



# Diwali Picks 2014

## Our Recommendations

<b>Havells India Ltd</b>	<b>BUY</b>	<b>Target (₹): 312</b>
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**Havells India Ltd (Havells):** Havells India Ltd is \$1.3bn leading fast moving electrical goods company with strong global presence. The robust business structure and large market share guarantees the long term, consistent performance. Consistent growth in the margin assures growth in the bottom line and high return ratios makes Havells a safer bet. We recommend a **Buy** on the Havells India Ltd. with target price of ₹312/share

<b>Motherson Sumi System Ltd</b>	<b>BUY</b>	<b>Target (₹): 460</b>
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**Motherson Sumi System Ltd (MSSL):** Motherson Sumi Systems is one of the India's largest auto ancillary companies. MSSL is likely to expect healthy growth across segments, given robust order book. Demand outlook from the key markets like India, USA is encouraging. MSSL is the market leader not only in the wiring harness segment but also leading player in the plastic component and rear view mirrors. We believe that the company valuation looks cheaper and will be a good investment opportunity. Hence we recommend **Buy** on the stock with target price of ₹460/share

<b>Aarti Drugs Ltd</b>	<b>BUY</b>	<b>Target (₹): 980</b>
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**Aarti Drugs Ltd:** Aarti drugs Ltd. is the part of \$500 Mil Aarti group. The company is into manufacturing of generic drugs, contract manufacturing etc. The company has strong empanelment across the industry which makes robust business structure. Company has also entered into many long term contracts with renowned pharma companies across the globe; this enables company to earn money with higher realization. Strong balance sheet, Higher return ratios lower debt on balance sheet makes Aarti drugs Ltd stock more lucrative. We believe that the robust financials makes company more interesting and will be very good bet in longer term. Hence we recommend **Buy** on the stock with target price of ₹980/share

<b>KPIT Technology Ltd</b>	<b>BUY</b>	<b>Target (₹): 195</b>
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**KPIT Technology:** KPIT Technologies (formerly KPIT Cummins Infosystems Ltd) is a multinational corporation. KPIT, the company provides product engineering services and solutions, IT consulting services and technologies to make products better and processes smarter. Company in the past has achieved its guidance and we believe the steps taken currently would make it comfortably achieve its FY15E guidance. Hence we are positive for the stock & recommend **Buy** from a medium term perspective with a target of 195.

<b>Escorts Ltd</b>	<b>BUY</b>	<b>Target (₹): 192</b>
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**Escorts Ltd:** The company is expected to introduce new products and focus on higher HP will lead to improvement in margins. Escorts is focusing mainly on exports and is targeting to increase export units from ~1000 units in FY14 to 2000 units in FY15E and 4000 units by FY16E. In the railway division, the company has got clearance which is expected to augur growth. Near term trigger highly depends on revival in tractor demand and improvement in economic environment for construction equipment. Revenue grew at 18% CAGR during FY10-FY14; while Net profit increased 18% CAGR during the same period. 83.5% of the company's revenue derived from agri machinery followed by 10.7% from construction equipment. It is focusing on several new markets in the European region, latin America and south Africa to implement its going global strategy. Nevertheless, we are optimistic about the long term prospects of the company as improvement efforts taken by the management will yield results in the long run. Hence we recommend **Buy** on Escorts with a target of ₹192.

<b>Yes Bank</b>	<b>BUY</b>	<b>Target (₹): 710</b>
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**Yes Bank Ltd:** The bank has recently raised its capital which has helped ease off its concern , Now the tier 1 capital is 13.5% vs 9.8% as on FY14 . Over the years the bank has also managed to improve its CASA Ratio which has helped lower its expenditure. Further its margins are expected to improve on account of lower funding cost & higher share of SME loans & increasing CASA share. Coming to the asset quality, the bank has consistently maintained its asset quality & its GNPA/NNPA ratio is still better than most of its peers. Hence going ahead we expect the stock to perform & we recommend Buy with a target of ₹710 for the stock.

## NOTES

## Recommendation Rationale

Recommendation	Expected Absolute Return (%) over 12 months
BUY	>20%
ACCUMULATE	<20% and >10%
NEUTRAL	<-10% and <10%
REDUCE	>-10% and <-20%
SELL	>-20%

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for stock and our recommendation.

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## Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report:

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