

ECONOMY
 JOBS PUBLIC RATE
 SECTOR COST
 FINANCIAL RETURN
 INVESTMENT INCOME
 WORLD
 BANK TAX **UNION BUDGET** TAX RATE
 FUEL JOBS
 RETURN **2015-16** RECESSION
 COSTING ECONOMY
 JOBS **DEMYSTIFIED** COST
 TAX JOBS
 LONG-TERM TIME SAVINGS RATE
 BANKING **FUEL** INFLATION
 ECONOMY JOBS SECTOR
 SUPPORT RATE ECONOMY
TAXES COST BANKING
 RECOVERY COST
 BANK FINANCIAL JOBS
 LONG-TERM INCOME
INVESTMENT

JOBS TAX FINANCIAL
 BANKING INVESTMENT
 SECTOR INCOME
 INVESTMENT
 ECONOMY RETURN
 RECOVERY
 TAX LONG-TERM
 BANK FUEL
 COST

A QUALITATIVE BUDGET

Smarter spending for growth, a fairer tax regime and no free lunches



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Union Budget 2015-2016

Budget pushes Government's Pro-Growth Agenda

The Union Budget for 2015-16 has set the ground for a brighter medium term outlook. The government has taken a conscious decision to revive the investment cycle by mobilising resources towards infrastructure and thereby facilitate growth across sectors.

With this objective and given the narrow fiscal space that the government will have given higher devolution of centre's revenue to the states after the 14th Finance Commission comes into effect from April 1, 2015, the government has chosen to target fiscal deficit of 3.9% in FY2016, a tad higher than expectation of 3.6% and committed to diverting larger funds towards investment revival. Further, the Budget has carried forward the government's thrust on simplifying the tax regime, infusing efficiency in the systems and promoting transparency and fairness in governance. Overall, we believe that the Budget FY2016 is responsible and credible in setting the government's medium term reform agenda forward apart from creating optimism for continued policy push.

Higher fiscal deficit targeted for reviving infrastructure

The government has revised the fiscal consolidation roadmap with new set of targets for the next three fiscal years. The government is expected to target fiscal deficit of 3.9% in FY2015-16, 3.5% for 2016-17 and 3% for 2017-18. The government has increased the period for achieving the fiscal

deficit target of 3% by a year. However, it expects to achieve the fiscal deficit target of 4.1% for the current fiscal, primarily through expenditure compression.

The Fiscal Maths

Devolution of tax revenue to the states will increase from 28% in FY2015 to 36% in FY2016, thereby posing a significant challenge in achieving the fiscal consolidation at centre. The devolution has a marked a compositional shift in expenditure such that alongside a rise in tax devolution to states by 100 basis points (bps) of the GDP, it is expected that the central assistance and grants to the states is expected to decline by 60 bps of GDP leaving the government with lower revenue amounting to 40 bps of GDP. Further there is 30 bps increase in expenditure excluding grants and subsidies. This is expected to be countered through a 40 bps increase in taxes, 20 bps rise in divestment and 40 bps decline in subsidy (all figures as % of GDP) to provide the government ample space for reducing fiscal deficit by 20 bps to 3.9% of GDP.

Tax Revenue

On the revenue side, the government expects gross tax revenue to rise at a robust 15.8% to ₹14,49,490cr in FY2016 from an estimated ₹12,51,391cr. Given the higher devolution to states, the net tax revenue to the centre is estimated to rise by a muted

Exhibit 1: Key Fiscal Indicators (% of GDP)

	FY2013	FY2014	FY2015BE	FY2015RE	FY2016BE
Tax Revenue	10.4	10.0	10.6	9.9	10.3
Devolution to State	2.9	2.8	3.0	2.7	3.8
Net Tax to Centre	7.4	7.2	7.6	7.2	6.5
Direct Tax	5.6	5.6	5.7	5.6	5.7
Indirect Tax	4.8	4.4	4.9	4.3	4.6
Capital Receipt (ex borrowing)	0.4	0.4	0.6	0.3	0.6
Plan Expenditure	4.1	4.0	4.5	3.7	3.3
Non-Plan Expenditure	10.0	9.7	9.5	9.6	9.3
Subsidies	2.6	2.2	2.0	2.1	1.7
Total Capital Expenditure	1.7	1.7	1.8	1.5	1.7
Total Expenditure	14.1	13.7	13.9	13.3	12.6
Of which grants and central assistance to states	1.9	3.1	3.2	2.8	2.2
Revenue Deficit	3.6	3.1	2.9	2.9	2.8
Fiscal Deficit	4.8	4.4	4.1	4.1	3.9
Primary Deficit	1.8	1.1	0.8	0.8	0.7

Source: Budget Documents, Angel Research (RE: Revised Estimate, BE: Budget Estimate)

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Exhibit 2: Budget FY2015-16 at a glance

	Budget (₹ crore)					Change (% YOY)		
	FY13	FY14	FY15BE	FY15RE	FY16BE	FY14	FY15	FY16
(A) Revenue Receipts (1+2)	879,232	1,014,724	1,189,763	1,126,294	1,141,575	15.4	11.0	1.4
1) Gross Tax Revenue (a+b)	1,036,235	1,138,734	1,364,524	1,251,391	1,449,490	9.9	9.9	15.8
Devolution to States	294,358	322,880	387,266	342,928	529,648	9.7	6.2	54.4
Tax Revenue (Net to Centre)	741,877	815,854	977,258	908,463	919,842	10.0	11.4	1.3
a) Direct Taxes	557,813	637,535	735,271	704,678	797,995	14.3	10.5	13.2
Income Tax	201,487	242,857	284,266	278,599	327,367	20.5	14.7	17.5
Corporate Tax	356,326	394,678	451,005	426,079	470,628	10.8	8.0	10.5
b) Indirect taxes	478,422	501,199	629,253	546,713	651,495	4.8	9.1	19.2
Custom Duties	165,346	172,085	201,819	188,713	208,336	4.1	9.7	10.4
Excise Duties	176,535	170,198	207,110	185,480	229,808	(3.6)	9.0	23.9
Service Tax	132,601	154,778	215,973	168,132	209,774	16.7	8.6	24.8
Others	3,940	4,138	4,351	4,388	3,577	5.0	6.0	(18.5)
2) Non Tax Revenue	137,355	198,870	212,505	217,831	221,733	44.8	9.5	1.8
Interest receipt	20,761	21,868	19,751	22,166	23,600	5.3	1.4	6.5
Dividend and profits receipts	53,761	90,435	90,229	88,781	100,651	68.2	(1.8)	13.4
Others	62,833	86,567	102,525	106,884	97,482	37.8	23.5	(8.8)
(B) Capital Receipts	531,140	544,723	605,129	554,864	635,902	2.6	1.9	14.6
3) Recovery of Loans	15,060	12,497	10,527	10,886	10,753	(17.0)	(12.9)	(1.2)
4) Disinvestment	25,890	29,368	63,425	31,350	69,500	13.4	6.7	121.7
5) Borrowings and Other Liabilities	490,190	502,858	531,177	512,628	555,649	2.6	1.9	8.4
Total Receipt(A+B)	1,410,372	1,559,447	1,794,892	1,681,158	1,777,477	10.6	7.8	5.7
(C) Non Plan Expenditure (6+7)	996,747	1,106,120	1,219,892	1,213,224	1,312,200	11.0	9.7	8.2
6) Revenue Expenditure (a+b+c)	914,306	1,019,040	1,114,609	1,121,897	1,206,027	11.5	10.1	7.5
a) Interest Payments	313,170	374,254	427,011	411,354	456,145	19.5	9.9	10.9
b) Subsidies	257,079	254,632	260,658	266,692	243,811	(1.0)	4.7	(8.6)
c) Others	344,057	390,154	426,940	443,851	506,071	13.4	13.8	14.0
7) Capital Expenditure	82,441	87,080	105,283	91,327	106,173	5.6	4.9	16.3
(D) Plan Expenditure (8+9)	413,625	453,327	575,000	467,934	465,277	9.6	3.2	(0.6)
8) Revenue Expenditure	329,208	352,732	453,503	366,883	330,020	7.1	4.0	(10.0)
9) Capital Expenditure	84,417	100,595	121,497	101,051	135,257	19.2	0.5	33.9
Total Expenditure (C+D)	1,410,372	1,559,447	1,794,892	1,681,158	1,777,477	10.6	7.8	5.7
(E) Fiscal Deficit (C+D-A-3-4)	490,190	502,858	531,177	512,628	555,649	2.6	1.9	8.4
(F) Revenue Deficit (6+8-A)	364,282	357,048	378,348	362,486	394,472	(2.0)	1.5	8.8
(G) Primary Deficit (E -6a)	177,020	128,604	104,166	101,274	99,504	(27.4)	(21.3)	(1.7)

Source: Budget Documents, Angel Research (RE: Revised Estimate, BE: Budget Estimate)

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1.3% in FY2016 vis-à-vis 11.4% as per the revised estimate (RE) for FY2015. Direct taxes are expected to rise by 13.2% in FY2016 to a total ₹7,97,995cr while indirect taxes are expected to grow at 19.2% in FY2016, primarily on expectation of 24-25% increase in tax revenue through excise duties and service tax. This is expected to raise the tax revenue to 10.3% of GDP compared to 9.9% estimated for FY2015.

Non-tax Revenue

The government intends to tap in higher revenue from disinvestment, raising the target for revenues from stake sale in PSUs to ₹69,500cr for FY2016 from a revised estimate of ₹31,350cr for FY2015. The government has tempered the target for revenue from telecom auction from an estimated ₹43,162cr in FY2015 to ₹42,866cr in FY2016.

Expenditure

The Budget has estimated non-plan expenditure to grow by 8.2% in FY2016, rising from ₹12,13,224cr in FY2015 to ₹13,12,200cr in the next fiscal. Of the non-plan expenditure, capital expenditure is set to rise by 16.3% to more than ₹1,06,173cr in FY2016. Cushion to non-plan expenditure in FY2016 is expected to be from sharp decline of 9% in subsidy. Non-plan expenditure is estimated to decline to 9.3% of GDP

in FY2016 compared to 9.6% in FY2015.

Plan expenditure is set to decline marginally by 0.6% with central assistance to states declining sharply. The government expects to reduce revenue expenditure by 10% but at the same time maintain a robust jump of 34% in capital expenditure in FY2016. This contrasts the meagre plan-expenditure growth of 0.5% estimated for FY2015. Plan expenditure is estimated to drop to 3.3% of GDP in FY2016 from 3.7% of GDP in FY2015. Total expenditure is thus set to slide to 13.6% of GDP in FY2016 from 13.3% of GDP as per revised expectation for FY2015.

Public Investment to lead Revival

The government has committed to higher capital spend to create room for private sector to embark on investment in the medium term. The government has committed to accelerating capital expenditure, by diverting 25% more capital outlay. The capital outlay for FY2016 is expected to total ₹241,431cr compared to ₹192,377cr estimated for the current year. The capital outlay will thus form 1.7% of GDP compared to revised estimate of 1.5% in FY2015. Higher allocation towards investment despite the constraint is seen as a big positive given the private sector is struggling with high leverage, the banking system is stressed with higher NPAs and public private partnership has not yielded adequate benefits.

Exhibit 3: Capital Expenditure set to rise

	Capital Expenditure (₹ crore)					Change (% YOY)		Share in GDP (%)	
	FY13	FY14	FY15BE	FY15RE	FY16BE	FY15	FY16BE	FY15	FY16BE
Total Capital Non-Plan Expenditure	82,441	87,080	105,283	91,327	106,173	4.9	16.3	0.7	0.8
Total Non-Plan Expenditure	996,747	1,106,120	1,219,892	1,213,224	1,312,200	9.7	8.2	9.6	9.3
Total Capital Plan Expenditure	84,417	100,595	121,497	101,050	135,258	0.5	33.9	0.8	1.0
Total - Plan Expenditure	413,625	453,327	575,000	467,934	465,277	3.2	-0.6	3.7	3.3

Source: Budget Documents, Angel Research (RE: Revised Estimate, BE: Budget Estimate)

Expenditure Switch expected through Subsidy Rationalisation

The government has embarked on expenditure switch by allocating smaller funds towards subsidy in the Budget for FY2016. Total subsidy is expected to contract nearly 8.6% in FY2016 as the government is expected to halve the petroleum

subsidy bill due to sharp decline in crude prices. Deregulation in diesel prices and move to DBT based LPG subsidy distribution is expected to have led 29% decline in petroleum subsidy in FY2015 as well. The allocation for food subsidy is expected to rise only by 1.4% in FY2016 after raising the same by 33% in FY2015. Subsidy's share in GDP is thus set to decline to 1.7% of GDP in line with our expectation.

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Exhibit 4: FY2016 subsidy bill to reduce

	Subsidy (₹ crore)					Change (% YOY)		Share in GDP (%)	
	FY13	FY14	FY15BE	FY15RE	FY16BE	FY15RE	FY16BE	FY15RE	FY16BE
Major Subsidies	247,493	244,717	251,397	253,913	227,388	3.8	(10.4)	2.0	1.6
Fertiliser Subsidy	65,613	67,339	72,970	70,967	72,969	5.4	2.8	0.6	0.5
Food Subsidy	85,000	92,000	115,000	122,676	124,419	33.3	1.4	1.0	0.9
Petroleum Subsidy	96,880	85,378	63,427	60,270	30,000	(29.4)	(50.2)	0.5	0.2
Interest Subsidy	7,270	8,137	8,313	11,147	14,903	37.0	33.7	0.1	0.1
Other Subsidy	2,316	1,778	947	1,632	1,520	(8.2)	(6.8)	0.0	0.0
Total Subsidy	257,079	254,632	260,658	266,692	243,811	4.7	(8.6)	2.1	1.7

Source: Budget Documents, Angel Research (RE: Revised Estimate, BE: Budget Estimate)

Market Borrowing in line with market expectation

The government is expected to borrow ₹6,00,000cr in FY2016, higher than revised estimate of ₹5,92,000 crore for FY15. Given higher repayment expected during FY16, Government expect

the net market borrowing to total ₹4,56,405 crore in FY16. The government is expected to raise ₹30,063cr in FY2016 through short term borrowing compared to ₹51,169cr expected in FY2015.

Exhibit 5: Market borrowing

	Borrowing (₹ crore)					Change (% YOY)		
	FY13	FY14	FY15BE	FY15RE	FY16BE	FY14	FY15	FY16
Gross Borrowings	558,000	563,675	600,000	592,000	600,000	1.0	5.0	1.4
Repayments	90,644	95,006	138,795	138,795	143,595	4.8	46.1	3.5
Net Market Loans	467,356	468,668	461,205	453,205	456,405	0.3	(3.3)	0.7
Net Short term borrowing	53,350	7,729	34,553	51,169	30,063	(85.5)	562.0	(41.2)

Source: Budget Documents, Angel Research (RE: Revised Estimate, BE: Budget Estimate)

Improving governance

The Budget carries forward government's thrust on taking the economy towards global standards of governance by moving to an investor friendly, fair and transparent system of governance and enhancing the ease of doing business. The government has laid the thrust on utilising JAM (Jan Dhan Yojana, Aadhar and Mobiles) to embark on a leakage free subsidy dispersal and facilitate improved dispensation to the targeted stakeholders.

The government intends to ease the process of doing business and promote minimum government with maximum governance towards achieving the same. The government intends to introduce a comprehensive Bankruptcy law which is expected to allow banks to increase recovery of NPAs. Simplification of tax structure, online central excise and service tax registration within two working days, digitalisation of record have been

initiated as steps to ease business in India. The government has already launched the e-Biz Portal that integrates 14 regulatory permissions at one source.

Government intends to rein in black money stashed abroad as well as in India. With this objective the government will discourage cash transactions to bring down black money in the system. Further, the government will be prohibiting acceptance or re-payment of advance in cash of ₹20,000 or more for any transactions in immovable property.

The government has concluded a Monetary Policy Framework Agreement with the Reserve Bank of India (RBI) which clearly sets the objective of capping inflation below 6%. The new framework is expected to institutionalise actions towards benign inflation dynamics.

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Key Tax Proposals

- GST implementation date reiterated; targeted to be effective from next year as on 1 April 2016.
- Income from capital gains on transactions in securities for FIs would continue to be taxed at the existing rate (ie lower rate than MAT) since MAT would not be applicable.
- GAAR would apply prospectively to investments made on or after 1 April 2017.
- Hike in service tax from 12.3% to 14% and in excise duty from 12.36% to 12.5%.
- Increase the Clean Energy Cess from ₹100 to ₹200 per metric tonne of coal, etc. to finance clean environment initiatives.
- Road cess has been increased from ₹2 per litre to ₹8 per litre, while correspondingly basic excise duties on petrol and diesel are being reduced by ₹4 per litre. Total incidence of duties on petrol and diesel to remain the same. Road cess is expected to garner an additional ₹40,000cr for the road sector.
- Wealth Tax has been abolished. Surcharge on Income Tax has been increased by 2% for domestic companies and non-corporate tax payers with income greater than ₹1cr. The surcharge is increased from 10% to 12% for corporates earning more than ₹10cr and from 5% to 7% for corporates earning between ₹1cr and ₹10cr.
- Government proposes to reduce the rate of Corporate Tax from 30% to 25% over the next 4 years (starting FY2017) in a phased manner. At the same time, the numerous exemptions available to various sectors will also likely be done away with.
- Direct Taxes Code no longer required to be implemented as most of the provisions of the DTC have already been included or are in the process of being implemented in the existing Income-tax Act.

Sectoral Impact

Automobile

Neutral

Announcement

- Status quo on excise duty for passenger cars, SUVs, commercial vehicles and two-wheelers.
- Effective Custom duty on commercial vehicles imported in CBU (completely build) format raised from 10% to 20%.
- Period of Concessional duty structure on electric/hybrid vehicles extended upto March 31, 2016.
- Higher Agricultural credit of ₹8.5 lakh cr (as against ₹7 lakh cr in previous year) and increased allocation towards rural infrastructure.

Impact

- Neutral for OEMs; in line with our expectations.
- Neutral; as a very small proportion of trucks are imported in CBU format. Most of the trucks are imported in the CKD (completely knocked down) format and then assembled in the local factories of the foreign players such as Daimler and Volvo. Import duty on CKD has been retained at 10% and thus is unlikely to have an impact.
- The move would promote manufacture and sale of such vehicles. However the move is Neutral as no incremental benefits have been provided.
- Rural development initiatives are likely to boost income levels and the same would be positive for OEMs having strong rural presence such as Mahindra & Mahindra, Hero Motocorp and Maruti Suzuki.

The Union Budget for 2015-2016 is Neutral for the automotive sector, as had been expected. The key excise rates and import duties for various automotive segments are unchanged. There has been no direct policy measure announced for the sector. However, increased allocation for Agri credit and rural infrastructure would indirectly spur demand for companies with rural exposure such as Mahindra & Mahindra, Hero Motocorp and Maruti Suzuki.

Banking

Positive

Announcement

- NBFCs with asset size of ₹500cr+ would be brought under SARFESI.
- Introduction of comprehensive Bankruptcy law.

- Option given to individual investors to opt for health insurance instead of ESIC and New Pension Scheme instead of EPF.

- Increase in the limit of deduction in respect of health insurance premium from ₹15,000 to ₹25,000.

- An additional deduction of ₹50,000 is proposed to be provided for contribution to the New Pension Scheme under Section 80CCD.

- Internal cap of 49% on FII investment in private banks within the overall 74% cap on foreign investment done away with.

- Setting up PSU Bank Board Bureau.

- Higher funding to NHB from National Investment & Infra Fund (NIIF) allowing higher refinancing to small ticket housing finance companies.

- Creation of MUDRA bank to provide refinance to Microfinance institutions for certain categories of loans.

- Capital infusion of ₹7,940cr in PSU banks.

Impact

- Positive for NBFCs

- Positive for entire banking sector as it would facilitate NPA recovery.

- Positive for companies such as Reliance Capital, HDFC, ICICI Bank, SBI etc which have insurance subsidiaries.

- Positive for banks like Axis Bank and Yes Bank, where FII limit had almost exhausted.

- Positive for PSU banks.

- Positive for small ticket housing finance companies like GRUH Finance & Repco Home Finance.

- Positive for SKS Microfinance.

- Negative for PSU banks, as the amount is much lower than requirements.

The budget is positive for BFSI sector, as it has several measures aimed at improving recoveries of banks and NBFCs, increasing financial savings especially in health insurance & pension, setting up the Bank Board Bureau, etc. While there is an increase in Fiscal deficit target by 30bps from the earlier expected number of 3.6%, we do not expect this to deter the RBI from cutting rates given the absolute decline in deficit from 4.1% last year, the steep decline in inflation and stability on the current account front. Overall, we remain positive on the banking sector as the benefits of cyclical revival and improved macro-economic stability are expected to kick in over the next 12 to 18 months.

Capital Goods

Positive

Announcement

- Higher allocation to the defense sector (up 15.4% yoy to ₹94,588cr).
- Target for renewable energy capacity raised to 175GW till 2022.
- Higher allocation towards urban development (up 33.4% yoy to ₹10,068cr). Increased emphasis on urban metro.
- Government to set up 5 new ultra mega power projects, each of 4000MW, in the plug-and-play mode.
- Additional depreciation @ 20% allowed on new plant and machinery installed by a manufacturing unit or a unit engaged in generation and distribution of power.
- Service provided by a common effluent treatment plant operator for treatment of effluent to be exempted from service tax.
- Custom Duty reduced to 5% on Active Energy Controller (AEC) for use in the manufacture of Renewable Power System (RPS) Inverters, subject to certification by MNRE.
- Custom Duty reduced from 7.5% to 2.5% for specified components used in the manufacture of specified CNC lathe machines and machining centre.
- Custom Duty reduced from 5% to NIL on C- Block for Compressor, Over Load Protector (OLP) & Positive thermal co-efficient and Crank Shaft for compressor, for use in the manufacture of Refrigerator compressors.
- Excise duty exempted on pig iron SG grade and Ferro-silicon-magnesium for manufacture of Cast components of wind operated electricity generators, subject to certification by MNRE in this regard.

Impact

- Positive for defense equipment manufacturers. Stocks to benefit would be BEL, L&T and Bharat Forge.
- Positive for alternative energy products manufacturers like Suzlon Energy.
- Positive for electrical equipment companies like Crompton Greaves, Havells India and Bajaj Electricals. Positive for urban metro equipment manufacturers such as Siemens.
- Positive for BTG players like L&T, BHEL, Thermax and BGR Energy.
- This incentive would lead to higher profits for companies making fresh investment. Positive for manufacturing companies.
- Saving on service tax should benefit water treatment players such as Va Tech Wabag.
- Positive for ABB as import cost would decline on this account.
- This would encourage import of CNC lathe machine parts. As a result, domestic CNC lathe manufacturers would stand to benefit. It would be marginally positive for companies like LMW.
- It should help compressor manufacturer companies in the form of margin expansion in the long run. Companies to be benefited include Ingersoll Rand, Elgi Equipments and KPCL.
- This would encourage investment in wind energy sector. Positive for Suzlon Energy.

Cement

Positive

Announcement

- As part of "Housing for All" by 2022, the government expects to complete 2cr urban houses and 4cr rural houses.
- ₹79,526cr allocated for rural development activities; ₹10,068cr allocated for housing and urban development.
- Excise duty increased from 12% to 12.5%.

Impact

- This would be positive for the cement sector, as it is expected to boost cement demand from the housing segment.
- Higher rural allocation to translate into higher construction activity, thereby benefiting the cement sector on a whole.
- Marginally negative for cement companies.

FMCG

Neutral

Announcement

- Excise duty on cigarettes hiked by 25% for cigarette length of less than 65mm and for other categories it has been increased by 15%.

Excise duty on tobacco increased to ₹70/kg from the earlier ₹60/kg.
- Allocation of ₹79,526cr for rural development activities including MGNREGA.

Impact

- Neutral. We had anticipated some hike in the excise duty on cigarettes. In our view, cigarette manufacturers would likely pass on the hike in the duty to consumers. Thus, we expect the impact to be Neutral on companies like ITC, VST Industries, and Godfrey Phillips.
- Allocation toward rural development is positive for the FMCG sector, as it would increase the disposable income in the hands of rural households. The impact would be Positive for all FMCG players.

Infrastructure

Positive

Announcement

- As part of "Housing for All" by 2022, the government expects to complete 2cr urban houses and 4cr rural houses.
- Higher allocation towards highways sector (up 97.1% yoy to ₹33,049cr); 1,00,000km of rural roads to be built. Money raised from increase in road cess on petrol & HSD oil (₹40,000cr estimated) to be deployed towards infrastructure projects.
- Higher allocation towards Railways (up 32.9% yoy to ₹40,000cr).
- Higher allocation towards housing and urban development (up 33.4% yoy to ₹10,068cr).
- Establishing of National Investment and Infrastructure Fund (NIIF) to ensure annual inflows of ₹20,000cr.
- Introduction of regulatory reform law to bring cogency approach across various infra sectors.
- Basic infra works to start at Ahmedabad-Dhauvera Investment Region, Gujarat, and Shendra-Bidkin, Maharashtra; higher allocation towards Dedicated Freight Corridor (₹1,200cr has been earmarked).
- Tax pass through clause, where investors of Alternative Investment Funds (AIFs) would be taxed and not the AIFs (as stated earlier).
- Rationalizing capital gains for sponsors exiting at the time of listing of the units of InVITs, subject to payment of STT.
- Service tax exemption to continue on construction, civil structure repairs provided to government for canal, dam, other irrigation works, pipeline, conduit or plant for water supply, water treatment, or sewerage treatment; service tax exemption for construction, erection, commissioning or installation of original works pertaining to airport/ port has been withdrawn.

Impact

- Positive for all real estate EPC players including Ahluwalia Contracts (India).
- Positive for all Road developers (IRB Infra, ITNL, Sadbhav Eng. and Ashoka Buildcon) as it would provide more opportunities on the order inflow front to them. Also, road focused EPC players (MBL Infra, KNR Construction) would benefit from increase in award activity.
- Positive for EPC companies focused on railways (MBL Infra, Simplex Infra), as it will create opportunities in the railways segment.
- Would benefit EPC companies focused on housing and urban development (MBL Infra, Ahluwalia Contracts, Simplex Infra).
- Will help railways and housing finance companies to raise funds at cheaper rates; to indirectly benefit Indian Railways and real estate developers.
- To lead to avoidance of delays in award activity, thereby benefitting EPC players.
- To benefit EPC players (MBL Infra, Simplex Infra).
- Should induce higher AIF investments in infra projects; thereby infra projects will get access to one more source of equity funding.
- Brings more clarity on the taxation part and opens up one more avenue for fund raising for Asset Developers; Expect asset developers (L&T, ITNL, Gammon Infra Projects) to explore this new funding alternative.
- Exemption on government works on canal and other areas mentioned would help EPC players (Gayatri Proj., NCC, IVRCL) maintain their margins; airport/ port developers would have to spend higher capex, as service tax component gets added now for the construction works.

If we take in to consideration, (1) higher budgetary allocations (towards Roads & Highways, Railways and Housing and Urban Development), (2) clear assurance from the government to provide faster project clearances, and (3) opening-up of new financing avenues, we are optimistic that this budget has laid the road-map for long-term infra growth story. On the back of such positive announcements, we are now more optimistic that infra capex revival is sooner to pan-out.

IT

Positive

Announcement

- Rate of income-tax on royalty and fees for technical services reduced from 25% to 10% to facilitate technology inflow.

Impact

- Will benefit IT product companies.

Metals

Positive

Announcement

- Tariff rate on iron and steel increased from 10% to 15%.
- Basic customs duty on metallurgical coke increased from 2.5% to 5%.
- Special Additional Duty (SAD) of customs on metal scrap (iron & steel, copper, brass and aluminium) reduced from 4% to 2%.
- Clean energy cess increased from ₹100 to ₹200 per metric tonne of coal.

Impact

- The rise in tariff rates increases the possibility of a hike in customs duty. Thus the announcement is positive for all major steel players such as Tata Steel, JSW Steel, etc.
- Most major steel players have integrated, captive coke ovens. This move is positive for met coke players such as Gujarat NRE coke.
- Marginally positive for steel players such as Tata Steel and JSW Steel.
- The increase in cess on coal coupled with higher freight rates (increased by 6.3% in the railway budget) will increase the cost of coal. Negative for Hindalco and Sesa Sterlite among others.

The budget has not provided the steel sector with any immediate relief and has maintained the effective custom duties on iron and steel products. However, the increase in tariff rates signals the intentions of the government to provide protection to the industry and increases the possibility of a hike in customs duty. The reduction in SAD on scrap imports is positive. Overall, the thrust on infrastructure is a positive for the sector, as it will help revive domestic demand for steel.

Oil & Gas

Neutral

Announcement

- Increase in the Additional Duty of Customs / Excise and reduction in the basic excise duty on both, Petrol and High Speed Diesel Oil. The net change in excise duties remains unchanged.
- Reduction in basic customs duty for styrene monomer (SM) from 2.5% to 2% and reduction in special additional duty (SAD) on naphtha, ethylene dichloride, vinyl chloride monomer and styrene monomer for manufacture of excisable goods from 4% to 2%.

Impact

- Neutral.
- Positive for PVC and Styrene producers such as Finolex Industries, Styrolution ABS (India), Supreme Petrochem.

Pharmaceutical

Positive

Announcement

- Rate of income-tax on royalty and fees for technical services reduced from 25% to 10% to facilitate technology inflow.
- Basic custom duty on certain inputs, raw materials, intermediates and components, reduced to minimise the impact of duty inversion.
- Service-tax plus education cesses increased from 12.36% to 14% to facilitate transition to GST.

Impact

- Will benefit all pharmaceutical companies.
- Will benefit all pharmaceutical companies as most of them rely on imports for a majority of their raw material requirements.
- Will impact all pharmaceutical companies negatively.

Overall, the budget has been positive, wherein the allocation has come in at ₹33,150cr. Also, some indirect measures like extension of health covers and initiatives to boost health insurance will provide impetus to the pharmaceutical industry. Over the long term, the proposal to reduce corporate tax from 30% to 25% over the next 4 years, starting from next financial year; and GST to be introduced by April 1, 2016, will positively impact the industry.

Power

Neutral

Announcement

- Clean energy cess increased from ₹100 to ₹200 per metric tonne of coal.
- Proposal to set up 5 new Ultra Mega Power Projects of 4GW each in the plug-and-play mode. All clearances and linkages will be in place before the project is awarded by a transparent auction system. This should unlock investments to the extent of ₹1 lakh crore.

Impact

- With an increase of ₹100 per metric tonne, we expect an impact of ₹5,000cr on Coal India (~500MT production). However, we expect this to be passed on to the power producers. Negative for power generation companies NTPC, Tata Power, etc.
- With linkages already in place, we expect private participation to increase. The opportunities to bid for these large projects would be a positive for power generating companies.

Real Estate

Neutral

Announcement

- As part of "Housing for All" by 2022, the government expects to complete 2cr urban houses and 4cr rural houses.
- Establishing of National Investment and Infrastructure Fund (NIIF) to ensure annual inflows of ₹20,000cr.
- Rationalizing of capital gains for sponsors exiting at the time of listing of the units of REITs, subject to payment of STT. Also, rental income of REITs from their own assets will have pass through facility.

Impact

- Positive for all real estate players.
- It will help housing finance companies raise funds at cheaper rates; to indirectly benefit Developers as one more fund raising avenue opens-up.
- It brings more clarity on the taxation part and opens up one more avenue for fund raising; we expect Developers (DLF, Unitech, Prestige Estates, Phoenix Mills) to explore this new fund raising alternative.

Union Budget 2015-16 has been neutral for the Real Estate sector. There were (1) expectations of granting Infra status to the Real Estate sector, (2) more tax clarity on REITs, and (3) increase in tax exemption on Home loans. But only one of the expectations panned out, as more clarity was given on RIETs. With this announcement we expect REIT listings to commence in next few quarters.

Telecom

Neutral

Announcement

- The Budget stated that the government expects revenue receipts of ₹43,162cr in FY2014-15 from the telecom sector by way of licensing charges, fees and spectrum receipts.
- Excise duty on mobile handsets hiked from 6% to 12.5%.

Impact

- The amount is higher than ₹40,114cr collected in FY2013-14. Spectrum auctions in 800MHz, 900Mhz,1800Mhz and 2100Mhz bands are scheduled next week and most of it is already factored in the stock prices.
- This could lead to a marginal increase in mobile handset prices.

The Union Budget for FY2015-16 has been a non-event for the telecom sector. There are no policy announcements related to the sector. However, the Budget indicated the amount likely to be raised by way of license charges, fees and spectrum auctions; which is largely factored in the prices of key telecom companies viz Bharti Airtel and Idea Cellular.

Miscellaneous

Neutral

Announcement

- Visa on arrival facility to be increased from 43 to 150 countries, in stages.
- Additional investment allowance (@15%) and additional depreciation (@15%) to new manufacturing units set-up during the period 01.04.2015 to 31.03.2020 in notified areas of Andhra Pradesh and Telangana.
- Special Additional Duty on inputs used in the manufacture of LED drivers and MCPCB for LED lights, fixtures and LED lamps reduced from 4% to nil.
- Excise duty on leather footwear (footwear with uppers made of leather of heading 4107 or 4112 to 4114) of retail sale price of more than ₹1,000 per pair reduced from 12% to 6%.
- The National Optical Fibre Network Programme (NOFNP) of 7.5 lakh km networking 2.5 lakh villages is being further speeded up by allowing willing states to undertake its execution, on reimbursement of cost as determined by Department of Telecommunications.
- Service tax on business class air tickets hiked from the earlier 40% to 60% of fare price.
- Service tax to be levied on rides, amusement arcades, water parks, theme parks etc

Impact

- This will boost tourism in the country which is positive for hospitality/hotel companies like Thomas Cook India, Mahindra Holidays & Resorts India, Cox & Kings, etc
- Positive for Blue Star as it is looking to set up units in Andhra Pradesh and Telangana.
- Marginally Positive for Bajaj Electricals and Havells as they are expanding their presence in the LED segment.
- Positive for leather footwear makers like Bata and Mirza International.
- Positive for Finolex Cables as it has already won one order and can get further orders.
- Since business class travel is price insensitive, we expect the impact on airline companies like Jet Airways to be Neutral.
- Amusement/theme parks would hike ticket prices. Negative for companies like Wonderla Holidays, Adlab Imagica.

Stock Watch

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
					FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Agri / Agri Chemical																		
Rallis	Neutral	245	-	4,760	2,020	2,365	13.9	13.9	9.0	10.5	27.2	23.3	5.7	4.8	22.6	22.4	2.4	2.0
United Phosphorus	Neutral	416	-	17,821	11,850	13,627	17.3	17.3	29.9	35.3	13.9	11.8	2.8	2.3	22.2	21.7	1.6	1.3
Auto & Auto Ancillary																		
Ashok Leyland	Accumulate	70	78	19,850	13,915	17,882	7.6	9.5	0.8	2.8	87.2	24.9	3.7	3.5	4.4	14.0	1.4	1.1
Bajaj Auto	Buy	2,162	2,505	62,555	22,473	26,699	19.6	19.8	111.8	133.6	19.3	16.2	5.8	4.9	27.5	30.5	2.4	1.9
Eicher Motors	Accumulate	16,256	18,347	44,060	12,526	16,478	14.9	16.6	416.9	637.3	39.0	25.5	13.1	9.5	33.4	37.2	3.4	2.5
Hero Motocorp	Buy	2,683	3,242	53,569	28,082	33,090	13.1	13.5	131.4	159.3	20.4	16.8	8.4	7.3	41.1	43.4	1.7	1.4
L G Balakrishnan & Bros	Buy	538	723	844	1,212	1,354	12.8	13.3	47.0	49.2	11.4	10.9	2.3	1.9	19.8	17.6	0.8	0.7
Mahindra and Mahindra	Accumulate	1,292	1,390	80,214	38,039	41,988	12.3	12.3	51.1	57.2	25.3	22.6	4.1	3.6	16.2	16.1	1.8	1.6
Maruti	Accumulate	3,618	4,135	109,300	50,232	60,257	12.7	14.8	119.6	181.0	30.3	20.0	4.6	4.0	15.4	20.1	2.0	1.6
Tata Motors	Neutral	594	-	159,935	259,924	298,985	15.7	15.2	50.9	55.8	11.7	10.6	2.4	2.0	20.3	18.4	0.8	0.7
TVS Motor	Accumulate	278	313	13,205	10,221	12,367	6.1	7.5	7.7	13.3	36.1	20.9	7.9	6.2	21.9	29.5	1.2	1.0
Amara Raja Batteries	Neutral	877	-	14,979	4,285	5,355	17.2	17.4	25.2	31.8	34.8	27.6	8.8	6.9	25.2	25.2	3.4	2.7
Exide Industries	Accumulate	180	200	15,262	7,289	8,383	12.9	13.9	6.7	8.4	26.8	21.4	3.7	3.3	13.8	15.6	1.8	1.6
Apollo Tyres	Buy	175	216	8,921	13,368	13,630	15.1	15.9	21.2	22.1	8.3	7.9	1.6	1.3	19.3	16.9	0.7	0.7
Ceat	Buy	749	897	3,032	5,875	6,482	12.1	12.8	81.6	89.1	9.2	8.4	1.8	1.5	19.1	17.6	0.7	0.6
JK Tyres	Buy	117	140	2,657	7,638	8,302	12.5	13.3	13.9	18.6	8.4	6.3	1.9	1.5	23.2	24.3	0.6	0.6
Sterling Tools	Buy	297	397	203	342	394	47.5	54.8	27.4	33.1	10.9	9.0	1.8	1.5	16.2	16.7	0.7	0.6
Swaraj Engines	Buy	784	986	974	574	656	14.0	14.1	45.7	55.8	17.2	14.1	4.0	3.5	23.5	24.5	1.4	1.2
Subros	Buy	60	80	363	1,255	1,416	11.2	11.3	3.2	4.4	18.9	13.7	1.1	1.1	6.2	8.1	0.6	0.5
Indag Rubber	Accumulate	863	992	453	235	268	16.6	16.6	56.5	60.1	15.3	14.4	3.6	3.0	23.4	20.8	1.7	1.4
Banking																		
Allahabad Bank	Accumulate	109	122	5,953	7,357	8,144	2.5	2.5	16.5	19.5	6.6	5.6	0.7	0.58	7.9	8.8	-	-
Axis Bank	Accumulate	613	686	145,152	22,498	26,155	3.6	3.7	31.3	37.1	19.6	16.5	3.3	2.88	17.9	18.4	-	-
Bank of Baroda	Buy	185	215	39,742	17,936	20,679	2.0	2.1	17.8	24.9	10.4	7.4	1.1	0.9	10.2	13.0	-	-
Bank of India	Buy	234	285	15,042	16,169	18,390	2.1	2.2	49.3	60.9	4.7	3.8	0.6	0.5	11.6	13.0	-	-
Canara Bank	Buy	415	482	19,163	14,249	15,858	1.9	2.1	61.8	76.1	6.7	5.5	0.8	0.7	11.3	12.7	-	-
Dena Bank	Buy	56	66	2,988	3,261	3,719	2.0	2.1	5.7	11.5	9.7	4.8	0.6	0.5	4.8	9.3	-	-
Federal Bank	Neutral	142	-	12,189	3,182	3,506	3.2	3.2	11.7	12.2	12.2	11.7	1.6	1.4	13.6	12.9	-	-
HDFC	Neutral	1,336	-	210,159	9,639	11,437	3.5	3.5	38.9	46.1	34.3	29.0	6.8	6.1	27.0	27.8	-	-
HDFC Bank	Accumulate	1,068	1,192	267,529	30,808	36,780	4.4	4.5	42.5	52.0	25.1	20.5	4.4	3.76	21.5	22.2	-	-
ICICI Bank	Buy	346	407	200,252	30,943	36,301	3.3	3.4	19.4	23.8	17.8	14.5	2.8	2.3	15.0	16.3	-	-
IDBI Bank	Neutral	74	-	11,869	8,865	10,212	1.8	1.9	6.1	14.8	12.1	5.0	0.6	0.5	4.4	10.1	-	-
Indian Bank	Buy	185	221	8,607	5,851	6,671	2.5	2.6	23.7	35.7	7.8	5.2	0.7	0.6	7.8	10.9	-	-
LIC Housing Finance	Accumulate	479	535	24,156	2,504	2,969	2.3	2.3	29.0	33.9	16.5	14.1	2.9	2.5	18.0	18.2	-	-
Oriental Bank	Accumulate	240	273	7,186	7,473	8,143	2.4	2.5	39.8	44.5	6.0	5.4	0.6	0.5	9.0	9.4	-	-
Punjab Natl.Bank	Buy	166	201	29,970	22,780	25,628	3.0	3.1	20.3	29.3	8.2	5.6	1.0	0.8	10.2	13.5	-	-
South Ind.Bank	Accumulate	28	31	3,720	1,849	1,984	2.4	2.4	2.9	3.5	9.5	7.9	1.1	1.0	11.4	12.6	-	-

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
					FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
St Bk of India	Buy	302	348	225,166	74,139	84,626	3.0	3.0	18.2	24.0	16.6	12.6	1.9	1.7	11.4	13.8	-	-
Union Bank	Buy	171	198	10,885	11,880	13,355	2.3	2.4	28.5	38.9	6.0	4.4	0.7	0.6	10.2	12.7	-	-
Vijaya Bank	Buy	48	59	4,137	3,105	3,571	1.7	1.8	7.8	9.3	6.2	5.2	0.7	0.6	11.4	12.4	-	-
Yes Bank	Buy	863	1,032	36,035	5,534	6,899	3.1	3.2	48.8	60.7	17.7	14.2	3.0	2.6	21.5	19.7	-	-
Capital Goods																		
BGR Energy	Accumulate	141	149	1,019	3,938	4,362	11.6	11.8	23.9	27.1	5.9	5.2	0.7	0.6	19.9	17.5	0.9	0.8
BHEL	Neutral	262	-	64,164	36,844	36,607	10.8	10.8	11.8	11.4	22.2	22.9	2.2	2.0	10.2	9.0	1.6	1.5
Blue Star	Buy	315	377	2,837	3,202	3,619	4.3	4.6	8.7	9.4	36.5	33.6	5.3	4.7	15.3	14.9	1.0	0.9
Crompton Greaves	Buy	177	220	11,084	14,899	16,720	6.6	7.2	7.9	10.0	22.4	17.7	2.8	2.5	12.9	14.8	0.9	0.8
KEC International	Neutral	82	-	2,109	8,657	9,879	7.2	7.5	7.1	9.9	11.6	8.3	1.6	1.4	22.9	24.7	0.4	0.4
Thermax	Neutral	1,152	-	13,726	6,091	6,988	9.4	9.7	29.5	35.6	39.0	32.4	5.9	5.2	16.0	17.0	2.2	1.9
Cement																		
ACC	Neutral	1,683	-	31,602	12,771	14,808	15.7	18.3	59.0	86.0	28.5	19.6	3.6	3.3	13.1	17.5	2.4	2.0
Ambuja Cements	Neutral	272	-	42,091	11,262	12,622	22.7	24.4	10.0	12.3	27.2	22.1	3.9	3.6	14.8	16.7	3.3	2.9
India Cements	Buy	100	146	3,067	4,501	5,500	11.9	15.3	1.1	3.7	90.8	27.0	0.9	0.9	1.1	3.5	1.2	0.9
J K Lakshmi Cement	Buy	345	443	4,060	2,431	3,101	20.6	21.4	18.0	28.0	19.2	12.3	2.9	2.6	12.6	14.2	2.1	1.6
Mangalam Cements	Buy	268	360	715	935	1,141	11.5	14.6	12.2	24.2	21.9	11.1	1.3	1.2	6.3	11.7	1.1	0.9
Orient Cement	Accumulate	173	183	3,538	1,622	2,185	19.3	22.0	7.9	7.8	21.7	22.1	3.7	3.3	18.4	16.0	3.0	2.2
Ramco Cements	Neutral	334	-	7,944	4,251	5,018	17.3	19.5	9.6	16.4	34.7	20.4	3.0	2.6	8.8	13.6	2.5	2.1
Shree Cement ^	Neutral	10,823	-	37,703	6,558	8,056	24.4	25.3	272.3	360.5	39.7	30.0	7.1	5.9	19.4	21.5	5.3	4.3
UltraTech Cement	Accumulate	3,137	3,526	86,092	24,053	28,387	20.7	23.3	91.0	129.0	34.5	24.3	4.4	3.8	13.6	16.9	3.7	3.1
Construction																		
ITNL	Neutral	213	-	5,261	6,898	7,589	31.1	34.0	20.0	16.0	10.7	13.3	1.0	0.9	8.6	6.5	3.9	3.8
Larsen & Toubro	Neutral	1,767	-	164,244	60,404	68,920	10.9	10.9	51.0	57.0	34.6	31.0	3.1	2.8	13.0	13.6	2.9	2.6
Gujarat Pipavav Port	Neutral	217	-	10,512	793	694	53.0	50.9	8.6	7.6	25.3	28.6	5.2	4.3	25.9	18.4	12.9	14.6
MBL Infrastructures	Buy	550	633	1,139	2,038	2,507	11.2	12.4	43.0	43.0	12.8	12.8	1.7	1.5	15.9	12.6	1.2	1.2
FMCG																		
Asian Paints	Neutral	818	-	78,496	14,498	16,653	16.0	16.0	15.6	17.7	52.5	46.3	15.3	12.3	32.4	29.4	5.3	4.5
Britannia	Neutral	2,094	-	25,110	7,056	8,065	9.7	9.6	40.3	47.2	51.9	44.3	20.0	14.7	45.0	38.3	3.4	3.0
Colgate	Neutral	1,943	-	26,425	4,165	4,836	17.7	18.4	43.5	50.5	44.7	38.4	38.5	29.4	94.1	86.6	6.2	5.3
Dabur India	Neutral	264	-	46,363	8,135	9,370	17.1	17.1	6.4	7.3	41.5	36.0	13.7	10.9	36.9	33.7	5.6	4.8
GlaxoSmith Con*	Neutral	5,782	-	24,318	4,259	4,919	15.7	15.9	143.2	168.3	40.4	34.4	12.1	9.7	33.1	31.4	5.2	4.5
Godrej Consumer	Neutral	1,131	-	38,504	8,777	10,168	15.4	15.6	26.1	31.1	43.4	36.4	8.5	7.2	19.7	19.7	4.5	3.9
HUL	Neutral	910	-	196,811	31,055	34,940	13.7	14.2	18.3	20.1	49.7	45.3	41.6	30.0	99.0	77.0	6.2	5.4
ITC	Accumulate	361	409	289,093	38,185	44,068	37.7	37.8	12.7	14.6	28.4	24.7	9.3	7.9	32.7	32.1	7.2	6.3
Marico	Neutral	356	-	22,955	5,406	6,351	15.7	15.7	8.6	10.4	41.4	34.3	12.7	10.0	30.7	29.0	4.2	3.5
Nestle*	Neutral	7,002	-	67,506	10,356	11,691	21.9	22.2	138.0	160.9	50.7	43.5	21.3	16.2	48.0	55.0	6.4	5.6
Tata Global	Buy	155	186	9,579	8,615	9,562	9.5	9.4	8.1	8.9	19.2	17.4	2.4	2.3	9.1	9.3	1.0	0.9

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)		
					FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	
IT																			
HCL Tech ^	Neutral	2,021	-	141,968	36,528	41,535	23.2	24.0	96.8	109.3	20.9	18.5	5.4	4.4	24.3	23.9	3.5	3.0	
Infosys	Accumulate	2,295	2,449	263,557	53,943	59,985	28.0	28.0	110.2	119.8	20.8	19.2	4.7	4.0	22.5	21.0	4.2	3.7	
TCS	Accumulate	2,675	2,833	524,019	95,106	108,420	29.6	29.2	110.2	123.9	24.3	21.6	8.7	7.7	35.9	35.7	5.2	4.6	
Tech Mahindra	Neutral	2,865	-	68,766	21,656	27,754	22.4	20.0	137.3	159.0	20.9	18.0	5.6	4.3	26.4	23.7	2.8	2.1	
Wipro	Accumulate	659	711	162,766	50,000	56,000	23.1	23.7	35.6	39.5	18.5	16.7	3.9	3.3	21.2	19.8	2.8	2.4	
Media																			
D B Corp	Neutral	390	-	7,165	2,007	2,241	26.9	26.8	17.7	19.8	22.1	19.7	5.4	4.7	24.4	23.7	3.5	3.1	
HT Media	Neutral	134	-	3,112	2,301	2,495	12.4	12.4	7.5	8.0	17.9	16.6	1.6	1.4	9.0	8.7	0.9	0.8	
Jagran Prakashan	Buy	132	156	4,322	1,787	1,939	25.7	26.0	7.7	8.3	17.2	15.9	3.2	2.7	18.3	17.5	2.4	2.2	
Sun TV Network	Neutral	409	-	16,128	2,548	2,879	68.5	68.9	22.8	25.8	17.9	15.9	4.6	4.0	27.1	26.7	5.9	5.1	
Hindustan Media	Buy	229	292	1,680	820	920	20.0	20.0	17.8	19.2	12.9	11.9	2.3	2.0	17.9	16.4	1.6	1.4	
Metal																			
Coal India	Accumulate	394	423	248,770	72,842	79,735	23.7	24.8	23.8	27.1	16.5	14.5	5.3	4.7	33.0	34.3	2.5	2.1	
Hind. Zinc	Accumulate	176	185	74,429	13,881	15,410	51.6	51.7	19.0	19.8	9.3	8.9	1.7	1.5	19.4	17.8	3.0	2.2	
Hindalco	Accumulate	153	165	31,605	99,816	109,037	10.5	11.1	14.2	16.8	10.8	9.1	0.7	0.7	7.2	8.1	0.8	0.7	
JSW Steel	Buy	1,011	1,165	24,434	56,995	56,248	18.9	19.2	81.3	72.2	12.4	14.0	1.1	1.0	9.1	7.6	1.1	1.1	
NMDC	Neutral	139	-	55,228	12,551	12,953	63.8	63.2	16.3	16.5	8.6	8.4	1.7	1.5	20.9	19.5	2.8	3.0	
SAIL	Neutral	71	-	29,138	50,835	56,944	11.2	12.2	5.5	6.8	12.8	10.4	0.7	0.6	5.8	6.8	1.0	0.9	
Sesa Sterlite	Neutral	218	-	64,512	75,381	83,780	32.2	30.4	19.3	21.2	11.3	10.3	0.8	0.8	7.9	6.5	1.1	0.9	
Tata Steel	Buy	356	458	34,541	143,855	141,444	10.7	12.1	31.4	37.3	11.3	9.5	0.8	0.8	7.3	8.3	0.7	0.8	
Oil & Gas																			
Cairn India	Neutral	255	-	47,761	15,818	14,412	60.8	53.5	40.3	32.0	6.3	8.0	0.8	0.7	11.8	9.2	1.5	1.5	
GAIL	Neutral	414	-	52,452	65,990	75,199	11.1	10.3	31.2	30.9	13.3	13.4	1.5	1.4	11.5	10.9	0.8	0.7	
ONGC	Neutral	325	-	278,011	172,311	176,041	33.3	35.4	30.4	35.8	10.7	9.1	1.5	1.4	14.2	14.5	1.5	1.4	
Petronet LNG	Neutral	180	-	13,478	42,481	45,913	4.1	4.6	10.5	12.7	17.1	14.1	2.4	2.1	14.2	15.7	0.4	0.4	
Reliance Industries	Accumulate	866	980	280,277	358,320	326,790	9.3	10.8	72.5	75.6	11.9	11.5	1.2	1.3	11.4	12.2	0.8	0.9	
Pharmaceuticals																			
Alembic Pharma	Neutral	404	-	7,613	2,188	2,542	19.4	19.3	15.7	18.4	25.7	21.9	8.3	6.3	37.2	32.6	3.5	3.0	
Aurobindo Pharma	Neutral	1,084	-	31,622	11,707	14,054	20.9	20.9	51.1	59.9	21.2	18.1	6.1	4.7	33.5	29.3	3.2	2.6	
Aventis*	Neutral	3,324	-	7,655	1,875	2,247	12.6	16.0	85.6	119.1	38.8	27.9	5.2	4.1	14.4	20.0	3.8	3.1	
Cadila Healthcare	Neutral	1,548	-	31,693	8,505	10,176	17.7	18.7	50.3	64.3	30.8	24.1	7.4	5.9	26.7	27.4	3.9	3.2	
Cipla	Neutral	682	-	54,722	11,681	14,051	17.7	18.9	20.1	25.2	33.9	27.0	4.8	4.1	15.0	16.3	4.7	3.8	
Dr Reddy's	Buy	3,350	3,878	57,047	15,867	18,657	23.8	23.5	149.0	184.7	22.5	18.1	5.1	4.1	24.9	24.8	3.6	3.0	
Dishman Pharma	Buy	152	219	1,225	1,511	1,662	20.2	22.2	13.4	21.9	11.3	6.9	1.0	0.8	8.8	13.0	1.2	0.9	
GSK Pharma*	Neutral	3,112	-	26,356	2,640	2,853	19.7	20.5	54.5	59.4	57.1	52.4	13.5	13.4	23.4	25.7	9.3	8.6	
Indoco Remedies	Neutral	298	-	2,744	856	1,112	18.2	18.2	10.4	12.7	28.6	23.4	5.1	4.2	19.2	21.8	3.4	2.6	
Ipca labs	Buy	657	817	8,287	3,503	4,213	18.6	20.9	36.2	48.1	18.1	13.7	3.5	2.9	21.2	23.3	2.5	2.1	
Lupin	Neutral	1,747	-	78,501	13,921	16,021	26.9	26.9	53.0	60.8	33.0	28.7	8.6	6.7	27.8	26.1	5.6	4.8	
Ranbaxy*	Neutral	711	-	30,282	12,024	13,827	13.2	10.0	18.3	13.8	38.9	51.6	7.8	6.8	21.6	14.0	3.2	2.8	
Sun Pharma	Neutral	911	-	188,678	18,455	38,968	44.0	31.6	28.5	33.6	32.0	27.1	7.9	5.4	27.9	27.5	9.6	5.3	

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)		
					FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	
Power																			
Tata Power	Accumulate	87	92	23,490	37,654	38,320	25.0	25.2	5.9	6.5	14.7	13.4	1.6	1.6	11.0	11.6	1.4	1.3	
NTPC	Neutral	156	-	128,423	74,675	80,198	24.9	26.1	10.9	12.7	14.3	12.3	1.4	1.3	9.7	10.6	2.3	2.1	
Telecom																			
Bharti Airtel	Neutral	357	-	142,787	93,285	99,066	33.5	32.3	13.1	11.7	27.3	30.5	2.2	2.1	9.0	6.7	2.2	2.0	
Idea Cellular	Neutral	152	-	54,828	31,074	33,247	33.5	32.1	7.3	6.4	20.9	23.8	2.6	2.4	13.6	10.6	2.5	2.4	
Others																			
Abbott India*	Neutral	3,782	-	8,037	2,301	2,734	14.6	15.0	113.9	140.1	33.2	27.0	8.1	6.5	27.3	26.7	3.3	2.7	
Bajaj Electricals	Buy	215	312	2,170	4,272	4,845	0.4	2.9	(7.7)	1.6	-	135.8	3.4	3.3	(12.2)	2.5	0.5	0.4	
Banco Products (India)	Buy	126	162	898	1,197	1,311	10.9	12.4	9.9	14.0	12.7	9.0	1.4	1.2	11.5	14.7	0.8	0.7	
Competent Automobiles	Buy	101	124	62	878	986	2.6	3.0	17.3	24.9	5.8	4.1	0.7	0.6	11.8	14.7	0.1	0.1	
Cravatex	Accumulate	399	442	103	207	239	6.6	6.6	20.2	27.8	19.7	14.3	2.3	2.0	11.7	14.2	0.8	0.7	
Finolex Cables	Accumulate	267	298	4,085	2,478	2,760	11.5	12.0	14.5	17.5	18.4	15.3	3.2	2.7	17.2	17.8	1.4	1.2	
Goodyear India*	Accumulate	593	659	1,368	1,693	1,824	10.4	10.5	50.3	54.9	11.8	10.8	2.3	2.0	21.5	20.1	0.5	0.4	
Hitachi	Neutral	1,179	-	3,206	1,345	1,550	8.0	8.9	20.1	25.7	58.7	45.9	11.0	9.0	20.6	21.6	2.4	2.1	
HSIL	Buy	425	568	2,805	2,035	2,349	19.5	20.7	21.2	30.4	20.1	14.0	2.3	2.0	11.3	14.3	1.7	1.4	
ITD Cementation India	Neutral	651	-	1,010	1,386	1,636	11.1	11.3	9.4	28.2	69.5	23.1	1.8	1.7	2.6	7.3	1.2	1.0	
Jyothy Laboratories	Neutral	273	-	4,940	1,554	1,891	13.3	13.5	8.9	9.4	30.7	29.0	5.2	4.4	17.6	16.5	3.3	2.6	
Kirloskar Engines India	Buy	261	319	3,780	2,549	2,890	10.7	11.6	12.2	15.8	21.5	16.6	2.8	2.5	13.4	16.0	1.2	1.0	
M M Forgings	Accumulate	671	716	810	501	586	22.2	22.7	43.2	54.2	15.5	12.4	3.3	2.7	23.7	23.9	1.8	1.5	
MRF	Buy	41,246	47,548	17,493	13,878	14,970	18.5	18.8	3,031.2	3,396.3	13.6	12.1	3.0	2.4	25.0	22.2	1.1	1.0	
Nilkamal	Buy	420	566	626	1,821	1,979	7.5	8.0	23.8	32.8	17.6	12.8	1.3	1.2	7.4	9.6	0.5	0.4	
Page Industries	Neutral	11,806	-	13,168	1,507	1,929	19.4	19.8	172.4	229.9	68.5	51.4	32.7	22.7	55.6	52.1	8.8	6.9	
Relaxo Footwears	Neutral	721	-	4,325	1,462	1,756	12.0	12.3	14.8	19.8	48.6	36.5	12.0	9.1	24.7	25.0	3.0	2.5	
Siyaram Silk Mills	Neutral	929	-	871	1,505	1,810	10.7	11.4	74.2	118.8	12.5	7.8	2.0	1.7	17.4	23.3	0.7	0.6	
Styrolution ABS India*	Accumulate	663	758	1,165	1,485	1,345	5.0	7.1	16.8	26.6	39.3	24.9	2.2	2.1	5.8	8.6	0.8	0.9	
Transport Corporation	Buy	242	293	1,830	2,468	2,830	8.0	8.8	11.6	14.4	20.9	16.8	2.9	2.6	14.1	15.4	0.8	0.8	
Tree House	Neutral	464	-	1,962	206	246	54.7	54.7	15.9	19.2	29.1	24.1	4.1	3.6	14.1	15.1	9.2	7.6	
TVS Srichakra	Buy	1,579	2,131	1,209	1,931	2,167	11.2	11.5	153.7	166.7	10.3	9.5	3.9	2.9	46.0	35.2	0.7	0.6	
Visaka Industries	Buy	112	166	178	968	1,158	8.4	8.6	10.4	23.7	10.7	4.7	0.5	0.5	4.8	10.1	0.4	0.3	

Source: Company, Angel Research, Note: *December year end; #September year end; &October year end; ^ June year end; Price as on February 28, 2015; Sesa Goa's numbers reflect the standalone Sesa Goa business only. We will revise our numbers once the consolidated entity Sesa- Sterlite is formed

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Ratings (Returns) :

Buy (> 15%)
Reduce (-5% to -15%)

Accumulate (5% to 15%)
Sell (< -15%)

Neutral (-5 to 5%)

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