Diwali Dhamaka 2014

Diamond Power

Tourism Finance

Kalpataru Power

TVS Srichakra

Pidilite Industries

Torrent Pharma

Titan Industries

Sunil Hitech Eng

Essel Propack

Ipca Laboratories

P I Industries

IIFL
India Private Clients

Diwali Dhamaka

IIFL
INDIA PRIVATE CLIENTS

Nifty: 7,928
Sensex: 26,576

Price as on October 21, 2014

All set to sparkle!

Indian equities have soared 25.9% since last Diwali in a rally on a new-found hope of radical reforms with the new government coming to power with a historic mandate, on the back of some acutely depressed valuations. The Nifty has been volatile more recently as investors look to realign their bets with global markets turning jittery. This is a god sent opportunity to buy into quality names. We anticipate a prolonged bullish phase for stocks and the next trigger will be announcement of key reforms as well as build up in earnings momentum.

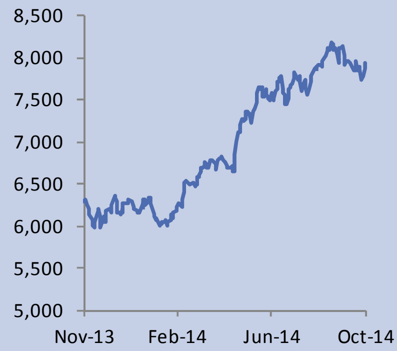
The gains so far and the boost in sentiment is just the tip of the iceberg. The real action on the reform front has just begun. The winter session of parliament will be watched closely. Already the market is enthused with outcome of recently concluded assembly elections, which now gives the central government more power to clear bills in the upper house of parliament.

As far as earnings are concerned, they are at least 35% below normative levels for the last six years. This low base coupled with operating leverage kicker when the economy revives, falling interest rates and stringent cost control are likely to script a significantly higher earnings recovery over the years. While many analysts are expecting a Nifty earnings growth of 13-14% next year, the actual delivery could well be in excess of 16%. As a result, the price-to-earnings will actually turn out to be significantly lower than what the market believes them to be now.

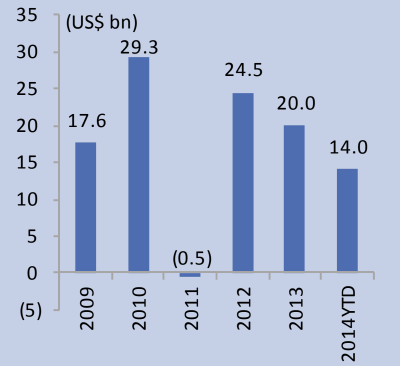
On the economic front, GDP growth has begun to pick up after bottoming out for many quarters, having revived to nine-quarter high of 5.7% in Q1 FY15. We expect it to be at a level of 6.5% in a years' time. A real GDP between 6-8% with inflation pegged at 6-7% would imply a doubling of the nominal GDP within a five-year time frame. Quite obviously, equity market capitalisation will only rise from here on. We believe that IIP will now pick up and not be a drag on GDP like in the past few years. Among other tailwinds is the significant control over fiscal and current account deficits achieved in recent times, so much so that these twin deficits are unlikely to impact the market in the foreseeable future. Forex reserves are slated to improve given the strong FII and FDI flows. No wonder, S&P has upgraded India's outlook to stable.

After the formative delay, the monsoon staged a recovery from mid-July; thereby sowing caught up. Food prices and the overall inflation have come down, albeit for some rise in vegetable prices. Retail inflation has fallen to 6.5% in September 2014, a multi-year low. Likewise, food inflation and fuel inflation too have fallen further. A general decline in prices across commodities will help improve the performance of many industries.

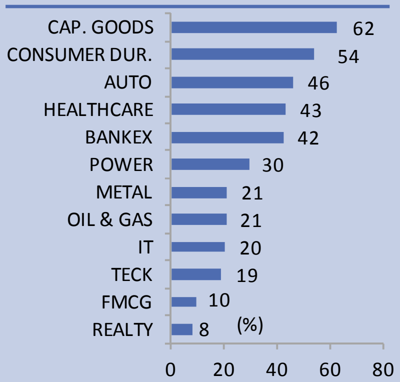
Nifty performance



FII flows in India have remain strong



Sectoral performance since last Diwali



Source: Bloomberg, India Infoline Research

Amar Ambani
research@indiainfoline.com

October 22, 2014

Theme Report

Crude oil will remain soft with higher incremental production (from non-OPEC next year) compared to the incremental demand. The government has also effected lower hikes in Minimum Support Price, which will help the inflation cause. We are already beginning to see deposit rate cuts. While we strongly believe that interest rates should be cut, we expect the RBI to begin this exercise early next year. The collaborative handiwork of low inflation and low interest rates will make the bourses rejoice, as also boost financial savings that in turn would act as a key catalyst to the investment cycle.

The only material concern is around the global market – Europe and China slowdown, Geopolitical issues and hike in interest rates in US. These factors could result in volatility now and then, but they are unlikely to stall the India story and money flow through FDI and FII. The global community has been reasonably satisfied with the government action so far – measures to clear stalled projects, diesel deregulation, FDI in insurance and defence, railway passenger fare hikes, correction in government spending. In the global context, Indian equities are significantly better placed than most emerging markets today. India's equity market capitalization, higher than the likes of Mexico, Brazil, Russia and South Africa, is blessed with a wide range of large-sized companies across verticals, the judicious kind of mix that keep FIIs perpetually excited. A markedly slowing-down China only enhances India's comparative charm and value proposition. Little wonder that Indian equities have already witnessed net FII inflows of as many as US$13bn in 2014 ytd. We should definitely see another $10-12bn of FII money flowing in the next 6-8 months.

We recommend 11 stocks in this strategy piece that have the potential to deliver stellar returns. A portfolio of stocks according to the weights mentioned in our last Diwali Dhamaka report has delivered 26.9% return in a year. We hope you make the most of this phase of consolidation and increase your asset allocation to equities.

Wish you a bright and prosperous Diwali.

Recommendation snapshot

Company	Sector	CMP (Rs)	12m Target (Rs)	Upside (%)	FY14-16E PAT CAGR (%)	FY16E		
						P/E (x)	RoE (%)	EV/EBIDTA
TVS Srichakra	Tyres	1,067	1,400	31.2	34.4	8.1	32.2	5.2
Torrent Pharma	Pharmaceuticals	831	1,050	26.4	17.1	15.4	33.0	4.5
P I Industries	Agrochemical	409	510	25.0	28.0	18.4	29.8	11.6
Pidilite Industries	FMCG	400	501	25.4	19.0	31.9	25.7	21.4
Titan Industries	Cons Discretionary	390	480	24.0	27.2	29.1	32.6	20.1
Essel Propack	FMCG	111	144	29.7	33.3	8.9	22.1	4.5
IPCA	Pharmaceuticals	686	900	31.2	14.1	13.9	23.1	9.1
Sunil Hitech Eng	Infrastructure	137	190	38.7	46.7	3.9	14.2	3.3
Diamond Power	Capital Goods	119	165	38.7	36.3	3.1	17.0	4.1
Kalpataru Power *	Capital Goods	137	180	31.4	34.9	7.9	12.0	4.6

Company	Sector	CMP (Rs)	12m Target (Rs)	Upside (%)	FY14-16E PAT CAGR (%)			FY16E
						P/ABV (x)	ROA (%)	ROE (%)
TFCIL	Financials	42	60	42.9	13.6	0.6	4.1	14.5

*Source: India Infoline Research, *Standalone*

Tourism Finance Corp Ltd.

IIFL INDIA PRIVATE CLIENTS

Exercised caution though moderated growth has fortified asset quality

Tourism Finance Corp (TFCIL), a niche financier of tourism related projects and activities, has witnessed a sharp moderation in loan growth from 32% in FY12 to just 1% in FY14. Of the current loan book of ~Rs11.5bn, ~80% is credit to the hospitality sector, ~10% is exposure to other tourism/entertainment related activities and the balance 10% is non-tourism sector exposure (medium-term corporate loans; as per diversification efforts recently taken). Amid slowdown in the economy, substantial increase in land prices and FSI related issues, TFCIL deliberately decided not to extend financial assistance to hospitality projects with weak fundamentals and rather laid more emphasis on strengthening the asset monitoring mechanism. Currently, 90% of hospitality sector exposure is to operational hotels. While banks have struggled to contain delinquencies in the sector, TFCIL has been able to restrict its gross NPLs to just above 3%.

Growth to pick up; spreads to be sustained

With stability returning in hospitality industry (excess supply being absorbed, occupancy rates bottomed and ARRs stabilized), TFCIL intends to resume growth in a calibrated fashion. It is also keen on taking over loans from banks that are looking to exit due to ALM issues. Further, company sees opportunity in corporate lending (to non-tourism sectors, but with minimum BB rating) given its ability to disburse quickly. On the whole, management expects to disburse Rs7-8bn (v/s Rs3.5bn in FY14) during the current year. The loan book is targeted at near Rs18bn by end FY16, a 55-60% growth from FY14. With CAR at ~40%, TFCIL is very well capitalized for growth. Company is also confident of maintaining spreads at 3.5% - blended lending yield is at 13.3% and funding cost at 9.8%.

Available at deep discount considering healthy profitability

TFCIL is estimated to retain RoA around 4% in the medium term though it is likely that the ratio may moderate in the longer term as competition heats up. Nonetheless, even a 3.5% RoA is very healthy for any NBFC. This along with a well capitalized balance sheet and resilient asset quality imply robust fundamentals. Valuation, in this context, is at bargain 0.6x FY16 P/ABV.

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Total operating income	939	1,065	1,193	1,431
Yoy growth (%)	32.1	13.5	12.0	20.0
Operating profit (pre-provisions)	784	887	1,006	1,216
Net profit	555	585	647	755
yoy growth (%)	12.2	5.4	10.7	16.6
EPS (Rs)	6.9	7.2	8.0	9.4
Adj. BVPS (Rs)	52.0	54.1	58.8	66.5
P/E (x)	6.1	5.8	5.2	4.5
P/Adj.BV (x)	0.8	0.8	0.7	0.6
ROE (%)	13.9	13.7	14.0	14.5
ROA (%)	4.3	4.2	4.4	4.1
Tier-1 CAR (%)	36.9	38.0	35.7	31.3

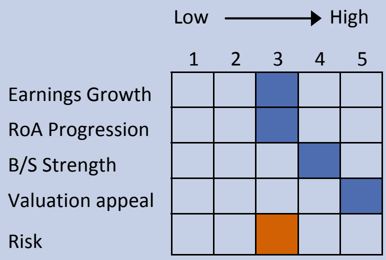
Source: Company, India Infoline Research

Rating:	BUY
Target (9-12 months):	Rs60
CMP:	Rs42
Upside:	40.8%

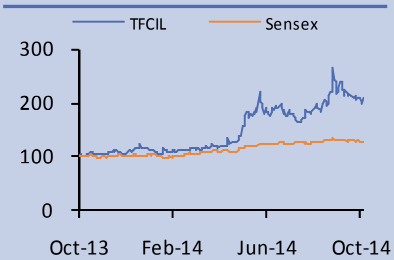
Sector:	Financials
Sector view:	Positive
Sensex:	26,576
52 Week h/l (Rs):	54/20
Market cap (Rscr) :	343
6m Avg vol ('000Nos):	422
Bloomberg code:	TFCI IN
BSE code:	526650
NSE code:	TFCILTD
FV (Rs):	10

Prices as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

(%)	May-14	Jun-14	Sep-14
Promoter	66.9	66.9	66.2
Insti	0.5	0.8	1.0
Others	32.6	32.3	32.8

Research Analyst:
Rajiv Mehta
research@indiainfoline.com

TVS Srichakra

IIFL
India Private Clients

Proxy play on domestic two-wheeler growth

While the overall automotive industry saw tough times in the past couple of years, two-wheelers reported a better performance with a 5% volume CAGR. TVS Srichakra is a leading tyre supplier to the two-wheeler industry with major share of business with most two-wheeler manufacturers in India. Going ahead, we expect the demand for two-wheelers (particularly scooters) to remain strong with rebound in consumer sentiment, increasing urbanization and rising cost of public transport. TVS Srichakra, with increasing market share with the OEMs, should be a major beneficiary of this trend.

Re-building brand for the aftermarket business

During FY14, TVS Srichakra refreshed its strategy for the aftermarket segment wherein it invested in re-building its brand and rekindled its advertising plan. It plans to continue with its effort to strengthen its brand. With pricing of TVS Srichakra branded tyres lower than the competition, we believe, it will continue to gain market share in the replacement market. With replacement cycle for two-wheeler tyres of 36-48 months and two-wheeler sales CAGR of 10% during FY10-13, we see strong demand growth in replacement market.

Exports provide good opportunities

Exports for TVS Srichakra grew 13.6% yoy and accounted for 13.3% of its FY14 revenues. During FY14, the company entered 15 new markets, taking the exports markets number to more than 80 countries. With Indian two-wheelers getting good acceptance in African and Latin American markets, large opportunities exist for tyre exporters such as TVS Srichakra.

Soft raw material prices, better sales mix to drive margin expansion

Natural rubber, which forms 43% of total raw material costs, has seen a fall of 38% in the past 15 months. Other raw materials having strong linkage to crude oil will benefit from the recent fall in crude oil prices. While manufacturers are expected to transfer partial benefits to customers in terms of reduced prices, retained benefits will result in substantial margin expansion. For TVS Srichakra, apart from lower raw material costs, higher contribution from replacement and export markets should provide additional thrust to margins. Valuations attractive at FY16E P/E of 8.3x in light of a very strong earnings CAGR of 36% during FY14-16E.

Financial summary

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	16,519	19,118	22,366	25,983
yoy growth (%)	13.7	15.7	17.0	16.2
OPM (%)	6.1	7.7	8.7	8.8
Reported PAT	272	551	765	995
yoy growth (%)	(30.6)	102.7	38.8	30.0
EPS (Rs)	33.2	72.0	99.9	129.9
P/E (x)	32.4	14.9	10.8	8.3
Price/Book (x)	5.1	4.0	3.1	2.4
EV/EBITDA (x)	10.8	8.0	6.1	5.2
Debt/Equity (x)	1.9	1.7	1.3	0.9
RoE (%)	16.8	30.2	32.5	32.2
RoCE (%)	20.8	23.1	28.1	30.6

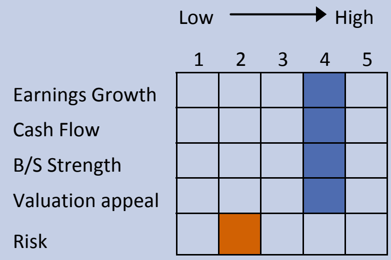
Source: Company, India Infoline Research

Rating:	**BUY**
Target (9-12 months):	**Rs1,400**
CMP:	**Rs1,067**
Upside:	**31.2%**

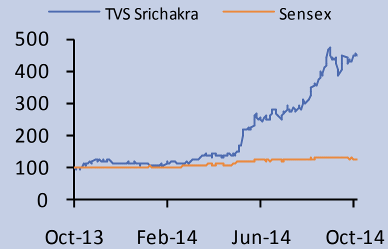
Sector:	**Tyres**
Sector view:	**Positive**
Sensex:	26,576
52 Week h/l (Rs):	1,143/226
Market cap (Rscr) :	823
6m Avg vol (‘000Nos):	12
Bloomberg code:	SRTY IB
BSE code:	509243
NSE code:	TVSSRICHAK
FV (Rs):	10

Prices as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

(%)	Dec-13	Mar-14	Jun-14
Promoter	46.3	46.3	46.3
Insti	0.1	0.1	0.1
Others	53.6	53.6	53.6

Research Analyst:
Prayesh Jain
research@indiainfoline.com

Torrent Pharmaceuticals

IIFL India Private Clients

Elder deal to bolster presence in newer therapy areas

Torrent completed its Rs20bn buyout of Elder Pharma's domestic branded formulations business at end of Q1; as per management the acquired business would be EPS accretive in third year and brings in to the fold brands like Shelcal, Chymoral and Carnisure which are top ranking with >50% market share in their respective therapeutic segments. Torrent ranks 4th in Cardiovascular and Neuro-Psychiatry in domestic market and the acquisition brings scale to Torrent's Gynecology and Pain divisions and adds women healthcare to the therapy basket. The acquired brands had Q1 sales of Rs770mn (as per AIOCD) and focus would be on five key brands (including above 3) from the acquired portfolio which have the potential to double in next 4-5 years. Overall we expect domestic business to register robust revenue cagr over next 3 years supported by mid teens annual growth in domestic business ex-Elder's acquired brands.

International business to see robust traction

Torrent had close to 10% market share in Cymbalta (anti depressant) in US and since Cymbalta moved out of exclusivity in June 2014, it has endured pricing pressure being a 10-player market. However, we expect healthy growth in ex-Cymbalta US business with 8-10 product launches likely in current fiscal. In Brazil, we factor in growth at par with that of target market led by market share gains due to prior year price reductions; forecast 17% revenue cagr for international business with growth driven by US and steady contributions from Europe and ROW businesses.

Attractive valuations, 17% EPS cagr underpin our BUY reco

Torrent Pharma trades at ~15x/12.3x FY16/17 earnings at a discount to other mid cap pharma peers. Mid teens growth in domestic business and healthy international traction provide visibility on near term earnings. Given the ~17-18% revenue and EPS cagr over FY14-16 and still healthy return ratios despite Elder deal, we believe the valuation discount is unjustified and stock deserves rerating. BUY for 9-12mth target of Rs1,050. Slower than expected growth in US/Europe and within Elder portfolio constitute key risks to our recommendation.

Financial summary

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	32,111	41,847	50,519	58,123
yoy growth (%)	19.1	30.3	20.7	15.1
Operating profit	6,970	10,357	12,781	14,996
OPM (%)	21.7	24.8	25.3	25.8
Reported PAT	4,328	6,639	7,460	9,105
yoy growth (%)	52.4	53.4	12.4	22.1
EPS (Rs)	51.1	39.2	44.1	53.8
P/E (x)	16.2	21.2	18.9	15.4
P/BV (x)	2.5	3.7	2.9	2.3
EV/EBITDA (x)	5.2	7.1	5.7	4.5
Debt/Equity (x)	0.5	0.6	1.0	0.8
ROE (%)	36.5	45.0	34.4	33.0
ROCE (%)	31.0	32.4	24.1	24.9

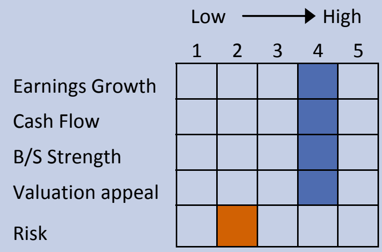
Source: Company, India Infoline Research

Rating:	BUY
Target (9-12 months):	Rs1,050
CMP:	Rs831
Upside:	26.4%

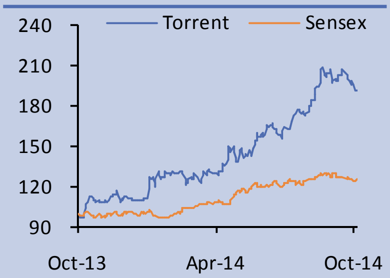
Sector:	Pharmaceuticals
Sector view:	Positive
Sensex:	26,576
52 Week h/l (Rs):	940 / 404
Market cap (Rscr) :	14,064
6m Avg vol ('000Nos):	64
Bloomberg code:	BIOS IB
BSE code:	500420
NSE code:	TORNTPHARM
FV (Rs):	5

Prices as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

%	Mar-14	Jun-14	Sep-14
Promoters	71.5	71.5	71.5
Insti	19.6	19.7	19.4
Others	8.9	8.8	9.1

Research Analyst:
Bhavesh Gandhi
research@indiainfoline.com

P I Industries Ltd

Healthy CSM order book gives revenue visibility

P I Industries (PI) has bagged orders worth $40mn in the last one quarter taking its total order book to $435mn. Order inflow for the company has been quite strong over the last few quarters and the segment has two years of revenue visibility. With the anticipation of winning bigger orders in the coming years, two new plants are being constructed at Jambusar which will be commissioned by Q3 FY16. Management has also undertaken the task to debottleneck the existing plants which expected to be completed by Q2FY15. This process will lead to improved operational efficiencies from H2FY15. On the back of strong order book and new product launches (1-2 products in Q3FY15), the company expects to register 25% revenue CAGR over FY14-16. . We note that in the last 3-4 years the management guidance for CSM has been conservative while results have always over-delivered. We feel it is possible for the segment to exceed the 25% guidance. EBITDA margins for CSM are likely to expand by ~260bps over FY14-16.

Domestic business growth led by new products launches

In Q1 FY15, PI undertook 13% price increase which helped it to post 26% revenue growth in its domestic agrochemical business inspite of weak monsoon. However, we believe the performance may not repeat in Q2 FY15. Nevertheless we are hopeful that H2 FY15 will see pickup in demand as late rainfall has left high moisture content in the soil that will result in higher sowing in the Rabi season. With healthy pipeline of in-licensed products, we expect 15% revenue CAGR for this segment over FY14-16. We note that there could be a positive surprise if the monsoon during next Kharif turns out to be plentiful. EBITDA margins are likely to expand by 50-80bps as contribution of in-licensed products increases.

Strong earnings momentum to continue

In the last three years, company's revenues have shown a steady 30% CAGR. During FY14-16E, we expect PI to clock revenue growth of 21% pa on a higher base. We expect profitability and cash flows to improve from current levels; PAT would witness 28% CAGR over FY14-16E. The stock is trading at 18.4x FY16E earnings.

Financial summary

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	11,505	15,949	19,042	23,428
yoy growth (%)	31.2	38.6	19.4	23.0
Operating profit	1,796	2,856	3,602	4,669
OPM (%)	15.6	17.9	18.9	19.9
Pre-exceptional PAT	966	1,838	2,281	3,015
Reported PAT	963	1,837	2,320	3,015
yoy growth (%)	(4.2)	90.7	26.3	30.0
EPS (Rs)	7.1	13.5	16.8	22.2
P/E (x)	57.3	30.3	24.4	18.4
P/BV (x)	10.5	8.1	6.3	4.9
EV/EBITDA (x)	31.9	19.8	15.4	11.6
Debt/Equity (x)	0.4	0.2	0.1	0.1
ROE (%)	22.9	30.4	29.1	29.8
ROCE (%)	23.9	32.9	34.9	36.7

Source: Company, India Infoline Research

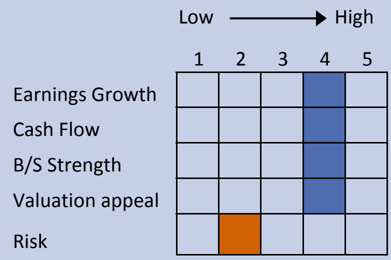
IIFL
INDIA PRIVATE CLIENTS

Rating:	BUY
Target (9-12 months):	Rs510
CMP:	Rs409
Upside:	25%

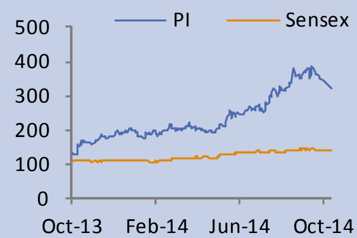
Sector:	Agrochemical
Sector view:	Positive
Sensex:	26,576
52 Week h/l (Rs):	507 / 158
Market cap (Rscr) :	5,579
6m Avg vol ('000Nos):	153
Bloomberg code:	PI IN
BSE code:	523642
NSE code:	PIIND
FV (Re):	1

Prices as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

%	Dec-13	Mar-14	Jun-14
Promoters	58.6	58.6	58.6
Insti	25.1	25.1	26.3
Others	16.3	16.3	15.1

Research Analyst:
Pratik Tholiya
research@indiainfoline.com

Pidilite Industries

Largest branded adhesives player in India

Pidilite is a dominant play in India's growing adhesive and industrial chemical space. Pidilite has pioneered multiple brands of national top-of-the-mind recall like Fevicol (enjoying 70% market share) and M-Seal. Apart from having a strong presence in adhesives, Pidilite has also expanded its presence in emerging segments like mechanized joinery, modular furniture, flooring, automotive care and waterproofing through Dr Fixit and Roff. We believe Pidilite is a strong play on the rising consumerism and infrastructure investment in India given its strong brand equity and dominant position. Despite tough market conditions, Pidilite has witnessed 18% CAGR over the past five years. With strong consumer demand coupled with Pidilite's pricing power and brand leadership, we expect Pidilite to witness revenue CAGR of 18% over FY14-16E. Recommend BUY with a price target of Rs501.

Consumer products segment to drive growth

Pidilite's two major segments, Consumer & Bazaar (C&B) and Industrial Products contributing ~81%/19% to revenues have grown at a CAGR of ~19% and ~17%, respectively, over FY10-14. Within the C&B segment, Adhesives & Sealants business (~50% of revenues) has become a mature staple (~14-15% steady growth) and Construction Chemicals (contributing 19%) is expected to be the new growth driver for the company. The management is confident of witnessing ~18%+ revenue CAGR over the next 3-5 years driven by strong growth in Construction Chemicals business.

Valuations reasonable; recommend BUY

An estimated revenue and earnings growth of ~18%/19% respectively over FY14-16E driven by strong growth in Consumer products segment makes us bullish on the stock. We expect Pidilite's strong brand leadership and pricing power to assist margin expansion. The company's collaborative efforts with carpenters, consumers and craftsmen will help maintain its leadership position. The stock is trading at 31.9x FY16E EPS of Rs12.5. We recommend BUY.

Financial summary

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	36,781	42,832	50,393	59,276
yoy growth (%)	17.6	16.5	17.7	17.6
Operating profit	5,931	6,715	7,962	9,454
OPM (%)	16.1	15.7	15.8	16.0
Pre-exceptional PAT	4,200	4,536	5,374	6,423
Reported PAT	4,242	4,501	5,374	6,423
yoy growth (%)	30.7	6.1	19.4	19.5
EPS (Rs)	8.2	8.8	10.5	12.5
P/E (x)	48.8	45.2	38.1	31.9
Price/Book (x)	12.4	10.5	8.9	7.6
EV/EBITDA (x)	34.4	30.3	25.5	21.4
RoE (%)	28.3	25.2	25.3	25.7
RoCE (%)	36.4	33.3	33.5	34.2

Source: Company, India Infoline Research

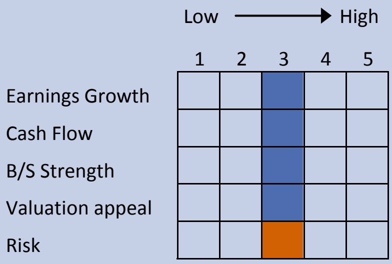
IIFL INDIA PRIVATE CLIENTS

Rating:	BUY
Target (9-12 months):	Rs501
CMP:	Rs400
Upside:	25.4%

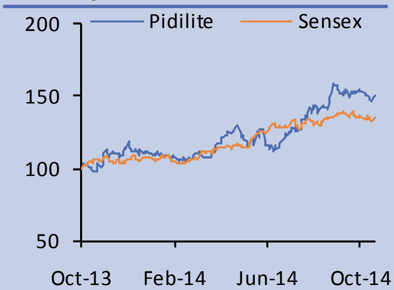
Sector:	**FMCG**
Sector view:	**Positive**
Sensex:	26,576
52 Week h/l (Rs):	422 / 252
Market cap (Rscr) :	20,495
6m Avg vol ('000Nos):	234
Bloomberg code:	PIDI IB
BSE code:	500331
NSE code:	PIDILITIND
FV (Re):	1

Price as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

(%)	Mar-14	Jun-14	Sep-14
Promoters	70.1	70.1	70.0
Institutions	19.1	19.2	19.4
Others	10.8	10.7	10.6

Research Analyst:
Vanmala Nagwekar
research@indiainfoline.com

Titan Company Ltd

Dominant player in branded jewellery and watches

Titan is the leading retailer in India for branded jewellery as well as watches. Its presence across the value chain in both watches as well as jewellery segment has helped it to capitalize on the growing demand for branded products. Titan is the largest retailer in the organised jewellery space and enjoys continued patronage of its customers. Its key strength lies in its strong brand equity, superior product quality, innovative designs and wide collection of jewellery at all price points to suit the customer's needs. In the organised watch segment, it holds market leadership position with 65% market share. Titan's dominance can also be seen in the eyewear segment where it operates ~300 stores under the brand name Titan Eye+.

Slated to benefit from improving consumer sentiment

Consumer spending remained subdued last year but as the economic growth accelerates and market conditions stabilize, consumer confidence will improve and the consumption cycle will pick up. Rising income levels, increased standard of living, higher aspirational goals as well as greater spending ability has led to a shift in the consumer preference from unorganized to organized sector. Management has indicated that the footfalls in its stores have increased in the last few months signaling an improved demand environment.

Regulatory issues fairly eased

Procurement of gold has become easy post the lifting of ban on gold-on-lease by RBI. This will also ease out the stress on the balance sheet and cashflows for the company and reduce quantum of international hedging as gold-on-lease acts as a natural hedging tool.

Better product mix, operational leverage to aid margin expansion

Gradual shift in consumer preference towards high value studded jewellery will aid margin expansion. Also with the upcoming festive season and pickup in demand we believe operating leverage will kick in. EBITDA margins are likely to improve by 90/130bps in FY15/16E. We expect revenue CAGR of 17% over FY14-16E led by healthy growth across all product segments, continuing retail network expansion and gains from international hedging in H2FY15. We recommend a BUY on the stock with a target price of Rs480.

Financial summary

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	101,233	109,274	125,219	149,497
yoy growth (%)	14.4	7.9	14.6	19.4
Operating profit	10,125	10,443	13,170	16,246
OPM (%)	10.0	9.6	10.5	10.9
Reported PAT	7,249	7,348	9,321	11,892
yoy growth (%)	20.5	1.4	26.9	27.6
EPS (Rs)	8.2	8.3	10.5	13.4
P/E (x)	47.7	47.1	37.1	29.1
P/BV (x)	17.6	13.7	10.8	8.5
EV/EBITDA (x)	33.0	33.0	25.3	20.1
Debt/Equity (x)	0.0	0.3	0.2	0.1
ROE (%)	42.3	32.7	32.5	32.6
ROCE (%)	61.4	41.3	37.6	40.5

Source: Company, India Infoline Research

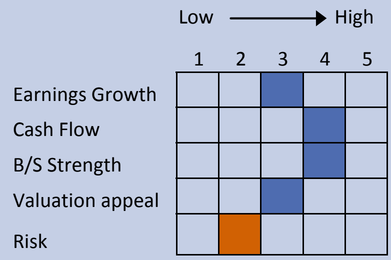
IIFL India Private Clients

Rating:	BUY
Target (9-12 months):	Rs480
CMP:	Rs390
Upside:	24%

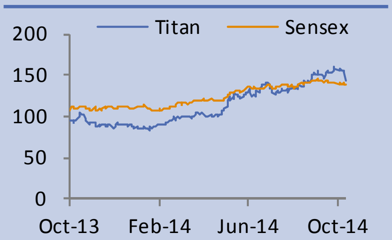
Sector:	Cons Discretionary
Sector view:	Positive
Sensex:	26,576
52 Week h/l (Rs):	413 / 203
Market cap (Rscr) :	34,588
6m Avg vol ('000Nos):	1,444
Bloomberg code:	TTAN IN
BSE code:	500114
NSE code:	TITAN
FV (Rs):	2

Prices as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

%	Mar-14	Jun-14	Sep-14
Promoters	53.1	53.1	53.1
Insti	24.1	24.4	24.6
Others	22.9	22.6	22.4

Research Analyst:
Pratik Tholiya
research@indiainfoline.com

Essel Propack

Market leader in laminated tubes business

Essel Propack (EPL) is the world's leading manufacturer of laminated & plastic collapsible tubes and laminates, with a 33% market share. EPL's client list includes world's biggest players like Colgate, Unilever Plc, P&G, GSK. EPL derives ~60% of its consolidated revenues from oral care segment. For reducing its dependence on oral care segment, EPL is increasing its focus on non-oral care high margin categories like pharma, cosmetics and food products holding tremendous scope for growth in the tube industry. Among four main operating regions (AMESA, Americas, Europe & EAP), AMESA contributes ~45% where India accounts for 60%+ of revenues. The management expects a strong traction in European and American operations driven by better capacity utilisation, cost reduction initiatives and improving business outlook. We expect EPL to witness revenue/earnings CAGR of ~15%/33% over FY14-16E. Recommend BUY with a price target of Rs144.

Rising contribution of non-oral care categories to drive growth

For de-risking the business model and improving volume growth in overseas business, EPL is increasing focus from oral care to non-oral care categories. As a result, share of non-oral care segment to EPL's total revenues has increased from ~35% in FY12 to ~39% in FY14 and the management expects it to reach ~50% by FY16. The non-oral care segment (food, hair colours, shampoos & conditioners as well as pharma etc) holds strong growth potential for the tube industry. EPL, being the market leader, will be the largest beneficiary.

Valuations attractive; recommend BUY

A healthy balance sheet, improving fundamentals coupled with turnaround in most of the depressed units (Poland, Mexico) are expected to enhance the overall financial performance of EPL. With capacity ramp-up in Europe, Americas and EAP region and strong contract pipeline both in oral care as well as non-oral care segment, the management is targeting ~15% yoy revenue growth in FY15. The stock is trading at an attractive valuation of 8.9x FY16E EPS of Rs12.5. We recommend BUY.

Financial summary

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	18,318	21,266	24,448	28,345
yoy growth (%)	15.7	16.1	15.0	15.9
Operating profit	3,131	3,541	4,254	4,975
OPM (%)	17.1	16.7	17.4	17.5
Pre-exceptional PAT	762	1,086	1,575	1,960
Reported PAT	810	1,078	1,575	1,960
yoy growth (%)	57.6	33.2	46.0	24.5
EPS (Rs)	4.9	6.9	10.0	12.5
P/E (x)	22.9	16.1	11.1	8.9
Price/Book (x)	1.8	2.5	2.1	1.8
EV/EBITDA (x)	7.7	6.8	5.5	4.5
Debt/Equity (x)	0.8	1.2	0.9	0.8
RoE (%)	8.3	13.2	20.7	22.1
RoCE (%)	12.7	15.2	19.5	22.0

Source: Company, India Infoline Research

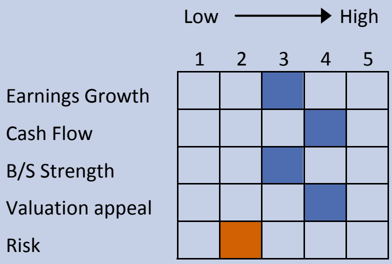
IIFL INDIA PRIVATE CLIENTS

Rating:	BUY
Target (9-12 months):	Rs144
CMP:	Rs111
Upside:	29.7%

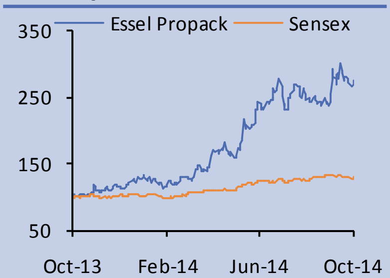
Sector:	FMCG
Sector view:	Positive
Sensex:	26,576
52 Week h/l (Rs):	128 / 42
Market cap (Rscr) :	1,745
6m Avg vol ('000Nos):	241
Bloomberg code:	ESEL IB
BSE code:	500135
NSE code:	ESSELPACK
FV (Rs):	2

Price as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

(%)	Mar-14	Jun-14	Sep-14
Promoters	58.9	61.1	59.9
Institutions	12.4	12.3	12.8
Others	28.6	26.6	27.3

Research Analyst:
Vanmala Nagwekar
research@indiainfoline.com

IPCA Laboratories

Management confident of Ratlam facility resolution

IPCA had voluntarily suspended API exports to US (~9% of sales) following certain observations from US FDA at its Ratlam facility in July 2014. Subsequently, management has indicated it expects shipments to resume in 6 months; indeed it has already implemented some remedial measures even at the time of FDA inspection. Company remains confident of regaining market share once supplies resume especially in the key 3-4 products where it has build up sizable share (8 products sold in US last year of which top 3 account for ~75% of ~US$35-40mn formulation sales). Although overall revenue growth would be slightly restrained due to voluntary stoppage in the current fiscal, we factor in gradual resumption from FY16.

Domestic branded formulations back on growth path

After a 10% growth in FY14 domestic branded formulations, Q1 saw growth return in key therapeutic areas like anti malarials (+15%), cardiovascular (+16%) and anti diabetics (9%) which together account for ~38% of branded formulations sales while overall growth stood at 17%. We factor in branded business growth of 15% with healthy traction in anti malaria (due to ramp up in seasonal demand in July-September) and our forecast is at the lower end of mgmt guidance of 15-17%. Separately, company would not be impacted by NLEM price cuts announced for cardiovascular drugs.

Strong ex-US growth, valuation supportive at ~14x FY16: BUY

European sales declined 11% yoy in Q1 due to modifications at its Athal, Silvassa facility which resulted in lower production; expect capacity expansion to be completed and incremental sales to resume from this month. We estimate robust 20-25% growth in international business ex-US (~80% of total export sales) in both branded and generics. Company has filed 43 ANDAs in US of which 18 are approved and it targets 8-10 filings every year. Our forecast excludes sales from 505(b) (2) filings even as returns from 505 (b) (2) opportunities would be back ended in our forecast horizon. Valuations appear attractive at ~14x FY16 PE and we recommend BUY. Key risks include API export stoppage from Ratlam extended beyond Q1 FY16.

Financial summary

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	28,131	32,818	36,116	41,689
yoy growth (%)	19.2	16.7	10.1	15.4
Operating profit	6,232	8,106	8,343	9,839
OPM (%)	22.2	24.7	23.1	23.6
Reported PAT	3,236	4,785	5,299	6,225
yoy growth (%)	16.8	47.9	10.7	17.5
EPS (Rs)	25.6	37.9	42.0	49.3
P/E (x)	26.7	18.0	16.3	13.9
P/BV (x)	5.6	4.4	3.5	2.9
EV/EBITDA (x)	14.6	11.1	10.8	9.1
Debt/Equity (x)	0.4	0.3	0.2	0.2
ROE (%)	27.6	31.3	24.2	23.1
ROCE (%)	25.4	28.5	24.1	23.6

Source: Company, India Infoline Research

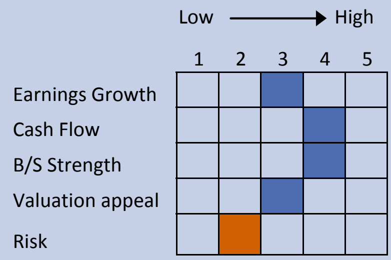
IIFL India Private Clients

Rating:	BUY
Target (9-12 months):	Rs900
CMP:	Rs686
Upside:	31.2%

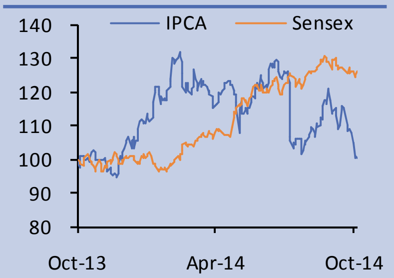
Sector:	Pharmaceuticals
Sector view:	Positive
Sensex:	26,576
52 Week h/l (Rs):	907 / 643
Market cap (Rscr) :	8,628
6m Avg vol ('000Nos):	109
Bloomberg code:	IPCA IB
BSE code:	524494
NSE code:	IPCALAB
FV (Rs):	2

Prices as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

%	Mar-13	Jun-14	Sep-14
Promoters	45.9	45.9	45.9
Insti	36.7	36.2	35.8
Others	17.4	17.9	18.3

Research Analyst:
Bhavesh Gandhi
research@indiainfoline.com

Sunil Hi-Tech Engineering Ltd.

IIFL
INDIA PRIVATE CLIENTS

Sunil Hitech, over the last two years, has managed to transform itself into an integrated infrastructure player from a BOP & EPC services business for power plants. On the back of the diversification exercise, order book has increased 2x over FY12-14 to Rs36bn, providing revenue visibility over the next two years. The company expects its order inflow to remain strong on account of rising investments in the domestic infrastructure segment. Profits for the company is expected to double over the next two years led by higher execution and marginal expansion in operating profits. At the CMP, valuations are quite attractive at 3.9x FY16 P/E considering the strong growth in earnings over FY14-16. We believe the company would witness some re-rating in the near term and recommend a BUY on the stock with a price target of Rs190.

Order inflow to remain strong

Sunil Hitech has managed to increase its order book to Rs36bn (Q1 FY15 end), a BTB of 2.3x, providing revenue visibility over the next two years. Orders from thermal and solar power projects constitute 2/3rd of the total order book. The company has been awarded three solid waste management projects over the last one year, a sector which we believe would witness increased spending by the Government. The company expects order inflows to remain strong from the urban infra segments and EPC orders for Solar plants. Order inflow would increase further with the focus on execution of infra and residential projects. We expect revenue to grow 17.3% in FY15 and 19.3% in FY16 on the back of strong order book and faster execution.

Bottomline to double over FY14-16E

Margins for the company have been under pressure due to costs involved in the startup of new businesses, slower execution in the power segment and lower utilization levels. Going forward, margins are expected to improve with a pickup in execution and the company avoiding projects with margins lower than 10%. We estimate margins to expand to 10.5% in FY16 from 9.7% in FY14, lower than the management guidance of 11-12%. Operating profit for the company is estimated to increase by 51% over FY14-16 to Rs2.3bn. Led by strong earnings growth and a revival in domestic infrastructure spending, the company is expected to witness re-rating in the near term. Recommend BUY for price target of Rs190.

Financial summary

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	12,528	15,746	18,472	22,032
yoy growth (%)	30.8	25.7	17.3	19.3
Operating profit	1,450	1,528	1,858	2,310
OPM (%)	11.6	9.7	10.1	10.5
Reported PAT	356	292	425	629
yoy growth (%)	18.5	(18.0)	45.7	47.7
EPS (Rs)	29.0	21.4	27.9	34.9
P/E (x)	4.7	6.4	4.9	3.9
Price/Book (x)	0.5	0.5	0.5	0.5
Debt/Equity (x)	1.4	1.3	1.2	1.2
RoE (%)	12.2	8.9	11.3	14.2
RoCE (%)	17.0	16.9	18.8	20.7

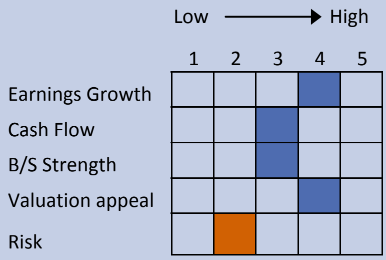
Source: Company, India Infoline Research

Rating:	**BUY**
Target (9-12 months):	**Rs190**
CMP:	**Rs137**
Upside:	**38.7%**

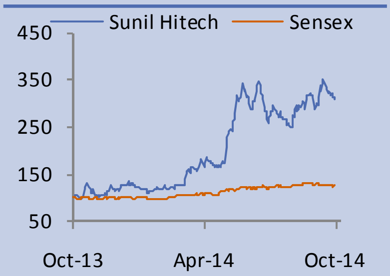
Sector:	**Infrastructure**
Sector view:	**Neutral**
Sensex:	26,576
52 Week h/l (Rs):	162 / 43
Market cap (Rscr) :	186
6m Avg vol ('000Nos):	69
Bloomberg code:	SUHE IS
BSE code:	532711
NSE code:	SUNILHITEC
FV (Rs):	10

Price as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

	Dec-13	Mar-14	Jun-14
Promoters	53.2	57.8	57.8
Institutions	9.0	8.1	6.4
Others	37.8	34.0	35.8

Research Analyst:
Tarang Bhanushali
research@indiainfoline.com

Diamond Power Infrastructure Ltd

Diamond Power Infrastructure Ltd (DPIL), a leading player in power Transmission and Distribution (T&D) equipment space, has product range covering nearly 80% of the T&D infrastructure requirements and would be a big beneficiary of the increased spending in the domestic T&D space. To match the rising demand for its products, the company has undertaken capex to raise its conductor capacity by 4x and cable capacity by 20%. The company has completed its Phase-I expansion and expects Phase II to be commissioned by end-FY15. In H1 FY15, DIPL managed to register topline growth of 29% yoy despite the plant being shut for some days due to floods in Gujarat. We expect topline growth to remain high on account of rising contribution from new capacities, higher demand and recovery in T&D spending. With earnings CAGR of 36.2% over FY14-16, the stock looks quite attractive at 3.1x FY16 P/E. We recommend a BUY on the stock with a price target of Rs165.

Topline to jump 54% over FY14-16E

DPIL has executed a capex plan worth Rs7.5bn to augment its cable capacity by 7,500kms and conductor capacity by 0.2mtpa along with a backward integrated facility to support the expansion plan. Phase-I of the expansion plan was commissioned in Q4 FY15 and the rest is expected to be completed by end-FY15. We believe, the rampup in new capacities coupled with rising demand from the T&D sector would aid the company in registering strong revenue growth over FY14-17E. DPIL's current order book stands at Rs23bn with conductors and cables segment accounting for 64% of order book and towers & transformers accounting for 23%. We expect topline to increase by 27.3% in FY15, lower than the management guidance of 35%. We believe there are upside risks to our estimates if the mgmt meets its guidance.

Earnings growth to soar from FY15E

We believe margin expansion for the company would be restricted due to higher costs involved in ramping up the new capacities. We expect OPM to increase marginally from 8.9% in FY14 to 9.1% in FY15 and 9.2% in FY16. We believe that cashflow for the company would improve going ahead as the capex program is nearing its end and the company is actively working on reducing its working capital. We estimate earnings CAGR at 36.3% over FY14-16 for the company led by higher topline.

Financial summary

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	25,813	31,776	40,459	49,049
yoy growth (%)	27.9	23.1	27.3	21.2
Operating profit	2,320	2,821	3,678	4,533
OPM (%)	9.0	8.9	9.1	9.2
Reported PAT	1,041	1,100	1,496	2,044
yoy growth (%)	(17.2)	5.7	35.9	36.6
EPS (Rs)	28.0	20.4	27.7	37.8
P/E (x)	4.2	5.8	4.3	3.1
Price/Book (x)	0.6	0.6	0.6	0.5
EV/EBITDA (x)	6.7	6.7	5.1	4.1
Debt/Equity (x)	1.6	1.4	1.3	1.1
RoE (%)	14.8	12.7	14.2	17.0
RoCE (%)	12.6	11.8	12.9	14.7

Source: Company, India Infoline Research

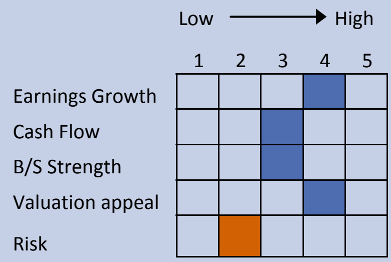
INDIA PRIVATE CLIENTS

Rating:	BUY
Target (9-12 months):	Rs165
CMP:	Rs119
Upside:	38.7%

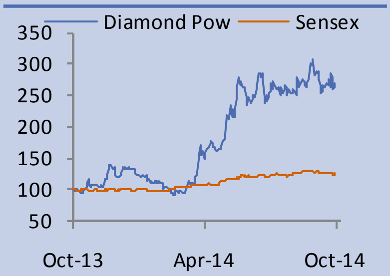
Sector:	Capital Goods
Sector view:	Neutral
Sensex:	26,576
52 Week h/l (Rs):	139/40
Market cap (Rscr) :	638
6m Avg vol ('000Nos):	343
Bloomberg code:	DIPI IN
BSE code:	522163
NSE code:	DIAPOWER
FV (Rs):	10

Price as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

	Mar-14	Jun-14	Sep-14
Promoters	36.9	32.1	32.1
Institutions	12.1	16.3	23.5
Others	51.0	51.5	44.3

Research Analyst:
Tarang Bhanushali
research@indiainfoline.com

Kalpataru Power Transmission Ltd

IIFL
India Private Clients

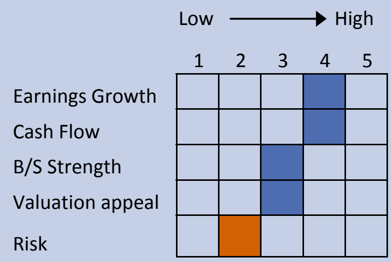
Rating: BUY

Target (9-12 months):	**Rs180**
CMP:	**Rs137**
Upside:	**31.4%**

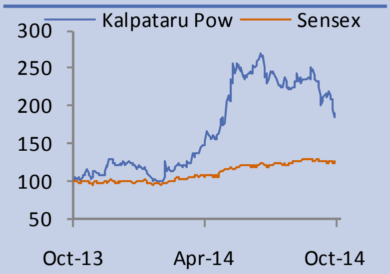
Sector:	**Capital Goods**
Sector view:	**Neutral**
Sensex:	26,576
52 Week h/l (Rs):	197/70
Market cap (Rscr) :	2,094
6m Avg vol ('000Nos):	323
Bloomberg code:	KPP IN
BSE code:	522287
NSE code:	KALPATPOWR
FV (Rs):	2

Price as on October 21, 2014

Company rating grid



Share price trend



Share holding pattern

	Mar-14	Jun-14	Sep-14
Promoters	59.5	59.5	59.5
Institutions	32.7	32.2	31.4
Others	7.8	8.4	9.2

T&D orders to lead order book growth

Investment in the power infrastructure space is expected to surge sharply due to current transmission constraints and the Government's focus on power for all. We believe Kalpataru Power Transmission Ltd (KTPL) would be a big beneficiary of this due to its strong presence in the segment. KPTL has a consolidated order book of Rs107bn; Rs57.5bn of orders in standalone and Rs50bn in JMC Projects. Transmission orders constitute for 49% of orders, factories and buildings account for 35% and the rest are infrastructure orders. The company, over the last two years, has increased its presence across the globe and ~65% of orders are international orders. KPTL's order book is ~1.4x FY14 sales, providing revenue visibility for the next 18 months. The company has also indicated that it is favorably placed in orders worth Rs10bn.

Transmission division to drive topline growth

Revenue growth over the last two years was curtailed by slower execution and projects stuck due to regulatory issues. We believe going ahead with higher share of exports and transmission, strong order book and increased execution rate, revenue growth for the company would remain strong. Contribution from the other businesses viz. oil & gas pipelines, railways, infrastructure; are expected to rise on the back of a recovery in domestic infrastructure spending. We expect topline to increase by 14.1% in FY15 and 13% in FY16, led by strong execution in the T&D space and increased domestic infrastructure spending.

Valuations attractive at current levels

KTPL's margins over FY12-14 were impacted due to due to slower execution, higher competitive intensity, higher costs in new businesses like railways and Oil & Gas and execution of fixed price contracts. We believe most of the low margin and slow moving orders would be executed by H1 FY15. Margins are expected to expand on the back of higher share of transmission revenues, lower competitive intensity, and improvement in other segments. We expect margins to expand from 9.5% in FY14 to 9.9% in FY15 and 10.3% in FY16. We value KTPL on a SOTP basis, valuing the standalone and the JMC infrastructure projects on P/E basis and its BOT and realty projects on a DCF basis. The recent correction provides good opportunity to buy. We recommend a BUY on the stock with a price target of Rs180.

Financial summary (Standalone)

Y/e 31 Mar (Rs m)	FY13	FY14	FY15E	FY16E
Revenues	33,354	40,553	46,259	52,272
yoy growth (%)	10.0	21.6	14.1	13.0
Operating profit	3,265	3,862	4,579	5,384
OPM (%)	9.8	9.5	9.9	10.3
Reported PAT	1,419	1,459	1,885	2,655
yoy growth (%)	(9.6)	2.8	29.2	40.9
EPS (Rs)	9.2	9.5	12.3	17.3
P/E (x)	14.8	14.4	11.2	7.9
Price/Book (x)	1.1	1.1	1.0	0.9
Debt/Equity (x)	0.3	0.4	0.3	0.2
RoE (%)	7.9	7.7	9.3	12.0
RoCE (%)	14.0	14.4	15.7	18.3

Source: Company, India Infoline Research

Research Analyst:
Tarang Bhanushali
research@indiainfoline.com

Past performance: Diwali Dhamaka 2013

Company	Sector	Weight (%)	Reco price (Rs)	CMP (Rs)	Absolute Return (%)	Weighted Return (%)
Cipla	Pharmaceuticals	10.0	413	608	47.3	4.7
Emami	FMCG	9.0	497	764	53.8	4.8
HDFC Bank	BFSI	10.0	681	896	31.5	3.2
Hero Motocorp	Auto	7.0	2,078	2,996	44.2	3.1
Hindalco	Metals	6.0	115	148	28.6	1.7
Idea	Telecom	8.0	172	161	(6.1)	(0.5)
Infosys	IT	10.0	3,310	3,773	14.0	1.4
ING Vysya	BFSI	8.0	589	638	8.3	0.7
M&M	Auto	8.0	888	1,229	38.4	3.1
Reliance	Oil & Gas	10.0	915	929	1.6	0.2
STFC	BFSI	6.0	611	913	49.4	3.0
Wipro	IT	8.0	478	573	19.9	1.6
Total return						**26.9**
Nifty			**6,299**	**7,928**	**25.9**	

Source: India Infoline Research

IIFL Research won 3 awards at India's Best Market Analyst Awards 2013 by Zee Business for Banking, Oil & Gas and Pharma.

'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards

- D&B Decide with Confidence 2012 – BEST BROKING HOUSE WITH GLOBAL PRESENCE
- Zee Business 2009 & 2012 – BEST MARKET ANALYST
- D&B Decide with Confidence 2009 – FASTEST GROWING LARGE BROKING HOUSE
- AsiaMoney Brokers Poll 2009 – BEST BROKERAGE, INDIA
- FinanceAsia Country Awards for Achievement 2008 – BEST BROKER, INDIA
- AsiaMoney Brokers Poll 2008 – MOST IMPROVED, INDIA

Recommendation parameters for fundamental reports:

Buy – Absolute return of over +15%

Accumulate – Absolute return between 0% to +15%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

Call Failure - In case of a Buy report, if the stock falls 20% below the recommended price on a closing basis, unless otherwise specified by the analyst; or, in case of a Sell report, if the stock rises 20% above the recommended price on a closing basis, unless otherwise specified by the analyst

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IIFL, IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (W), Mumbai 400 013.

For Research related queries, write to: Amar Ambani, Head of Research at research@indiainfoline.com

For Sales and Account related information, write to customer care: info@5pmail.com or call on 91-22 4007 1000