remaining businesses (legacy services and assets levered solutions) delivered a muted growth of 2.2% YoY and 3% YoY, respectively in FY2017 on a reported basis. So, till we see a material shift in digital revenues as a percentage of total revenues, it will be a tough task for TCS to deliver a decent double-digit revenue growth at least in the next two years amid pricing pressure and shift in customers' spending patterns.
- **Maintain Hold with unchanged PT of Rs2,450:** The TCS management mentioned that some of the demand triggers are yet to play out, and pointed to a strong deal pipeline and an uptick in BFSI revenue in FY2018. Given the macro headwinds, the ongoing industry transition, and modest earnings growth over FY2017-FY2019E, we do not see enough merit for an upgrade in TCS, though the buyback plan will cap any downside from the current level. We maintain our 'Hold' rating with an unchanged price target of Rs2,450. ■

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

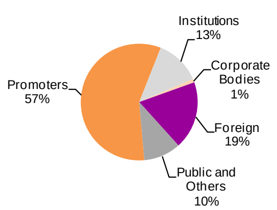
TVS MOTOR

BUY | CMP: Rs503 | APRIL 27, 2017

COMPANY DETAILS

Price target:	Rs580
Market cap:	Rs23,899 cr
52-week high/low:	Rs519/278
NSE volume (No of shares):	13.7 lakh
BSE code:	532343
NSE code:	TVSMOTOR
Sharekhan code:	TVSMOTOR
Free float (No of shares):	20.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	17.7	28.3	26.4	53.1
Relative to Sensex	14.9	17.7	16.4	30.4

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

Margin improves despite subdued volume; retain Buy with revised PT of Rs580

KEY POINTS

- **Q4FY2017 results ahead of estimates adjusting for one-off discounts to clear BS-III inventory:** TVS Motor (TVSM) reported better-than-expected results for Q4FY2017, as the company managed to improve margins despite subdued volumes. TVSM's Q4FY2017 revenue grew by only 2% YoY, but a richer product mix and cost-control initiatives helped the company to attain adjusted margin of 7.7%. TVSM offered one-off discounts worth Rs57 crore to clear the BS-III inventory at dealers' end. Higher other income at Rs63.2 crore and lower tax outgo further boosted TVSM's profitability, with the net profit coming in at Rs184 crore.
- **TVSM to continue outpacing 2W industry; commences supply to BMW:** 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. Further, TVSM commenced exports of the 310cc premium motorcycle to BMW AG manufactured under the joint platform. We expect TVSM to register a 15% YoY volume growth in FY2018.
- **Increase estimates; maintain Buy:** TVSM posted better-than-estimated margins in Q4FY2017 despite subdued volume. We expect TVSM to outpace the 2W industry growth in FY2017-FY2019, led by new launches and commencement of supplies to BMW. Further, operating leverage and better pricing power are likely to help improve margins going forward. TVSM's earnings growth is likely to be among the highest in our automotive OEM universe. We retain our 'Buy' rating with a revised price target of Rs580. ■

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

ULTRATECH CEMENT

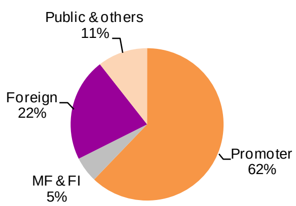
HOLD | CMP: Rs4,235 | APRIL 25, 2017

Higher opex dents earnings; valuation factors in positive outlook; maintain Hold

COMPANY DETAILS

Price target:	Rs4,500
Market cap:	Rs116,233 cr
52-week high/low:	Rs4,260/3,050
NSE volume (No of shares):	3.3 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	4.2	13.3	4.3	27.0
Relative to Sensex	3.4	4.3	-1.2	9.1

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

- **Higher operating cost affects earnings:** UltraTech Cement's Q4FY2017 revenues at Rs6,595 crore (+3% YoY) benefited from an improvement in the blended realisation (2.2% YoY) while the sales volume at 14.1mt was up 1% YoY. The Operating Profit Margin at 19.4% contracted by 213BPS YoY on account of higher fuel cost (up 13% YoY), leading to an increase in the operating cost per tonne (up 5% YoY). Consequently, EBITDA per tonne declined by 8% YoY to Rs908. Further, elevated interest expense and higher effective tax rate led to a 10% YoY decline in the adjusted net profit.
- **Target to expand capacity to 95mtpa by end-FY2019; utilisation at JP assets to be ramped up to 75% in FY2019:** UltraTech's plan to set up a 3.5mtpa plant in MP along with the consolidation of JP group's cement assets would take its capacity to 95.4mtpa by the end of FY2019. Moreover, the company has guided to ramp up the utilisation of JP assets to 75% in FY2019 compared to ~42% in FY2017. The UltraTech management has guided that cash breakeven of JP assets would take one year while the acquisition will become EPS accretive in two years.
- **Maintain Hold with revised price target of Rs4,500:** We expect UltraTech to report industry-leading volume growth on the back of timely capacity expansion and likely revival in demand. However, the rich valuation of 18x FY2019E EV/EBITDA largely factors in the likely improvement in the demand environment and pricing discipline going forward. Therefore, we maintain our 'Hold' rating with a revised price target of Rs4,500. ■

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

UPL

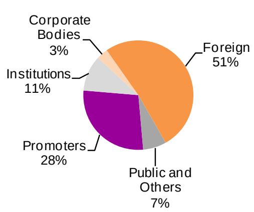
BUY | CMP: Rs806 | APRIL 28, 2017

Growth levers intact; Retain Buy with revised PT of Rs918

COMPANY DETAILS

Price target:	Rs918
Market cap:	Rs40,861 cr
52-week high/low:	Rs860/491
NSE volume (No of shares):	15.3 lakh
BSE code:	512070
NSE code:	UPL
Sharekhan code:	UPL
Free float (No of shares):	36.63 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	12.8	12.4	15.9	60.3
Relative to Sensex	9.8	4.1	7.4	37.3

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 performance:** UPL has posted decent numbers for Q4FY2017. The company has adopted the IND AS accounting standards and therefore the numbers for comparable periods have been re-classified accordingly. The net income from operation stood at Rs5,341 crore, which grew by 20.5% YoY. All the geographies registered positive revenue growth for the quarter. Overall volumes were up by 21% YoY while prices declined by 4% YoY. The Operating Profit Margin (OPM) improved by 428BPS to 19.4% while, the adjusted PAT came in at Rs740 crore.
- **Latin America, Europe and India to drive topline; UPL to outpace industry growth:** The Latin American markets as well as the Rest of World (ROW) countries witnessed an improved traction in agricultural activities. UPL management expects the Latin American business, along with the European and Indian markets to perform well. We expect UPL's topline to grow at a 16.5% CAGR over the next two years, which is much higher than the expected industry growth.
- **Maintain Buy with revised PT of Rs918:** UPL has outpaced the Agro Chemicals Industry growth. Also, the Agro Commodity prices are likely to remain on the lower side going ahead, which in turn will boost the demand for Generic Products, where UPL is a major player. Also, positive outlook for geographies like India, Europe and LatAm would drive the company's topline going ahead. The UPL management has guided for a 15% topline growth for FY2018. Considering the benefits of operating leverage and a better product mix, the OPM is expected to improve by 50-75BPS in FY2018. We maintain our 'Buy' rating on UPL with a revised price target of Rs918. ■

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

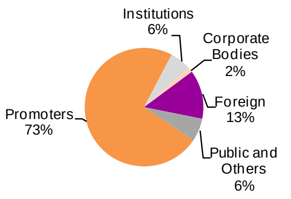
WIPRO

HOLD | CMP: RS495 | APRIL 25, 2017

COMPANY DETAILS

Price target:	Rs550
Market cap:	Rs120,280 cr
52-week high/low:	Rs578/410
NSE volume (No of shares):	12.6 lakh
BSE code:	507685
NSE code:	WIPRO
Sharekhan code:	WIPRO
Free float (No of shares):	65.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-4.2	2.5	2.0	-11.4
Relative to Sensex	-5.0	-5.6	-3.3	-23.8

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

Disappointing numbers excluding one-offs; maintain Hold with PT of Rs550

KEY POINTS

- **Margins beat led by one-off gain:** Wipro's IT Services EBIT margin for Q4FY2017 remained flat at 18.3% as the integration of Appirio's business and rupee appreciation were offset by one-time gain from the restatement of intangible assets in HPS and the sale of Ecoenergy division (70BPS benefit). Excluding these one-offs, the EBIT margin for IT Services declined by 70BPS QoQ to 17.6%. For Q4FY2017, Wipro reported a 1.7% QoQ growth in revenue in CC terms, driven by the consolidation of Appirio's revenue. On a reported basis, Wipro's total revenue grew by 2.7% QoQ to $1,954.6 million in CC terms. Net profit grew by 7.2% QoQ to Rs2,261.1 crore.
- **Legacy services remain under pressure; Digital business witnessing strong traction:** 1) Wipro management expects demand headwinds in Q1FY2018 in verticals such as Healthcare, Retail and Communications; 2) The management expects the growth momentum to resume in Q2FY2018, as HPS and India businesses will bottom out in Q1FY2018; (3) The management continues to see a strong traction in Digital revenue, which contributes 22.1% to the company's IT Services revenue now compared to 17.5% in Q1FY2017; (4) Margins will witness a drop in Q1FY2018, owing to wage hikes and absence of one-off benefit of restatement in HPS; and 5) The management expects to match industry-level growth by Q4FY2018.
- **Maintain Hold with PT of Rs550:** Wipro's traditional business continues to see multiple headwinds, which are unlikely to subside in the near term. The potential buyback in July 2017 and a Bonus issue will provide some support from any downside risk to the stock price in the near term. We continue to remain cautious on Wipro's growth trajectory and maintain our 'Hold' rating with an unchanged price target of Rs550. ■

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

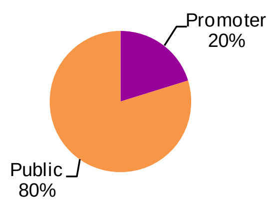
YES BANK

HOLD | CMP: RS1,605 | APRIL 19, 2017

COMPANY DETAILS

Price target:	Rs1,780
Market cap:	Rs73,284 cr
52-week high/low:	Rs1638/871
NSE volume (No of shares):	23.4 lakh
BSE code:	532648
NSE code:	YESBANK
Sharekhan code:	YESBANK
Free float (No of shares):	36.43 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	6.5	19.3	24.4	81.5
Relative to Sensex	7.7	10.7	18.6	57.7

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

Asset quality surprises negatively

KEY POINTS

- Yes Bank posted mixed numbers for Q4FY2017, with its operating performance largely in line with expectations, but the near doubling of GNPA sequentially (QoQ) marred the otherwise stellar performance. The bank reported Net Interest Income of Rs1,639.7 crore, up 32.1%/8.8% YoY/QoQ, with Advances growing to Rs1,32,263 crore or 35% YoY. Non-Interest Income at Rs1,257 crore increased by 56.6% YoY, supported by Retail banking fees (25% of total OI; up 72% YoY) and Corporate banking fees (47% of total OI; up 61% YoY), indicating strong customer traction. Also, Yes Bank improved Net Interest Margin (NIM) at 3.6%, bettering its Q3FY2017 NIM by 10BPS.
- Spike in GNPA/NNPA of 67BPS/52BPS QoQ due to one account was a negative surprise. However, the management expects to recover it in the near term. The management indicated that the increase in NPA and the consequent provisioning is in conformity with the divergences observed by the Reserve Bank of India. Q4FY2017 also witnessed significant asset sales at Rs887 crore.
- Valuation and outlook - rise in NPA worrisome and spoils an otherwise strong track record: While strong operational outperformance and a stable asset quality have been the key differentiators for Yes Bank so far, the sudden spike in NPA in Q4FY2017 is a cause for concern. We believe that the stock may witness short-term pressure. We change our rating from 'Buy' to 'Hold' to reflect the concern about NPA spike with a revised price target of Rs1,780, valuing the bank at 2.9x FY2019E Book Value Per Share (BVPS). ■

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

Gujarat State Petronet

Viewpoint

View: Book Profit | **CMP: Rs184** | **April 27, 2017**

Valuation factors in improved earnings growth visibility; Book profit

Key points

- **Valuation at 14.5x FY2018E EPS factors in all positives - advice to book profit:** GSPL stock price has rallied by 33% since the initiation of our viewpoint report, driven by the improved outlook for Gas Transmission volume in FY2018 [delay in RIL Petcoke Gasification project to end-Q4FY2018] and likely upward revision in tariff. We believe that the current valuation of 14.5x FY2018E EPS largely factors in the improved earnings outlook and therefore we advise investors to book profit and wait for better entry point for fresh investment.
- **Strong volume growth triggers for FY2018 but volume expected to be flat growth in FY2019:** We expect GSPL's Gas Transmission volume to grow strongly by ~4mmscmd to 30mmscmd in FY2018 due to delay in the commissioning of RIL's Petcoke Gasification project and demand potential of 1.5mmscmd each from Torrent Power and Essar Steel. The volume for FY2019 is likely to remain largely flat given the reduction in the LNG requirement for RIL (4-5mmscmd).
- **Further delay in revision of transmission tariff could act as an overhang in near term:** We expect ~15% increase in GSPL's transmission tariff to ~Rs1.25/scm in FY2018 vs Rs1.09/scm in Q3FY2017 based on the revised tariff computation guidelines notified by PNGRB. The revision in transmission tariff is long overdue and any further delay could act as an overhang on the stock.
- **Sharp 33% rally in stock price since initiation of our viewpoint largely captures robust earnings growth outlook - book profit:** We like GSPL as a pure play on the domestic gas transmission business and expect the company to benefit from higher gas consumption going forward. However, the recent valuation re-rating to 14.5x FY2018E EPS largely factors in the strong earnings growth outlook. Consequently, we recommend investors to book profit. ■

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

JK Tyre & Industries

Viewpoint

View: Positive | **CMP: Rs153** | **April 21, 2017**

On a profitable growth path

Key points

- **Favourable macroeconomic factors and reduced threat from Chinese imports to drive demand:** The demand outlook for the domestic MHCV tyres is poised to accelerate given the improvement in the domestic economic growth and a pick-up in the replacement demand. Further, the impending implementation of GST is likely to increase the run-time for trucks, resulting in enhanced demand for MHCV tyres. Further, Chinese tyre imports into India have halved in the last two months. We expect JK Tyre to clock a 9% topline growth in the domestic operations over the next two years.
- **JK Tyre forays into 2W segment with Cavendish acquisition:** JK Tyre gained an entry into the lucrative Two Wheeler (2W) tyre segment through the acquisition of Cavendish Industries. 2W tyres command higher margins and JK Tyre has managed to garner a 10% market share within the first year of the launch. JK Tyre is aiming to double the market share in the 2W space over the next two years. 2W tyres currently constitute about 5% of the company's consolidated topline and it is aiming to double the contribution by FY2019. Introduction of 2W tyres would enable JK Tyre to become a full fledged tyre manufacturing company having presence across all the automotive segments.
- **Capex peaks out; D-E to improve; stock trading below historical multiples:** With the completion of the Cavendish acquisition and having established a presence across automotive verticals, JK Tyre has no major capex lined up in the medium term. Also, the company has successfully turned around Cavendish, which has posted a net profit of Rs14 crore during 9MFY2017 as against losses earlier. The company would focus on debt repayment in view of the improving cash flows. We expect JK Tyre's debt/equity ratio to fall from the current level of 2.5x to 1.3x in FY2019. The company's Return on Equity (RoE) is likely to improve from 17.6% in FY2017 to 18.3% in FY2019. Lower debt/equity and a healthy RoE are likely to result in a re-rating of the stock. We have a positive view on JK Tyre and believe it can generate 20-25% returns over the next 6-8 months. ■

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

Kaveri Seed Company

Viewpoint

View: Book Profit | **CMP: Rs549** | **April 7, 2017**

Positives priced in; book profit with a handsome gain of ~36%

Key points

- **Stock run-up leaves less room for upside:** Since our initiation of the viewpoint note on Kaveri Seed Company (KSCL) on December 19, 2016, the stock has delivered ~36% return and is currently trading at a valuation of 16x /13x its FY2018E/FY2019E earnings. Our positive view was based on the government's focus on the seeds industry and the introduction of new hybrid seeds for Cotton, Rice and Maize, which would drive revenue for the company. Further, KSCL had planned to increase its market share in Cotton Seeds by penetrating the markets of Andhra Pradesh and Maharashtra, and widening its overall presence in North India, Gujarat and Rajasthan. Our positive view was also in anticipation of the management's prudent capital allocation policy, given the healthy cash kitty, which eventually played out with the buyback announcement. However, the recent run-up in the stock price has factored in all the above positives.
- **Weak initial forecast for monsoon:** Cotton sowing was below normal in 2016, down by 11% YoY across India due to: 1) Shift in favor of non-cotton crops; 2) Pest attacks on cotton last year and 3) South Indian states like Tamil Nadu, Andhra Pradesh, Karnataka and Kerala facing a severe drought like situation due to below-normal Southwest and Northeast monsoon rainfall. Also, according to the recent forecast by the private weather forecasting agency 'Skymet', the Southwest monsoon will be below normal in 2017 and Western India is likely to experience deficient rainfall. If these forecasts turn out to be true, then it can be a major spoilsport for KSCL (cotton contributes ~61% to the company's total revenue).
- **Book profit with a handsome gain of 36%:** We expect KSCL's revenue/earnings to grow at a CAGR of 6%/17% if the monsoon remains normal this year. However, the stock is currently trading at 16x/13x its FY2018E/FY2019E earnings, which is close to the higher end of its long-term historical multiples, leaving limited scope for further upside. Therefore, we recommend investors to book profit with a handsome gain of 36% and wait for a better price to re-enter the stock.
- **Risk to our call:** Normal monsoon rainfall and increasing cotton acreage would benefit KSCL's earnings and outlook, and would further drive the stock price upwards. ■

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

Suprajit Engineering

Viewpoint

View: Book Profit | **CMP: Rs243** | **April 6, 2017**

Book profit with a handsome gain of 19% in less than two months

Key points

- **Positives priced in:** We had initiated a viewpoint note on Suprajit Engineering (SEL) on 15th Feb. 2017. Since the release of that report, the stock has delivered an absolute return of 19%. Our positive stance on the company was based on the revival of demand in the domestic market post demonetisation. Also, other aspects like focus on increasing the share of business from the existing OEM majors would further add to the topline. In addition, the recently acquired Wescon Controls LLC has ambitious plans to diversify its client base and foray into newer segments to boost the topline. The performance of subsidiary Phoenix Lamps too is expected to improve in terms of revenue growth as well as margins. Cumulatively, these factors would result in 13% revenue CAGR over the next two years. However, the recent run-up in the stock price has factored in bulk of these positives and we therefore recommend investors to book profit at the current level.
- **Benefits from acquisitions to be reflected in financial performance over medium term:** SEL has acquired two companies in the recent past - Phoenix Lamps and Wescon Controls. Post the acquisition of Phoenix Lamps, SEL is now in the midst of integrating the internal processes and expanding capacities by installing a new production line for the X-7 grade of Halogen Lamps. The new production line is based on an advanced technology and is expected to bring in substantial cost savings to Phoenix Lamps, resulting in an improved OPM going forward. Also, at Wescon Controls, the company plans to diversify and tap other non-auto segments. These initiatives are currently at a nascent stage and are expected to be reflected in SEL's financial numbers in the medium term.
- **Book profit with handsome gain of 19%:** At the CMP, SEL is trading at 22.3x and 19.9x its FY2018E and FY2019E EPS, respectively, which is close to the higher end of its long-term historical multiples, leaving a limited scope for further upside from the current level. Therefore, we recommend investors to book profit with a handsome gain of 19% and wait for a better price to re-enter the stock. ■

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

SHAREKHAN SPECIAL APRIL 12, 2017

Anemic results expected in Q4FY2017; hopes pinned on a strong revival in FY2018

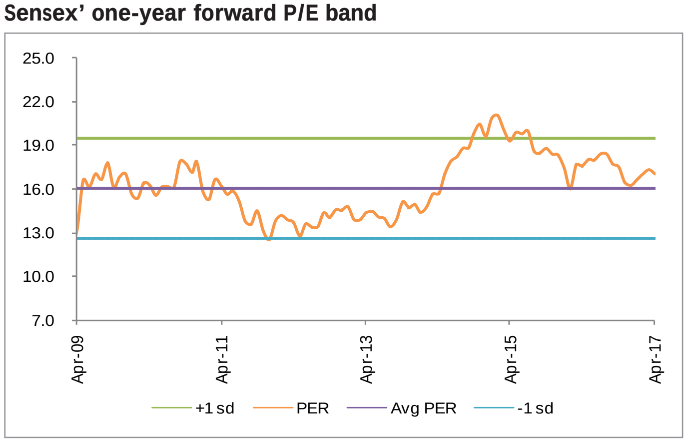
Headwinds persist; hopes of reforms and potential revival in earnings growth buoy market sentiments: FY2017 has drawn to a close, but certain nagging unresolved macro issues like large NPAs, after-effects of demonetisation and stillborn private capex still hover over the horizon. Our channel checks indicate that the inclination for capex on the part of corporates remains lukewarm, and the pick-up and the quality of Retail and SME segments has been the only saving grace. Banks are still awaiting clarity from the RBI/Cabinet on the issue of NPA resolution framework and guidelines. However, the emphatic victory of the ruling NDA during the recently-concluded Uttar Pradesh election has reinforced investor optimism about a determined push for reforms. Moreover, the likely implementation of GST from Q2FY2018 would be another step towards bringing the unorganised sector into the formal economy, which, in turn would immensely benefit the listed companies in the organised sector.

Little glad tidings in near term: Even though the market sentiment has improved materially after getting hit by the demonetisation shock in Q3FY2017, we expect Q4FY2017 earnings growth to be in low double digits for Sensex companies. Bulk of the earnings growth would be driven by companies from the Energy and Metals sectors, which are largely benefiting from the upsurge in commodity prices. On the other hand, the unexpected currency appreciation (INR strengthening by ~4.8% intra-quarter against US dollar) will be a main cause for concern for export-oriented sectors like IT, Textiles and select Pharma companies. The expectations are mixed for Capital Goods companies, for whom Q4 is normally a strong quarter. Meanwhile, the consumer-facing sectors like Autos and FMCG would continue to face pressure on account of demonetisation and draught-like situation in the southern part of the country.

Outlook - Challenging in short term but economy on the right track: Along with the Q4FY2017 performance, the management commentary on demand recovery and FY2018 guidance would be keenly tracked, which will provide a much-needed clarity on the pace of recovery in corporate earnings. Currently, key macro indicators are largely positive: low Current Account Deficit (CAD at 1.4% of GDP for December 2016 quarter), strong GDP growth (6.7% for FY2017E) and continued low volatility in key commodities. The impact of demonetisation should also largely subside in Q4FY2017. Against this backdrop, the earnings growth can rebound sharply to high double-digit levels in FY2018, largely due to a low base and normalisation of earnings in heavyweight sectors like Banks, Energy and Consumer-oriented sectors.

Valuation: Post the strong rally of the past three months, the valuations are not cheap anymore. But, we remain constructive on equities due to the expected revival in earnings growth in FY2018 and favourable macro conditions like the declining inflationary expectations and possible prolonged period of low interest rates in the country.

Sensex' one-year forward P/E band



Source: Bloomberg, Sharekhan Research

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

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Nifty - Inching higher

Daily view on Nifty

- The Nifty continues to form higher top and higher bottom on the daily chart, which indicates that the uptrend will continue in the short term.
- The Index is trading in a rising channel. However, it has touched the upper end of the rising channel and is witnessing some consolidation.
- A minor correction is possible in the near term. However, dips towards 9250- 9130 (gap area) should be seen as a buying opportunity.
- The equality target of Wave (I) comes to 9500 levels, which is our short-term target for the Index.
- The momentum indicator on the daily chart is in a 'positive' mode.
- Support level for Nifty will be at 9250 and 9075; resistances will be at 9500 and 9600 ■

Weekly view on Nifty

- The Nifty has given a breakout from the falling trendline.
- The Index is witnessing extension in Wave (V), given that Wave (I) was equal to Wave (III).
- In the Medium Term, Wave (V) can extend up to 9850, which is 161.8% of Wave (I).
- The Nifty is in the grip of the bulls and any dip should be seen as a buying opportunity.
- The momentum indicator on the weekly chart is in a 'positive' mode.
- Crucial support will be ~9075 and 8960 levels; crucial resistance will be at 9850 ■

Monthly view on Nifty

- On the monthly chart, the Nifty has broken above 8968 and has confirmed higher top and higher bottom formation.
- From a long-term perspective, the Nifty continues to trade in a rising channel.
- The long-term count suggests that the Index is in Wave (III) of higher Wave (5).
- The minimum target for Wave (III) comes to ~10380 levels, ie the equality target of Wave (I).
- The momentum indicator on the monthly chart is in a positive mode and dips should be seen as a buying opportunity.
- A crucial support will be ~8690 and resistance will be at 10380 ■

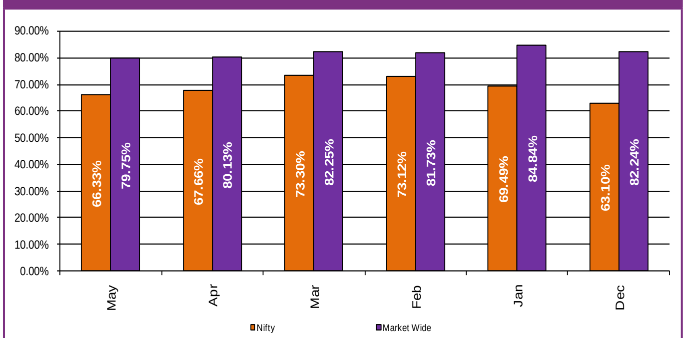
Trend	Trend reversal	Support	Resistance	Target
Up	8960	8960	9850	9850

Derivative View - VIX at a multi-year low; Time to hedge your longs

The Nifty Futures started the April F&O series on a flattish note, but in the second half of the series, the Index continued to move higher before closing the series at lifetime high levels and closed the series with a decent gain of ~1.87%. During the April series, barring last week, the Nifty Futures saw a significant amount of unwinding (more of long unwinding) at higher levels. However, in the last week of the April series, the Nifty Futures saw addition of open interest, which was a mix of long and short positions, helping the markets to scale the all-time high levels above 9200.

The FIIs have been net sellers in cash market for quite some time. In April, they were net sellers of Rs6,600 crore and in May so far, they have net sold Indian shares worth ~Rs1,730 crore. In the derivative segment also, in the May series so far, the FIIs have been seen squaring off their net long positions in the Index Futures. This indicates that the FIIs are turning cautious about the Indian market.

MARKET WIDE VS NIFTY ROLLOVER ACTIVITY:



Rollover highlights:-

The Nifty Futures started the May F&O series with on open interest of 2.09 crore shares vs 2.61 crore shares at the start of the April series. In rupee terms, it started the new series with Rs19,534 crore of OI in Nifty Futures Vs Rs24,000 crore OI in April. In Stock Futures, the OI stood at Rs92,909 crore Vs Rs92,455 crore OI in April. Index Options started the May series with Rs110,953 crore of OI Vs Rs100,353 crore OI in April while the OI in Stock Options stood at Rs11,107 crore in May Vs Rs9,222 crore in April.

At the start of the May series, the rollover in Nifty Futures stood at 66.33%, which was lower compared to the previous month's rollover of 67.66%. Marketwide rollover stood at 79.75%, which was also a bit lower compared to its previous month's rollover of 80.13%.

Top 5 stock futures with the highest OI in current series

STOCK FUTURES (SHAREKHAN SCRIP CODE)	OPEN INTEREST (RS CR)
HDFCBANK	4,679.57
INFY	2,764.03
ICICIBANK	2,430.18
RELIANCE	2,130.19
AXISBANK	2,056.94

Top 5 stock options with the highest OI in current series

STOCK FUTURES (SHAREKHAN SCRIP CODE)	OPEN INTEREST (RS CR)
RELIANCE	1,798.29
ICICIBANK	1,488.54
SBIN	1,012.43
MARUTI	881.84
TATASTEEL	685.68

View for May series:

On the options front, in the May series, the 9300 PE stands with the highest number of shares in OI followed by the 9000 strike price. On the call side, the 9400 CE has the highest number of shares in OI followed by the 9500 strike price.

The Put-to-Call ratio (PCR) traded above 1.00 throughout the April series and in the May series, it started on the higher side at 1.07. On the other hand, the India Volatility Index (VIX) has traded in a narrow range for the last two series at 11.00-12.50 levels. Currently, the VIX is at 11.10, which is a very low level. Taking into account the above data and the low VIX, we feel that going forward, Nifty Futures could see some downside due to profit booking and could again test the support of 9000-9100 levels. ■

Currencies: Euro surges after first round of French presidential election

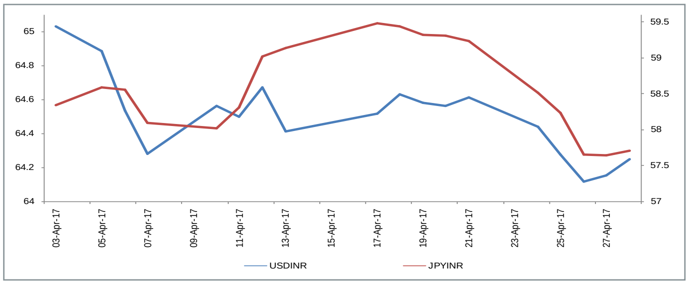
Key points

- The Reserve Bank of India keeps repo rate unchanged at 6.25% and increases reverse repo rate by 25BPS to 6.00%
- India CPI rose to 3.81% in March from 3.65% in February
- India's industrial production fell by 1.2% in February compared to a 2.7% increase in January
- India WPI eased to 5.7% in March compared to 6.55% in February

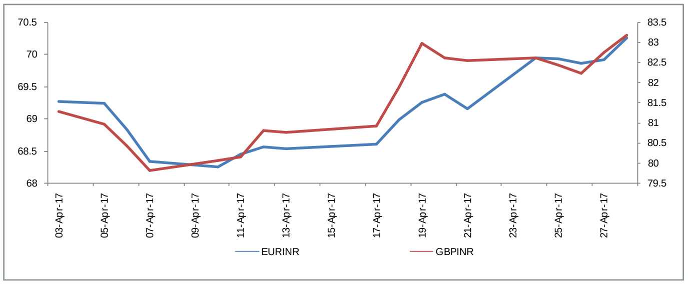
CURRENCY LEVELS IN APRIL 2017 (IN RS)

Currency	High	Low	Close	Monthly chg (%)
USDINR	65.18	63.93	64.2462	-0.93
EURINR	70.46	68.01	70.26	1.39
GBPINR	83.36	79.61	83.172	2.78
JPYINR	59.58	57.43	57.7	-0.53

April 2017 contract price movement



April 2017 contract price movement



USDINR — CMP: Rs(64.15)

The Indian rupee appreciated by 0.93% against the US dollar in April on the back of growing risk appetite in the domestic markets and continued FII inflows into local shares and debt instruments. Market sentiments improved after centrist Emmanuel Macron and nationalist Marine Le pen cleared the first round of French presidential election. Foreign investors poured a net of $3146.57 million into the Indian debt market and $366.81 million into the local shares in April 2017, as per NSDL data. Further, the RBI kept the benchmark repo rate unchanged at 6.25% and the increased the reverse repo rate by 25BPS to 6.00%. The India Meteorological Department (IMD) said that India will receive normal rainfall during June-September southwest monsoon season. A normal rain is good for the Indian economy.

Outlook: *The rupee is expected to trade with a negative bias on the back of risk aversion in the domestic markets. Traders will remain alert ahead of the upcoming Second and Final round of French presidential election and the G7 leaders' meet. Demand for the dollar is likely to rise on expectation of upbeat economic data. Strong data will fuel speculation about the timing of the next rate hike by the Federal Reserve in June. Demand for the dollar from importers may hurt the rupee. The gap between US and India bond yields is narrowing. Rising US bond yields has prompted foreign investors to sell their Indian market holdings. As per the latest REER reading of 116.39, the rupee is overvalued by more than 10%. The expected trading range for the rupee in the near term is 63.70- 65.20.*

EURINR — CMP: Rs(70.05)

The euro appreciated by 2.28% in April on the back of upbeat economic data from Eurozone and weakness in the dollar. Further, worries about political uncertainty in France eased after the centrist Emmanuel Macron and the nationalist Marine Le pen cleared the first round of the French presidential election.

Outlook: *The euro is expected to trade with a positive bias owing to upbeat economic data from the Eurozone. Further, investors will now pay attention to the second round of French presidential election. As per polls, Macron is likely to win the election with a simple majority. However, a sharp upside in the euro may be capped on account of the divergence in global monetary policy and Greece's debt problem. Focus will be on the talks between Greece and its international lenders. The expected trading range for the euro in the near term is 68.70 – 71.60.*

GBPINR — CMP: Rs(82.90)

The pound appreciated by 3.20% in April due to a weak dollar and after the British Prime Minister Theresa May called for general election on June 8. She said that the general election would "secure the strong and stable leadership" position of the UK for talks with the European Union about the terms for the looming exit. Further, opinion polls showed that the British Prime Minister May will win the June snap general election.

Outlook: *The pound is expected to trade with a positive bias on expectation of upbeat UK economic data. Opinion polls show that British Prime Minister May will win the June snap general election. Traders are hoping that the victory in the June general election could strengthen the party's majority ahead of the crucial Brexit negotiations. However, sharp gains in the pound may be capped, as traders' major focus will be on the Brexit negotiations between the EU members and the UK, besides the Bank of England's monetary policy meet. The British currency will be vulnerable to comments from the EU and UK officials ahead of the Brexit talks. The expected trading range for the pound in the near term is 81.70 – 85.0.*

JPYINR — CMP: Rs(57.17)

The Japanese yen depreciated by 0.09% in April, as demand for safe haven assets declined on rising risk appetite in the global markets. Market sentiments improved after the centrist Emmanuel Macron and the nationalist Marine Le pen cleared the first round of French presidential election. However, sharp gains were prevented owing to mounting geopolitical tensions.

Outlook: *The yen is expected to trade with a negative bias on the back of divergence in the global monetary policy and disappointing Japanese economic data. The Bank of Japan kept its monetary policy unchanged and revised its core CPI forecast for FY2017-2018 to 1.4% from the previous forecast of 1.5%. However, a sharp downside may be prevented, as the demand for safe haven assets may improve, with traders choosing to remain cautious ahead of speeches from policy makers across the globe and rising geopolitical tension. The expected trading range for the yen in the near term is 56.0 – 58.40.*

CMP as on May 03, 2017

USDINR: Steep decline

In November, USDINR had faced resistance near the previous high of 68.89, which was registered in February last year. In terms of price pattern, it formed a multi-month Double Top, which is a bearish pattern. Since then, the currency pair is tumbling and has broken multiple supports on the way down. The currency pair is now approaching the 50% retracement of the previous rally, and the junction of 40MEMA and monthly lower Bollinger Band. The short-term and medium-term momentum indicators are in line with the fall.

EURINR: In a pull-back mode

EURINR had formed a multi-week triangular pattern and had broken out on the downside in the beginning of October 2016. On the way down, it broke multiple supports and is falling in a downward sloping channel. In April, the currency pair took support near the 78.6% retracement mark and the lower channel line, entered a pull-back mode. Structurally, the pull-back is likely to continue till 71.50 with the potential to stretch till 72.80.

GBPINR: Bounce on the cards

GBPINR has been in a downtrend from short-term as well as medium-term perspective. In terms of Fibonacci levels, the currency pair has retraced 61.8% of the multi-month rally, which is proving to be a crucial support. The recent structure shows that GBPINR can attempt a decent pull-back. The short-term as well as medium-term momentum indicators have turned in favor of the bulls. Thus, GBPINR can bounce back towards the junction of 40WEMA and the weekly upper Bollinger Band, ie 85.

JPYINR: Bears have an upper hand

JPYINR formed a triangular pattern and broke out on the downside in the beginning of October 2016. Since then, the currency pair has tumbled and is now breaching the 61.8% retracement of the previous multi-month rally. The weekly Bollinger Bands are on the verge of expansion after a significant contraction, which suggests that the fall is likely to continue. The same is also evident from the weekly momentum indicator too. Thus, JPYINR can tumble till 55.85-54.80.

Currency	View	Reversal	Supports	Resistances	Target
USD-INR	Down	65.20	63.92/63.24	64.72/65	63.60-62.50
GBP-INR	Up	80.50	82/81.33	83.38/84.75	85.00
EUR-INR	Up	69.00	69.55/69.06	70.67/71.28	71.50-72.80
JYP-INR	Down	58.4000	56.38/55.71	57.78/58.20	55.85-54.80

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

Phone: 022-6750 2152 / 2261 / 2363 / 2104 • E-mail: pms@sharekhan.com

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 April 30, 2017

(In %)	DE Strategy	Sensex	Nifty	Nifty 500
1 Month	2.8	1.0	1.4	2.7
3 Month	11.5	8.2	8.7	11.3
6 Month	9.8	7.1	7.9	9.5
1 Year	28.5	16.8	18.5	24.7
2 Year	31.3	10.8	13.7	21.7
3 Year	66.2	33.5	38.9	56.3

*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

- Britannia Industries
- HDFC Bank
- IndusInd Bank
- L&T Finance Holdings
- Larsen & Toubro
- LIC Housing Finance
- Maruti Suzuki India
- Petronet Lng
- Reliance Industries
- ZEE

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 fund is going through a drawdown because of the rangebound market trend seen in April. As a result, the month saw a negative return of 1.12%. Once the next directional move in the Nifty takes shape, we should be back in the positive territory. On the positive side, since October 2016 we have had a trending market, which is giving us positive returns from the product after what was a major drawdown year on record. FY2017 saw the first major negative return in the history of the fund. In the past, the immediate year after such a big drawdown tends to have higher-than-average returns. So far, the trending market of the last six months has shown the requisite attributes to deliver superior returns in FY2018. Hence, we are very optimistic.

In the short term, the market as such is losing momentum after hitting all-time high levels following a four-month rally. So, we are open to the possibility of a correction. However, the Mid Cap space continues to show strength. The broader indices have done far better than the Nifty over the last two years. Whenever the Large Cap shares get their attention back, the Nifty returns would also improve.

Fund Manager: Rohit Srivastava

Product performance as on April 30, 2017

(In %)	NT Strategy	Sensex	Nifty
1 Month	-1.12	1.01	1.42
3 Months	2.19	8.18	8.68
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*	149.48	195.51	207.92
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

A volatile market is never good for the fund, but still we managed to eke out a 1.21% return in April. It took a lot of trades and tactical changes in positions (long/short) to deliver positive returns. But, we managed to hold our ground. The month of May seasonally tends to be directional, ie it typically tends to show a clear up or down trend. So, we remain alert to the next trend signal so that we can get the most out of it.

In the near term, the market as such is losing momentum after hitting all-time high levels following a four-month rally. So, we are open to the possibility of a correction. However, the Mid Cap space continues to show strength. The broader indices have done far better than the Nifty over the last two years. Whenever the Large Cap shares get their attention back, the Nifty returns would also improve.

Fund Manager: Rohit Srivastava

Product performance as on April 30, 2017

(In %)	TS Strategy	Sensex	Nifty
1 Month	1.21	1.01	1.42
3 Months	3.56	8.18	8.68
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*	47.52	61.47	67.61
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

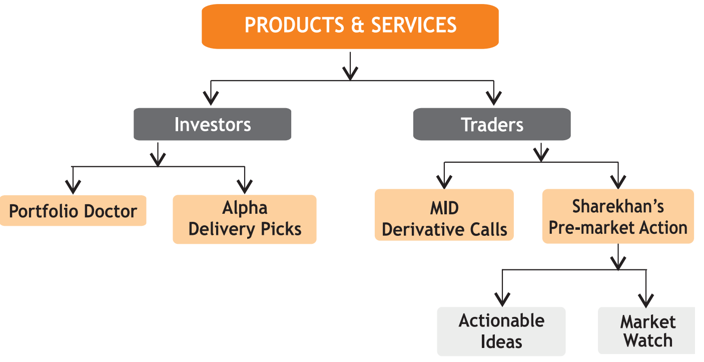
Absolute returns irrespective of market conditions.

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	**April 2017**	**FY2017-18**
No. of calls	7	15
Open	5	5
Profit booked	8	8
Stop loss hit	2	2
Strike rate (%)	80	80

MID Derivative Calls performance*

Ticket size (Rs)	100,000	
Month	**April 2017**	**FY2017-18**
No. of calls	23	23
Profit booked	13	13
Stop loss hit	10	10
Strike rate (%)	57	57

Sharekhan's top mutual fund picks (equity) — April 11, 2017

Data as on April 03, 2017

Scheme name	NAV (Rs)	Returns (%)				
		Absolute 6 months	Compound annualised			
			1 yr	3 yrs	5 yrs	Since inception
Large-cap funds						
Birla Sun Life Top 100 Fund - Growth	51.3	6.5	25.5	18.8	18.1	15.4
BNP Paribas Equity Fund - Growth	74.4	3.5	17.7	17.9	16.5	17.4
IDFC Classic Equity Fund - Reg - Growth	39.1	7.9	32.2	17.4	15.5	12.4
ICICI Prudential Focused Bluechip Equity Fund - Ret - Growth	34.5	6.4	25.3	16.8	16.0	15.0
Franklin India Bluechip - Growth	410.1	5.5	19.5	16.1	13.8	21.7
Indices						
BSE Sensex	29,910	5.9	18.3	9.9	11.2	16.0
Mid-cap funds						
Reliance Small Cap Fund - Growth	35.1	15.5	42.9	37.3	30.6	21.2
Canara Robeco Emerging Equities - Growth	78.9	9.5	38.9	35.9	27.3	18.7
Kotak Emerging Equity Scheme - Reg - Growth	35.3	10.3	39.9	35.3	24.9	13.4
Sundaram Select Midcap - Reg - Growth	447.7	6.8	36.4	32.1	24.5	29.5
HDFC Mid-Cap Opportunities Fund - Growth	50.1	8.3	37.5	29.7	24.6	17.9
Indices						
BSE MID CAP	14,190	5.2	33.2	25.5	17.0	21.8
Multi-cap funds						
L&T India Value Fund - Reg - Growth	32.5	11.0	35.3	32.5	25.0	17.7
Birla Sun Life Equity Fund - Growth	627.8	5.5	35.2	24.8	21.3	24.9
Kotak Select Focus Fund - Reg - Growth	28.9	7.6	30.7	24.2	20.6	15.1
Mirae Asset India Opportunities Fund - Reg - Growth	40.1	8.0	29.1	21.8	19.5	16.7
Franklin India Prima Plus - Growth	522.0	6.0	21.0	21.6	18.5	19.2
Indices						
BSE 500	12,725	6.8	24.9	15.1	13.1	15.0
Tax-saving funds (ELSS)						
Reliance Tax Saver (ELSS) Fund - Growth	55.3	9.1	28.6	24.8	20.6	16.0
DSP BlackRock Tax Saver Fund - Growth	41.2	6.3	31.7	24.0	20.8	14.9
Birla Sun Life Tax Relief 96 - Growth	25.9	5.5	23.8	23.6	20.5	11.1
Franklin India Taxshield - Growth	490.4	3.8	19.2	20.7	17.8	24.1
L&T Tax Advantage Fund - Reg - Growth	47.0	8.9	31.1	20.6	17.2	15.0
Indices						
Nifty 500	8,053	6.9	24.8	15.3	13.5	9.6
Thematic funds						
DSP BlackRock Natural Resources & New Energy Fund - Reg - Gth	30.5	23.4	63.4	31.1	17.7	13.3
Franklin Build India Fund - Growth	36.0	9.0	30.7	30.9	25.3	18.4
ICICI Prudential Banking and Financial Services Fund - Retail - Growth	52.0	11.9	57.2	29.5	24.3	21.1
Sundaram Rural India Fund - Reg - Growth	37.1	6.6	41.7	27.4	20.2	12.8
Birla Sun Life Special Situations Fund - Growth	21.8	2.8	33.9	25.6	19.5	8.8
Indices						
Nifty 50	9,238	5.7	19.7	11.1	11.5	14.0
Balanced funds						
L&T India Prudence Fund - Reg - Growth	23.3	6.9	20.8	20.7	18.2	14.8
HDFC Balanced Fund - Growth	131.7	6.4	23.7	20.6	17.3	16.8
ICICI Prudential Balanced - Growth	114.6	7.6	28.0	20.0	18.3	15.0
Franklin India Balanced Fund - Growth	104.4	2.4	15.7	18.4	16.1	14.5
SBI Magnum Balanced Fund - Growth	109.4	2.9	15.3	18.0	18.1	16.2
Indices						
Crisil Balanced Fund Index	--	4.9	16.9	11.5	11.1	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	30.2	5.4	28.3	28.1	24.4	10.7
BNP Paribas Dividend Yield Fund - Growth	41.3	7.8	25.9	21.8	18.0	13.1
BNP Paribas Long Term Equity Fund - Growth	32.6	2.5	16.4	19.0	17.5	11.1
BNP Paribas Equity Fund - Growth	74.4	3.5	17.7	17.9	16.5	17.4

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

April 11, 2017

Data as on April 03, 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	39	13,485	13.5	45,101	8.0	89,467	8.5
Birla Sun Life Top 100 Fund - Growth	51	13,225	11.1	43,632	6.8	93,047	9.3
ICICI Prudential Focused Bluechip Equity Fund - Ret - Growth	35	13,142	10.4	43,067	6.3	88,870	8.3
Franklin India Bluechip - Growth	410	12,922	8.4	42,512	5.9	85,876	7.6
BNP Paribas Equity Fund - Growth	74	12,936	8.5	41,547	5.0	87,814	8.0
BSE Sensex	***29910***	***12,993***	***9.0***	***40,086***	***3.7***	***77,551***	***5.4***
Mid-cap funds							
Mirae Asset Emerging Bluechip Fund - Growth	43	14,051	18.7	52,155	13.5	1,30,751	17.1
Reliance Small Cap Fund - Growth	35	14,265	20.7	51,455	13.0	1,35,305	18.0
Kotak Emerging Equity Scheme - Reg - Growth	35	13,810	16.5	50,500	12.3	1,20,892	15.3
Canara Robeco Emerging Equities - Growth	79	13,941	17.7	49,715	11.7	1,25,357	16.1
Sundaram Select Midcap - Reg - Growth	448	13,526	13.9	48,762	10.9	1,16,401	14.4
BSE Midcap	***14190***	***13,469***	***13.4***	***47,043***	***9.6***	***1,01,175***	***11.2***
Multi-cap funds							
L&T India Value Fund - Reg - Growth	33	13,813	16.5	49,050	11.2	1,16,114	14.4
Birla Sun Life Advantage Fund - Growth	370	13,251	11.4	46,272	9.0	1,04,514	11.9
Kotak Select Focus Fund - Reg - Growth	29	13,468	13.4	46,245	8.9	1,01,379	11.2
Mirae Asset India Opportunities Fund - Reg - Growth	40	13,401	12.7	45,292	8.2	98,827	10.7
Franklin India Prima Plus - Growth	522	13,080	9.8	44,110	7.2	96,126	10.0
BSE 500	***12725***	***13,269***	***11.5***	***42,658***	***6.0***	***85,021***	***7.3***
Tax-saving funds (ELSS)							
DSP BlackRock Tax Saver Fund - Growth	41	13,430	13.0	46,444	9.1	1,01,468	11.3
L&T Tax Advantage Fund - Reg - Growth	47	13,557	14.2	45,540	8.4	95,207	9.8
Birla Sun Life Tax Relief 96 - Growth	26	13,277	11.6	45,176	8.1	1,00,326	11.0
Reliance Tax Saver (ELSS) Fund - Growth	55	13,578	14.4	44,652	7.6	1,03,387	11.7
Franklin India Taxshield - Growth	490	12,884	8.0	43,227	6.5	93,894	9.5
Nifty 50	***9238***	***13024***	***9.3***	***42717***	***6.0***	***85,520***	***7.5***

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 Dividend Yield Fund - Growth	Multi Cap	13,348	12.3	44,198	7.3	94,506	9.7
BNP Paribas Equity Fund - Growth	Large Cap	12,936	8.5	41,547	5.0	87,814	8.0
BNP Paribas Long Term Equity Fund - Growth	ELSS	12,854	7.8	41,520	5.0	89,825	8.5
BNP Paribas Mid Cap Fund - Growth	Mid Cap	13,330	12.1	46,134	8.9	1,08,868	12.9

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 May 03, 2017

Company	CMP (Rs)	Sales FY16	Sales FY17E	Sales FY18E	Net profit FY16	Net profit FY17E	Net profit FY18E	EPS FY16	EPS FY17E	EPS FY18E	(%) EPS growth FY18/FY16	PE (x) FY16	PE (x) FY17E	PE (x) FY18E	RoCE (%) FY17E	RoCE (%) FY18E	RoNW (%) FY17E	RoNW (%) FY18E	DPS Rs.	Div Yld(%)
Automobiles																				
Apollo Tyres	245	11,848.6	13,180.0	15,110.0	1,075.2	1,099.3	1,148.3	21.1	21.6	22.6	3%	11.6	11.3	10.8	13.6	13.9	15.3	14.0	2.0	0.8
Ashok Leyland	83	18,919.4	20,974.0	23,834.5	1,168.5	1,499.1	1,617.3	4.1	5.1	5.5	16%	20.2	16.2	15.1	21.9	22.2	24.8	24.4	1.0	1.1
Bajaj Auto	2,933	22,624.7	21,948.0	24,969.3	3,741.2	3,937.9	4,264.6	129.4	136.2	147.5	7%	22.7	21.5	19.9	37.6	36.0	27.8	26.4	55.0	1.9
Gabriel India	124	1,438.2	1,535.5	1,713.4	75.8	83.5	100.1	5.3	5.8	7.0	15%	23.4	21.4	17.7	24.7	25.5	19.0	19.6	0.5	0.4
Hero Motocorp	3,377	28,442.7	28,400.4	31,942.4	2,975.8	3,434.3	3,736.4	149.0	172.0	187.1	12%	22.7	19.6	18.0	49.5	46.6	36.7	34.2	72.0	2.1
M&M	1,349	38,873.6	41,046.7	44,705.7	3,314.4	3,576.3	3,836.1	53.4	57.6	61.8	8%	25.3	23.4	21.8	17.4	17.6	14.4	14.1	12.0	0.9
Maruti Suzuki	6,644	57,746.2	68,035.0	78,441.0	4,571.0	7,338.0	8,405.0	151.3	242.9	278.2	36%	43.9	27.4	23.9	29.3	28.3	23.0	21.3	35.0	0.5
Rico Auto Industries	61	1,007.0	1,065.0	1,214.0	34.0	50.7	61.0	2.5	3.7	4.5	34%	24.3	16.4	13.5	11.3	12.9	9.9	10.9	0.6	1.0
TVS Motor	498	11,243.9	12,135.0	14,267.9	437.8	615.1	784.6	9.2	12.9	16.5	34%	54.1	38.6	30.2	22.7	27.5	26.1	27.4	2.5	0.5
Banks & Financials																				
Axis (UTI) Bank	501	26,204.4	28,771.9	32,992.5	8,223.7	3,270.5	9,306.6	34.5	13.7	39.1	6%	14.5	36.5	12.8	-	-	6.0	15.6	5.0	1.0
Bajaj Finance	1,270	4,029.7	5,202.1	6,869.7	1,278.6	1,683.6	2,293.6	23.9	31.4	42.8	34%	53.2	40.4	29.7	-	-	20.6	23.1	2.5	0.2
Bajaj Finserv	4,563	9,446.4	-	-	1,863.3	-	-	117.1	-	-	-	39.0	-	-	-	-	0.0	0.0	1.8	0.0
Bank of Baroda	190	17,738.7	19,986.9	21,532.6	(5,395.5)	1,763.1	4,033.8	-23.4	7.6	17.5	-	-	24.8	10.9	-	-	4.3	9.3	0.0	0.0
Bank of India	185	15,377.2	17,581.6	18,665.6	(6,089.2)	(428.8)	1,054.3	-74.5	-5.2	12.9	-	-	-	14.4	-	-	-	3.3	0.0	0.0
Capital First	758	806.9	1,125.0	1,502.2	166.4	222.5	336.5	18.2	22.8	34.6	38%	41.6	33.2	21.9	-	-	11.4	14.3	2.4	0.3
Corp Bank	61	5,974.6	7,311.3	7,338.4	(506.5)	503.5	680.4	-5.0	4.4	5.9	-	-	14.0	10.3	-	-	0.2	0.3	0.0	0.0
Federal Bank	112	3,290.6	3,975.6	4,470.6	475.6	808.7	912.9	2.8	4.7	5.3	39%	40.5	23.8	21.1	-	-	9.6	10.0	0.7	0.6
HDFC	1,571	8,387.5	9,509.6	10,574.1	7,093.1	7,442.6	8,233.9	44.9	46.8	51.8	7%	35.0	33.6	30.3	-	-	18.8	18.4	17.0	1.1
HDFC Bank	1,544	38,343.2	44,791.6	53,090.8	12,296.2	14,594.8	17,567.9	48.6	57.7	69.5	20%	31.8	26.8	22.2	-	-	18.7	19.4	9.5	0.6
ICICI Bank	273	36,547.1	41,241.8	41,985.5	9,726.3	9,801.1	11,334.0	16.7	16.8	19.5	8%	16.3	16.2	14.0	-	-	10.3	10.9	5.0	1.8
LIC Hsg. Fin.	708	2,944.1	3,594.6	4,088.8	1,660.8	1,931.2	2,367.4	32.9	38.2	46.9	19%	21.5	18.5	15.1	-	-	19.5	20.4	5.5	0.8
Max Financial	643	11,711.9	-	-	252.7	-	-	9.5	-	-	-	67.9	-	-	-	-	-	-	0.0	0.0
PTC India Fin. Ser.	46	414.2	496.2	616.0	391.1	310.7	399.7	7.0	4.8	6.2	-5%	6.6	9.5	7.4	-	-	15.4	16.6	1.2	2.6
PNB	175	22,188.8	24,444.9	29,041.5	(3,974.4)	1,431.5	2,604.3	-20.2	6.6	12.0	-	-	26.6	14.6	-	-	3.7	6.4	0.0	0.0
SBI	290	85,040.2	90,991.1	98,357.7	9,950.7	10,374.9	12,044.1	12.8	13.0	15.1	9%	22.6	22.3	19.2	-	-	6.9	7.4	2.6	0.9
Union Bank of India	179	11,944.8	13,443.6	14,615.3	1,351.6	585.2	2,028.9	19.7	8.5	29.5	23%	9.1	21.0	6.0	-	-	2.5	8.4	2.0	1.1
Yes Bank	1,633	7,278.9	9,091.2	11,349.1	2,539.4	3,225.3	4,066.6	60.4	76.7	96.7	27%	27.0	21.3	16.9	-	-	21.4	22.7	10.0	0.6
Consumer Goods																				
Britannia	3,581	8,397.2	9,395.2	10,745.8	831.5	928.8	1,080.8	69.3	77.4	90.1	14%	51.7	46.3	39.7	76.4	64.3	46.0	41.6	20.0	0.6
Emami	1,069	2,393.7	2,648.4	3,169.4	528.1	568.5	767.3	23.3	25.0	33.8	21%	46.0	42.8	31.6	36.2	45.7	38.2	43.8	7.0	0.7
GSK Consumers*	5,143	4,308.7	4,268.5	4,576.4	686.9	702.9	762.6	163.3	167.1	181.3	5%	31.5	30.8	28.4	40.5	38.3	26.7	25.2	70.0	1.4
GCPL	1,815	8,757.8	9,605.5	11,134.7	1,086.7	1,243.4	1,516.9	31.9	36.5	44.5	18%	57.0	49.7	40.8	20.8	22.9	22.1	22.3	5.8	0.3
Hindustan Unilever	934	33,491.3	33,851.0	37,775.3	4,167.3	4,185.3	5,055.6	19.3	19.3	23.4	10%	48.5	48.4	39.9	77.7	69.8	56.9	50.8	16.0	1.7
ITC	277	36,582.7	40,104.1	46,326.4	9,311.3	10,416.5	12,414.1	7.7	8.6	10.3	16%	35.9	32.2	26.9	39.9	43.8	31.2	35.0	8.5	3.1
Jyothy Laboratories	376	1,659.5	1,759.4	2,061.1	74.2	134.0	198.7	4.3	7.4	11.0	60%	87.5	50.8	34.2	16.6	20.2	15.3	20.5	5.0	1.3
Marico	315	6,024.5	5,935.9	6,848.3	710.6	811.0	951.2	5.5	6.3	7.4	16%	57.3	50.0	42.6	47.2	48.2	36.7	37.8	3.5	1.1
Zydus Wellness	865	429.5	431.4	497.3	103.7	111.3	134.0	26.5	28.5	34.3	14%	32.6	30.4	25.2	23.3	24.1	21.5	21.9	6.5	0.8
IT / IT services																				
FSL	43	3,217.3	3,555.6	3,839.5	255.2	280.0	303.1	3.8	4.2	4.5	9%	11.4	10.3	9.6	12.3	12.7	14.5	13.6	0	0
HCL Technologies***	835	31,136.0	46,791.6	52,998.9	5,669.0	8,159.0	9,427.5	40.3	58.6	67.7	30%	20.7	14.3	12.3	35.3	36.2	28.7	29.4	17.0	2.0
Infosys	934	62,441.0	68,484.0	72,381.9	13,492.0	14,357.0	14,493.4	59.0	62.8	63.4	4%	15.8	14.9	14.7	32.4	29.2	23.3	21.1	25.8	2.8
Persistent Systems	575	2,312.3	2,878.4	3,256.6	297.4	312.9	344.0	37.2	39.1	43.0	8%	15.4	14.7	13.4	22.9	22.7	17.6	16.9	6.0	1.0
TCS	2,337	1,08,646.2	1,17,966.0	1,24,348.9	24,215.2	26,289.0	27,684.3	122.9	133.4	140.5	7%	19.0	17.5	16.6	37.5	33.4	29.3	25.9	46.5	2.0
Wipro	496	51,244.0	55,040.2	56,300.3	8,892.2	8,489.5	8,847.8	36.2	35.0	36.4	0%	13.7	14.2	13.6	13.6	13.3	16.5	15.6	3.0	0.6
Cap goods / Power																				
BHEL	174	25,137.9	29,454.2	31,269.2	(913.0)	684.0	783.5	-3.7	2.8	3.2	-	-	62.2	54.3	2.9	3.5	2.0	2.3	0.4	0.2
CESC	951	6,493.0	7,059.8	7,467.2	707.0	715.9	740.1	53.1	53.7	55.5	2%	17.9	17.7	17.1	7.4	7.0	8.0	7.8	10.0	1.1
Crompton Greaves	77	5,272.0	5,871.9	5,509.8	128.4	196.8	292.4	2.0	3.1	4.7	53%	38.5	24.5	16.5	5.0	6.4	4.1	5.8	0.0	0.0
Finolex Cable	524	2,461.0	2,652.8	2,891.0	249.0	299.5	323.6	16.3	19.6	21.2	14%	32.1	26.8	24.8	25.1	23.5	26.8	24.2	2.5	0.5
Greaves Cotton	172	1,613.4	1,634.3	1,856.3	173.0	174.0	196.5	7.1	7.2	8.0	6%	24.2	23.8	21.5	26.0	28.0	19.2	20.1	5.5	3.2
Kalpataru Power	356	4,365.0	5,020.4	5,759.2	200.0	256.6	298.0	13.0	16.7	19.4	22%	27.4	21.3	18.4	16.7	17.4	10.8	11.4	1.5	0.4
KEC International	216	8,516.3	8,903.8	9,894.7	191.5	297.2	385.7	7.4	11.6	15.0	42%	29.0	18.7	14.4	18.6	21.5	18.3	20.5	1.0	0.5

Note: For Grasim and Apollo Tyres we have shifted our estimates to consolidated

Company	CMP (Rs)	Sales			Net profit			EPS			(%) EPS growth	PE (x)			RoCE (%)		RoNW (%)		DPS Rs.	Div Yld(%)
		FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY18/FY16	FY16	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E		
PTC India	103	12,799.0	13,646.4	14,921.1	218.4	263.1	287.6	7.4	8.9	9.7	15%	14.0	11.6	10.6	13.8	14.2	13.8	13.9	2.5	2.4
Skipper	191	1,506.0	1,731.2	2,027.3	83.1	88.9	111.8	8.1	8.7	10.9	16%	23.5	21.9	17.5	23.8	24.0	21.1	21.9	1.4	0.7
Thermax	1,034	4,352.0	3,599.5	4,070.5	305.0	263.9	311.8	25.6	22.1	26.2	1%	40.4	46.7	39.5	14.6	16.5	10.3	11.3	6.0	0.6
Triveni Turbine	139	796.3	913.0	1,053.0	107.6	142.0	162.0	3.3	4.3	4.9	23%	42.5	32.2	28.3	61.7	55.0	41.8	37.0	1.1	0.8
V-Guard Industries	184	1,862.0	2,089.6	2,453.1	111.7	145.4	181.7	2.6	3.4	4.3	28%	69.7	53.5	42.8	36.9	36.5	27.2	27.2	0.5	0.3
Va Tech Wabag	684	2,549.0	3,020.0	3,577.0	88.9	138.7	174.0	16.4	25.5	32.0	40%	41.7	26.8	21.4	17.9	19.9	13.3	15.0	4.0	0.6
Infra / Real Estate																				
Gayatri Projects	161	1,812.2	2,070.5	2,585.7	58.6	57.8	88.2	3.3	3.3	5.0	23%	48.7	49.4	32.4	10.0	11.7	7.3	10.5	2.0	1.2
ITNL	114	8,263.8	8,456.4	9,547.0	311.5	205.3	246.7	9.5	6.2	7.5	-11%	12.0	18.3	15.2	8.4	8.7	3.0	3.6	2.0	1.8
IRB Infra	265	5,130.2	5,882.7	6,795.8	635.8	679.7	754.4	18.1	19.3	21.5	9%	14.6	13.7	12.3	12.7	15.0	13.4	13.4	4.0	1.5
Jaiprakash Asso	13	8,793.8	-	-	(3,511.7)	-	-	-14.4	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Larsen & Toubro	1,720	1,01,964.0	1,13,804.0	1,25,961.0	4,199.0	5,301.0	6,203.0	45.1	56.9	66.6	22%	38.1	30.2	25.8	7.9	8.9	11.6	12.6	14.3	0.8
NBCC	200	5,838.3	7,147.0	10,446.9	311.1	363.1	526.9	3.5	4.0	5.9	30%	58.0	49.7	34.2	37.5	47.2	22.5	28.6	2.0	1.0
Oil & gas																				
Oil India	330	9,765.0	10,155.0	11,013.0	2,545.0	2,055.0	2,341.0	31.8	25.6	29.2	-4%	10.4	12.9	11.3	10.1	11.1	9.0	9.9	12.0	3.6
Reliance	1,370	2,76,544.0	3,05,382.0	3,48,371.0	27,630.0	29,833.0	29,961.0	93.7	101.2	101.6	4%	14.6	13.5	13.5	9.3	9.2	11.2	10.1	11.0	0.8
Selan Exp	185	62.0	78.1	96.2	12.9	20.9	24.5	7.9	12.7	14.9	37%	23.4	14.6	12.4	9.2	10.4	7.2	8.1	5.0	2.7
Pharmaceuticals																				
Aurobindo Pharma	585	13,896.1	15,219.1	17,366.2	2,048.0	2,295.9	2,749.9	35.0	39.2	47.0	16%	16.7	14.9	12.4	26.1	27.7	28.1	25.9	2.5	0.4
Cadila Healthcare	453	9,837.6	9,556.8	11,580.4	1,522.6	1,319.7	1,824.2	14.9	12.9	17.8	9%	30.4	35.1	25.4	16.9	20.4	20.9	23.6	3.2	0.7
Cipla	556	13,678.3	16,062.7	17,917.6	1,505.9	1,709.5	2,207.1	19.5	21.3	27.5	19%	28.5	26.1	20.2	12.7	14.8	13.2	14.7	2.0	0.4
Divi's Labs	625	3,769.0	4,023.6	4,429.2	1,111.9	1,156.9	1,183.5	41.9	43.6	44.6	3%	14.9	14.3	14.0	30.9	27.5	25.2	22.4	10.0	1.6
Glenmark Pharma	885	7,650.0	9,499.0	10,272.0	1,068.0	1,451.0	1,631.0	37.8	51.4	57.8	24%	23.4	17.2	15.3	24.3	25.7	25.7	22.7	2.0	0.2
Lupin	1,265	14,208.5	17,028.6	19,768.2	2,270.7	2,694.2	3,085.1	50.4	59.9	68.5	17%	25.1	21.1	18.5	19.8	20.4	19.8	18.6	7.5	0.6
Sun Pharma	629	28,269.7	35,638.9	36,757.9	5,401.1	7,317.6	8,122.9	22.4	30.4	33.8	23%	28.1	20.7	18.6	23.5	24.2	19.2	17.9	3.0	0.5
Torrent Pharma	1,344	6,529.0	6,762.3	7,276.9	1,862.0	1,076.9	1,232.1	110.0	63.6	72.8	-19%	12.2	21.1	18.5	23.9	23.9	24.7	21.0	35.0	2.6
Building Materials																				
Grasim	1,159	34,654.3	36,017.1	40,790.4	2,434.5	3,280.5	3,837.2	52.2	70.3	82.2	26%	22.2	16.5	14.1	14.6	16.0	11.0	11.2	4.5	0.4
Shree Cement**	19,639	5,568.0	8,309.9	9,853.8	461.1	1,313.6	1,757.6	132.3	377.0	504.5	95%	148.4	52.1	38.9	21.2	22.8	19.4	21.4	24.0	0.1
The Ramco Cements	688	3,672.9	3,957.7	4,371.5	534.4	698.1	764.6	22.4	29.3	32.1	20%	30.7	23.5	21.4	12.7	12.8	20.5	18.7	3.0	0.4
UltraTech Cement	4,301	23,708.8	23,891.4	30,019.4	2,370.2	2,641.4	2,450.8	86.5	96.4	89.4	2%	49.7	44.6	48.1	14.5	13.2	11.0	9.4	9.5	0.2
Discretionary																				
Arvind	420	8,450.4	9,397.0	11,051.9	368.3	344.9	489.1	14.3	13.3	18.9	15%	29.4	31.6	22.2	10.5	12.8	10.2	12.0	2.4	0.6
Century Ply (I)	256	1,664.0	1,813.0	2,273.9	160.5	175.7	212.9	7.2	7.9	9.6	15%	35.4	32.4	26.7	20.6	21.5	29.1	27.5	1.0	0.4
Cox and Kings	224	2,351.9	2,099.4	2,435.7	284.9	204.5	334.0	16.8	12.1	19.7	8%	13.3	18.5	11.4	9.5	12.7	12.1	17.1	1.0	0.4
Info Edge (India)	848	723.5	794.2	949.0	153.0	181.3	248.2	12.7	15.0	20.5	27%	66.8	56.5	41.4	14.0	16.6	9.4	11.6	3.0	0.4
Inox Leisure	293	1,332.7	1,220.7	1,419.2	77.5	30.6	77.7	8.4	3.3	8.5	1%	34.9	88.8	34.5	8.1	14.4	5.5	12.3	0.0	0.0
KKCL	1,782	457.4	492.4	558.6	68.0	85.3	92.6	55.1	69.2	75.1	17%	32.3	25.8	23.7	22.0	21.0	26.0	24.2	19.0	1.1
Orbit Exports	130	150.0	131.0	150.0	23.0	21.4	26.2	16.0	14.9	18.2	7%	8.1	8.7	7.2	14.2	16.5	18.4	19.8	3.8	2.9
Relaxo Footwear	494	1,715.4	1,784.9	2,090.7	119.7	127.7	163.0	10.0	10.6	13.6	17%	49.4	46.6	36.3	27..6	31.8	18.0	18.4	0.6	0.1
Thomas Cook India	204	4,236.7	5,582.1	7,116.9	50.2	104.2	246.3	0.8	2.9	6.9	194%	255.4	70.5	29.6	8.4	17.6	14.8	25.0	0.4	0.2
Wonderla Holidays	381	205.4	267.9	336.8	59.8	32.8	57.1	10.6	5.8	10.1	-2%	36.0	65.7	37.7	12.1	20.3	8.1	13.8	2.0	0.5
ZEEL	527	5,851.5	6,439.1	7,210.4	933.1	1,277.8	1,637.3	10.2	13.3	17.1	29%	51.7	39.6	30.8	26.9	29.2	25.4	26.8	2.3	0.4
Diversified / Miscellaneous																				
Aditya Birla Nuvo	1,667	5,422.6	5,000.8	5,340.3	303.6	296.2	446.3	23.3	22.8	34.3	21%	71.5	73.2	48.6	6.9	7.0	3.6	5.1	5.0	0.3
Bajaj Holdings	2,066	469.8	-	-	2,265.2	-	-	203.5	-	-	-	10.2	-	-	-	-	-	-	32.5	1.6
Bharat Electronics	179	7,295.2	8,452.5	9,778.8	1,364.9	1,575.7	1,703.6	6.1	7.1	7.6	12%	29.3	25.4	23.4	20.3	25.0	14.9	18.5	1.7	1.0
Bharti Airtel	346	96,619.2	97,549.5	1,04,090.8	4,735.3	4,511.5	3,591.5	11.8	11.3	9.0	-13%	29.4	30.7	38.5	10.7	8.6	6.2	5.6	1.4	0.4
Gateway Distriparks	255	1,046.1	1,139.8	1,249.5	123.6	95.8	119.9	11.4	8.8	11.0	-2%	22.4	29.0	23.1	13.2	15.2	10.1	13.0	7.0	2.7
PI Industries	864	2,096.8	2,369.1	2,749.2	300.0	370.7	417.5	22.2	27.5	30.9	18%	38.9	31.4	28.0	30.5	30.1	28.1	25.1	3.1	0.4
Ratnamani Metals	814	1,719.0	1,595.2	1,867.1	162.7	158.2	183.9	34.8	34.1	39.6	7%	23.4	23.9	20.5	19.7	20.1	14.2	14.9	5.5	0.7
Supreme Industries**	1,152	2,974.8	4,462.3	5,243.7	212.0	430.4	502.8	16.7	33.9	39.6	54%	69.0	34.0	29.1	31.9	33.5	24.7	24.3	10.0	0.9
UPL	813	14,048.2	16,311.8	19,200.0	1,235.6	1,889.2	2,152.0	28.8	37.3	42.5	21%	28.2	21.8	19.1	19.4	18.6	21.1	21.9	5.0	0.6

^Marico after 1:1 bonus
**June-ended financial year till FY2015, FY2016 consists of only 9 months
Crompton Greaves is in the process of selling its overseas power system business by Q4FY2016; hence, we have not estimated the FY2017 numbers
Divis Labs after 1:1 bonus; BEL after 2: 1 bonus
*** June ended
Cadila Healthcare post stock split from Rs5 to Rs1

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 has invested $600 million in the past to set up a greenfield facility in Hungary and Rs4,000 crore to expand capacity at its Chennai facility. The expanded capacities are likely to come on stream by 2017-18. ATL recently commenced operations at a 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 also aims to produce 0.7 million truck tyres from the Hungary plant and is expected to reach the fully ramped-up capacity by FY2020. The Hungary plant will further boost ATL's European operations going forward and we expect a 15% CAGR in its European revenues over FY2017-FY2019. Also the recent foray in the Two Wheeler (2W) tyres strengthens Apollo Tyres' presence 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 is set to recede. 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. We expect ATL to benefit and regain market share from the Chinese tyre companies. Overall, we expect a 13% CAGR in topline for ATL over FY2017-FY2019 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% in 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 expect ATL to sustain its OPM in FY2018. We retain our 'Buy' recommendation on ATL with a revised price target of Rs270.

Ashok Leyland

- Ashok Leyland, the second largest CV manufacturer in India, is a pure CV play. The government's demonetisation move impacted the overall Commercial Vehicle (CV) industry volumes during November-December 2016, with the CV industry sales dropping by 13% YoY. ALL's volumes declined by 4% YoY during the same period. At present, the situation has improved considerably, with the tight liquidity situation easing materially, resulting in an improvement in the fleet operators' working capital. Also, truck prices are set to rise by ~7-8% from the current level due to the impending implementation of the new emission norms effective April 1, 2017 and likely rollout of the new cab code, which makes air conditioning in the CVs mandatory. This is expected to result in a significant amount of pre-buying in Q4FY2017 and we expect volumes to grow by 16% YoY in Q4FY2017 and in high single digit in FY2018. Given the pressure on volumes from demonetisation, the MHCV industry resorted to heavy discounting (Rs300,000 per vehicle vs Rs250,000 per vehicle earlier) to push sales. The discounts are expected to ease going forward, as the volume growth gains traction and the the fleet operators' cash crunch situation eases further. Lower discounts and the price hike taken in January 2017 will expand the OPM to 11.9% in FY2018 from 10.3% in Q3FY2017. We maintain our 'Buy' recommendation with a revised price target of Rs105.

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 launch of CT100 and a refreshed Platina in the recent past has given a much-needed volume push, while the newly launched Pulsar variants, Avenger and the V-series bikes have helped it to consolidate its leadership in the premium and luxury motorcycle segments. The launch of the Dominar 400 would help BAL gain further market share in the premium motorcycle segment. Improved cash availability (post demonetisation), better rural sentiments (due to enhanced Rabi sowing) and higher Minimum Support Prices (MSP) are likely to propel growth of the domestic motorcycle industry. With the recent new launches (Pulsar NS200 and Dominar), BAL is likely to continue gaining market share in FY2018. We expect BAL's domestic volumes to grow at a double-digit rate in FY2018. The macro-economic issues (sharp currency depreciation) in the key export markets including Nigeria have affected the dispatches to these countries and the impact is likely to be felt for another couple of quarters. Also Bajaj Auto is likely to face a steep competition in the key exports markets as competitors TVS and Hero are stepping up presence. Domestic volumes are likely to recover in FY2018 while we expect the export volumes to remain under pressure in the near term. We retain our 'Hold' rating on the stock with a revised price target of Rs3,000.

Gabriel India

- Gabriel India (GIL) is one of India's leading manufacturers of shock absorbers and front forks with a diversified customer base. Gabriel's revenues are expected to grow at a healthy 11% CAGR over FY2017-FY2019 due to improved outlook for the Two Wheeler (2W) industry and the passenger car segments. There has been a ramp-up in supplies to Honda Motorcycle & Scooter's (HMSI) new plant in Gujarat, as also to the new models of Maruti Suzuki and Mahindra & Mahindra (M&M). We expect FY2018 to be a better year for GIL, as the cash crunch triggered by demonetisation is expected to diminish and the situation will normalise in the beginning of FY2018. Pent-up demand due to deferment of purchases during the demonetisation phase is expected to boost sales in FY2018. The company undertook price increases in order to pass on the rise in commodity prices, enabling it to expand margins. GIL is focusing on controlling costs, which along with a double-digit topline growth would enable the company to augment margins in FY2018. We expect GIL to report a 40BPS margin expansion in FY2018. We maintain our 'Buy' rating on the stock with an unchanged PT of Rs130.

Hero MotoCorp

- Hero MotoCorp (HMCL) is the largest Two Wheeler (2W) manufacturer in the world with sales of over 6.6 million vehicles in FY16 and a domestic market share of 39%. We expect the two-wheeler industry to grow at 10-12% CAGR over the next five years driven by increased penetration levels in rural areas and replacement demand. HMCL is expected to maintain its leadership position in the industry with new launches in the premium motorcyles and scooters segments. Further, massive capex plans implemented by the company in the past, shall ramp up the production levels. The 2W industry is witnessing a recovery post the liquidity crunch triggered by demonetisation (announced in November 2016). After reporting a 12-13% decline in November-December 2016, the industry reported a 9% YoY drop in January 2017. We expect the 2W industry volume to return to a high growth territory by Q1FY2018. HMCL is also likely to see a recovery in its volume in FY2018. We expect the company to report an 8% YoY volume growth in the domestic market, which would be in line with the industry growth rate. HMCL is likely to face rising RM pressures, as the recent surge in the commodity prices (steel, aluminium and

rubber) start reflecting from Q4FY2017. Also, the change in the emission norms from BS3 to BS4 w.e.f. April 1 would lead to additional costs. HMCL's fiscal benefits from the Haridwar plant would also expire from April 1, 2018, which would further push the costs higher. However, HMCL is likely to counter the cost pressures through continued RM savings under the ongoing "Leap" programme. We expect HMCL to report OPM of 16.5%/16% in FY2018/FY2019 as against 16.8% expected in FY2017. We maintain our 'Buy' rating with a revised price target of Rs3,670.

M&M

- M&M is a leading maker of Tractors and Utility Vehicles (UV) in India. We expect demand for the automobile segment to pick up with an improvement in customer sentiment. Additionally, new launches especially in the compact UV space will drive volume growth. M&M has stated that it is working on a two-pronged strategy to gain market share in the UV segment. It would introduce two new products in the next two years - an MPV and a Compact UV. As per the company, the new launches would fill the gap in the company's UV portfolio and enable it to regain market share. M&M is working on launching a new platform for Tractors in the sub-30 HP category in H1FY2018 and we expect Tractor demand to grow at 16% CAGR over the next two years. M&M stated that it aspires to be a truly Global Agri Company (with focus on both, Tractors and Farm Machinery businesses) and is targeting to increase its share of exports from 37% currently to ~50% by FY2019.

Maruti Suzuki

- Maruti Suzuki is India's largest passenger vehicle maker with a strong 46% market share. 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 premium hatchback Baleno and the compact SUV Vitara Brezza command a waiting period of 4-6 months while the newly launched Ignis has a waiting period of 8-10 weeks. This will help the company to expand market share in the segment and provide ample visibility for volume growth going aheadSecondly, Maruti's parent company Suzuki Motor Corporation commissioned its greenfield plant in Gujarat in February 2017. The plant contributed 10,000 units to the company's production in FY2017 and the Maruti management expects to reach full capacity of 2.5 lakh units in Gujarat by the end of FY2018. The commissioning of the Gujarat plant would address supply concerns, besides helping the company to cut down the long waiting period substantially on Ignis, Baleno and Vitara Brezza. We expect Maruti's volume to grow at a CAGR of 10% between FY2017 and FY2019, which is higher than the 8% growth expected for the domestic Passenger Vehicle (PV) industry. A sustained demand for Maruti's existing models, coupled with the planned new launches would help the company to bolster volumes. Also, the share of premium cars in the company's sales is likely to increase due to the planned launches and the increasing acceptance of Maruti's models in the premium category. We retain 'Buy' rating on Maruti with a revised price target of Rs7,265.

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 flow. The demonetisation-driven cash crunch adversely impacted the business from Auto OEMs, especially Hero MotoCorp, which constitutes ~40% of Rico's topline. Further, January 2017 sales too followed the weak trend, down 13.5% YoY, pointing at muted FY2017 volume. We expect the situation to normalise by Q1FY2018 and expect FY2018 to witness a revival in Two Wheeler sales. The Passenger Vehicle (PV) segment sales were broadly unaffected by demonetisation and going ahead we expect the demand in the PV segment to gain momentum. Rico's upcoming plant in Rajasthan, which would commence operations by the end of FY2018, would incrementally contribute to the topline growth. Consequently, we expect Rico's topline to grow at a CAGR of 14% between FY2017 and FY2019. We maintain our 'Buy' recommendation on the stock with a revised price target of Rs75.

TVS Motor

- TVS Motor 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 BAYERISCHE MOTOREN WERKE AG (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 with a revised price target of Rs580.

Banks & Finance

Axis Bank

- Axis Bank is the third largest private sectors bank, continues to grow faster than the industry and has diversified its book in favour 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 a healthy operating performance. While asset quality pressures have emerged as pain points due to infrastructure and steel exposures, 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- 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 having presence in 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 a 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 over 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 PSB 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 over 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 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 72% 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 book is expected to sustain a 25-30% growth in 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 medium term.

Corp Bank

- Corporation Bank is a mid-sized PSB having a relatively higher presence in south India. It is predominantly exposed to the corporate segment, which constitutes about 45% of its book. Due to a higher dependence on the wholesale business and a low CASA ratio, it lags its peers in terms of operational performance. Also, the rise in NPA could keep provisioning high and weaken earnings performance.

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 the 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 and there is scope for expansion in the valuations.

ICICI Bank

- ICICI Bank is India's largest private sector bank with a network of over 3,800 branches in India and a presence in around 18 countries. 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 monetisation of the stake in 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 brand in the country. With over 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 around 40% 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 will persist over 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.

SBI

- State Bank of India is the largest bank of India with loan assets of over Rs14 lakh crore. The successful merger of the associate banks and value unlocking from insurance business could provide further upside for the bank. While the bank is favourably placed in terms of liability base and the operating profit is also better than peers; the asset quality has emerged as a key pain point which will affect the earnings growth.

Union Bank

- Union Bank of India has a strong branch network and an all-India presence. The bank aspires to become the largest retail, 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 among 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 biscuit and snack segments. The company can 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 level. However, the long-term growth strategy will remain intact. We recommend a 'Buy' on the stock with a revised price target of Rs3,750.

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 improves 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-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. We recommend a 'Buy' on the stock.

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, ie 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 GCPL management expects the domestic business to recover in Q4FY2017. 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. We have upgraded our rating from 'Hold' to 'Buy' with a revised price target of Rs1,750.

HUL

- Hindustan Unilever is India's largest FMCG Company. The HUL management expects a gradual improvement in sales in the coming months and foresees a steady revenue growth from Q1FY2018 onwards. Also, the supply chain and distribution systems are already in the process of getting into the GST mould. Being present in the essential consumer goods categories, HUL will be one of the key beneficiaries of GST implementation. we maintain our 'Buy' recommendation with a revised price target of Rs950 In the long term, it will be one of the key beneficiaries of the Indian consumerism story.

ITC

- ITC has a strategy of effectively utilising the excess cash generated from its cash cow, the cigarette business, to strengthen and enhance its other non-cigarette businesses. This would nurture the growth of these businesses some of which are at a nascent stage. The quantum of excise duty of 6%declared in the Union budget 2017-18 was much lower than in the earlier years. This should help in stabilizing cigarette sales volume in the coming years. The current valuation makes ITC one of the cheapest stocks in the large-cap FMCG space.

Jyothy Labs

- Jyothy Laboratories is the market leader in the fabric whitener segment in India. With the successful integration of Henkel and the induction of a new management team led by S Raghunanadan, it has transformed itself from a one-brand wonder to an aggressive FMCG player. We expect JLL to see an early recovery (due to demonetisation) because of its strong presence in South India, which has high penetration of non-cash transactions. Fur¬ther, the company is focusing on enhancing its direct dis¬tribution 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's top management has indicated that the company's business has returned to the pre-demonetisation level and expects Q4FY2017 to be much better than Q3FY2017. 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. Marico recently acquired around a 45% stake in the Male Grooming brand Beardo. 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. Due to the recent stock upmove, we have downgraded our rating to 'Hold' with price target 'under review'.

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 Zydus Wellness management 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 continues to maintain its FY2017 revenue growth guidance (10-12% YoY in CC terms). However, the management believes that margins could be adversely impacted, owing to softness in the mortgage business, mounting hiring cost for expansion of customer base in Healthcare and unfavorable currency movements. 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 38.1% exposure to the UK market.

HCL Tech

- HCL Technologies has a leadership position in ERD and IMS space, together accounting for ~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. It has also given a promising aspiration target for 2020 of achieving $20 billion in revenues and 30% in margin. 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 the best- in-the-class margin profile which set 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 recent acquisitions and alliance with IBM to build IoT solutions for IBM's Watson platform, 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-FY2019E, we do not see enough merits for an upgrade in TCS, though the buyback plan will cap any downside from the current level. On a longer term basis, we still prefer TCS, owing to its diversified portfolio and 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 the energy, telecom, and some project deferrals, it's unlikely to show material improvement in earnings on an organic basis in FY2017. 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.

Crompton Greaves

- Crompton Greaves' key businesses - Industrial and Power Systems - are passing 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. Addition of new products in the product portfolio could be the next growth driver. We see 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 topline growth. GCL's topline 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, Renewables (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 routes. We estimate the company's OPM to be maintained at the current high level of ~9%. With the D-E ratio expected to improve to 0.7:1 by the end of FY2019E from 1.5:1 in FY2016, we retain positive outlook on the stock.

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. In 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: Ppower (Transmission Tower manufacturing and EPC projects) and water (PVC Pipes). It has a comfortable order book of more than Rs2,030 crore in the Power Transmission business at the end of Q3FY2017, which looks promising given the huge investments proposed 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 currently.

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 Turbine (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 pickup. 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 20% per annum over the next 3-4 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.

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 Rs12,023 crore, which is 6.6x its FY2016 revenues. 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.

IL&FS Trans • IL&FS Transportation Networks is India's largest player in the BOT road segment with a pan-India presence and a diverse project portfolio. The fair mix of annuity and toll projects, and state and NHAI projects along with the geographical diversification across 12 states reduce the risk to a large extent and provide comfort. Further, a strong pedigree along with the outsourcing of civil construction activity helps it to scale up its portfolio faster. Thus, it is well equipped to capitalise on the huge and growing opportunity in the road infrastructure sector.

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 is in the process of concluding its cement asset sale to deleverage its balance sheet. The construction and real estate division has also been underperforming lately. The current uncertainty in business restructuring and liquidity concerns 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 will do 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. Given the huge competitive advantage, a unique business model, high return ratios and healthy cash flows, we remain positive on the stock.

Oil & gas

Oil India

- Oil India has several hydrocarbon discoveries across reserves in Rajasthan and the north-eastern region of India. The total proven and probable reserves of the company stand at 52 MMTOE and 121 MMTOE respectively. 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 favourable tilt in the revenue mix are likely to boost the margin, resulting in a faster growth in the earnings as compared with the revenues. Pricing pressure, USFDA inspections and the likely changes in the US healthcare policy under a new regime warrant a caution in the near term.

Cadila

- The USFDA re¬cently inspected Cadila Healthcare's Moraiya facility and gave a clearance without any 483 observations. This clears the big over¬hang on the growth prospects of the company's US business (which was affect¬ed due to delayed product approvals by the USFDA), as the pace of approval will improve once the Establishment Inspection Report letter is received. 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-FY2019 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.

Divi's Labs

- The US Food & Drug Administration (USFDA) has issued an import alert 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. The company has engaged consultants for remediation purposes and will file additional information by March 31, 2017. Though getting an import alert from the USFDA is a negative surprise, the exclusion of ten products came as a partial relief. Given the overhang on the timeline of a resolution, we continue to keep our price target under review and maintain our 'Hold' rating.

Glenmark Pharma

- The management has given a revenue growth guidance of more than 25% for FY2017 (including Zetia). The company will report 12-15% base revenue growth in FY2017 and FY2018 each. The management has indicated that for future growth, the key focus areas will be dermatology, contraceptives and complex injectables. The growth would be mainly driven by the USA, EU and India, which are witnessing an exponential growth on account of launch of new products. Currently, it has three new chemical entities and four new biological entities in clinical trials, out-licensing potential. The gZetia launched in Q3FY2017 will give a big fillip to the company's sales and profitability, which should further help reduce debt on the company's balance sheet.

Lupin

- The expected ramp-up in the launch of oral contraceptives, ophthalmic products, branded franchise (with addition of in-licenced product-Alinia, Inspira Chamber VHC and Locoid lotion) in the USA and a robust pipeline of new launches in the domestic and overseas markets provide strong growth visibility for Lupin. Lupin's Goa facility has been issued a Form 483 by the US Food & Drug Administration (USFDA) with three observations. Lupin's Goa plant is one of its key plants, as it contributes ~20% to the company's total sales [supplies to key geographies like USA, European Union (EU) and Japan, and contributed ~40-50% to the US sales]. Although the USFDA observations seem to be pertaining only to the routine procedures and compliance, any delay in key product approvals, if any, will add to the pressure in the US business. The guidance for key product approval is already delayed, and gSevelamer and gWelchol are now end-FY2018/early-FY2019 opportunities Lupin is already facing high single-digit pricing pressure in the US business on account of increasing competition in

Fortamet and gGlumetza, delay in key product approvals and channel consolidation. The recent appreciation of the Indian rupee against the US dollar is likely to add to the company's problems. Therefore, we feel that Lupin will continue to witness pressure on its US business and margins over the next few quarters. We remain cautious due to uncertainty surrounding the new US healthcare policy and its impact on the Indian Pharma sector, besides the impact of GST implementation in India.

Sun Pharma ◆ The management maintains its aim to achieve a $300-mn synergy from the merger of Ranbaxy. The USFDA has lifted the Import Alert imposed on Sun Pharmaceutical Industries' Mohali (Punjab) manufacturing facility (Ranbaxy's facility earlier). The USFDA had taken action against the company's Mohali facility in 2013 and certain conditions of the consent decree will continue to be applicable. This clears the path for Sun Pharma to supply approved products from Mohali to the US market, subject to normal USFDA regulatory requirements. This positive development demonstrates the Sun Pharma management's commitment to resolve the USFDA regulatory compliance issues at its manufacturing facilities. Remediation efforts at the company's Halol plant have been completed and the management now awaits the USFDA's response on the corrective measures taken post re-inspection of the plant Also, the Specialty segment is expected to perform well, as the company has recently launched BromSite drug (used to treat Dry Eye disease). As a result, we continue to remain positive on the company's long-term prospects. However, pricing pressure, the pending outcome of the drug pricing probe by the US Dept of Justice and an uncertain policy framework of the new US administration warrant a caution in the short term.

Torrent Pharma ◆ Torrent Pharma is building a strong US pipeline, which could add ~30-40 products over FY2017-FY2019E. Improving market share in Detrol and Nexium, additional product volumes from Dahej, and 10 new launches planned in FY2017 would partially mitigate the decline in the company's US revenue during FY2017E. In the case of the India business, the Torrent Pharma management is focusing on improving profitability by building larger brands in chronic diseases.

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 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 concern areas.

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. In certain key markets of The Ramco Cements, like Telangana, Maharashtra and Andhra Pradesh, demand has started to pick up but realisations have been under pressure. 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 cement grinding capacity has grown to 27.2mtpa which will support its volume growth in the coming years. It has a power plant with capacity of 612MW for its own consumption and merchant sale which is expected to support its revenue growth going ahead. Thus, a volume growth of the cement division and the additional revenue accruing from the sale of surplus power will drive the earnings of the company.

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 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 pose near term risk to OPM.

Discretionary consumption

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 impending GST roll-out would enable it to post a revenue growth (CAGR) of 16.9% over FY2016-FY2018E. On the back of a revenue growth and better absorption of fixed costs, the earnings are likely to grow at a rate of 15.2% CAGR over FY2016-FY2018E We believe that the structural growth triggers for Century Plyboards are becoming visible due to: 1) The implementation of GST sometime in FY2018 (expected to result in a shift of market share to the or¬ganised 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. In 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). Despite the tough business conditions, the company managed to improve its operating cash flows and repay debt on the consolidated booksTherefore, we maintain our 'Buy' recommendation with price target 'under review'.

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 expect Zomato business' growth to extend in the coming years, with better integration of services and increasing monetisation opportunities. 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 the macro headwinds subside.

INOX Leisure
- INOX Leisure (ILL), India's second largest multiplex operator with 118 properties and 468 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 957 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 (Baahubali 2, already a blockbuster), 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 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. We expect KKCL to get back to double-digit revenue growth on the back of its strong brand equity and enhanced distribution reach. KKCL has one of the best balance sheets among the Indian branded apparel players, with high return ratios and positive free cash flows, which make it one of the better picks in the branded apparel space.

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 we should expect a good performance from Q4FY2017 onwards. The Middle East business is expected to remain under pressure though. 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. Also, 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 with a revised price target of Rs177.

Relaxo Footwear
- Relaxo Footwears 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 return to mid to high single-digit rates in Q4FY2017. It would 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. The improvement in the domestic and global macro environment provides a huge growth opportunity in the Indian leisure and travel industry.. TCIL's Q3FY2017 revenue growth was robust despite demonetisation, mainly led by its Travel business and steady performance of the HR Services business. We expect TCIL to report a gradual improvement in profitability and cash flows in the coming years. We maintain our 'Buy' recommendation with a 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 company posted strong growth in footfalls in Q3FY2017 and we expect this trend to continue going forward, as WHL endeavors to provide better entertainment services to its patrons at a reasonable price. The company's better cash generation ability and a strong balance sheet make WHL one of the better plays in the consumer discretionary services space. Therefore, we maintain our 'Buy' recommendation with a revised price target of Rs 425.

Zee Entertainment
- Zee Entertainment Enterprises, 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 move to exit from the loss-making sports business will improve its profitability, strengthen balance sheet and position the company to accelerate inorganic or strategic investments. We continue to see ZEEL as the prime beneficiary of macro revival and digitisation.

Diversified/Miscellaneous

Aditya Birla Nuvo
- We believe that the outlook for ABNL's Financial Services business remains bright, although the Manufacturing vertical continues to lag. Further, Idea's profitability is likely to remain under pressure in the near term. Based on ABNL-Grasim merger ratio, ABNL's stock has moved in tandem with Grasim's (which in turn has benefitted from improved outlook for cement sector along with sustained better perfor¬mance in VSF and chemical divisions) and not its financial performance. There¬fore, the existing shareholders can continue to hold ABNL. However, any fresh investment could come directly into Grasim.

Bajaj Holdings
- Bajaj Holdings & Investment (BHIL, erstwhile Bajaj Auto) was demerged in December 2007, whereby its manufacturing business wastransferred 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 steadily improving. 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 defence equipment, stands to benefit from the enhanced budgetary outlay for strengthening and modernising the country's security. 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 Rs33,806 crore provides revenue visibility for the next three to four years.

Bharti Airtel

- Bharti Airtel is the leader in the Indian mobile telephony space. The long awaited entry of a competitor with deep pockets – Reliance Jio - in the market with aggressive pricing and deep market penetration strategy, Airtel will have to bear the brunt in the short term. 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 blips make us keep our Hold rating on the stock with a price target of Rs340.

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 among the best operating parameters in the industry. As the insurance sector is showing signs of stabilisation, the company's favourable product mix and a strong distribution channel will result in a 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. The new products launched in the recent past have gained good acceptability in the market and would continue to contribute to topline growth. PI's CSM business is going through a challenging phase, as the global crop protection industry is still in a revival mode. Also, lower commodity prices are adding to the growth concerns for the CSM business. The domestic business too is passing through tough times given the weak demand scenario leading to deferment of demand. Further, the revenue mix for the quarter shifted in favor of the domestic Agri Inputs business, which has lower margin compared to the CSM business, leading to an adverse product mix. This, coupled with a slower topline growth is likely to put pressure on margin expansion. The management has guided for a 50BPS OPM expansion for FY2018 and FY2019 each. We have downgraded our recommendation to 'Hold' with a revised price target of Rs920.

Ratnamani Metals

- Ratnamani Metals & Tubes 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, 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 products (both in India and overseas markets), presence in high-growth markets (Brazil and India) and plans of tapping new markets augur well for the company. Going ahead, the UPL management expects the Latin American business, along with the European and Indian markets to perform well. Also, the company is focusing on growing its Herbicides portfolio across geographies, which includes brands like Lifeline, Interline, Fascinate, Tricor, Shagun and IRIS (all of which have seen good demand traction). The soft global agro commodity prices are beneficial for generic players like UPL, as farmers globally would prefer to use cost-effective generic agri inputs as against the expensive ones being made by the innovators. This has resulted in UPL increasing its market share from 3% to 4% in FY2017. Going ahead, UPL expects the situation to sustain in the near to medium term and is likely to outpace the industry growth. The UPL management has guided for a 15% topline growth in FY2018, which we believe can be comfortably achieved on account of its strong product portfolio, and the relentless focus on widening the distribution network. Considering the benefits of operating leverage and a better product mix, the OPM is expected to improve by 50-75BPS in FY2018. We have accordingly revised our earnings estimates for FY2018 and FY2019. We maintain our 'Buy' rating on UPL with a revised price target of Rs918.

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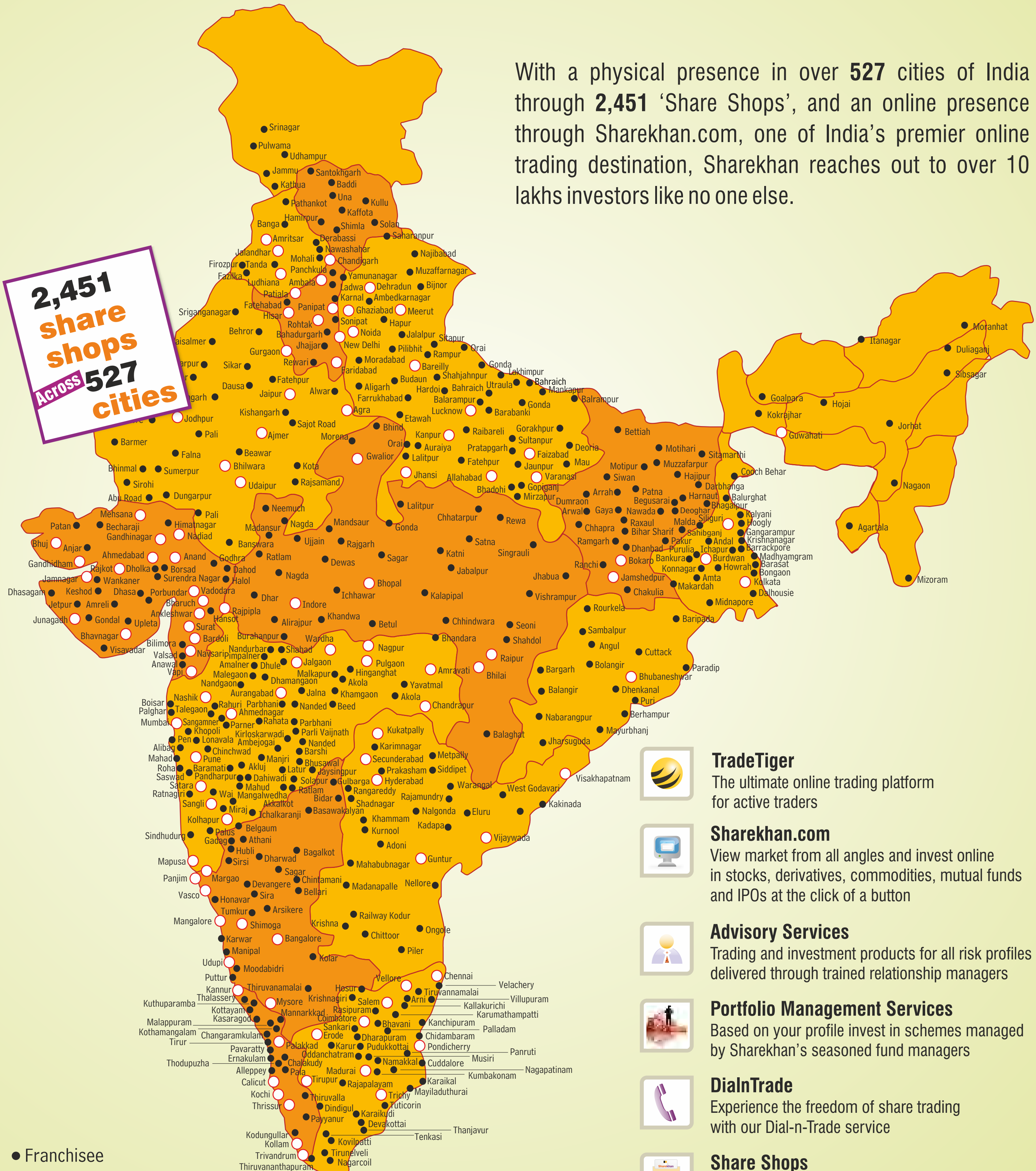

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