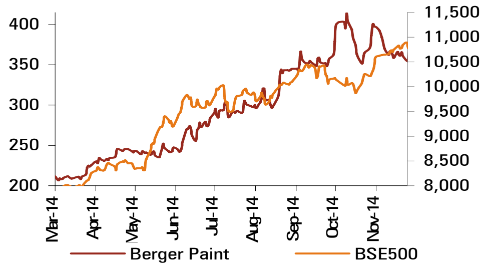
December 1, 2014

Time frame: 6 months

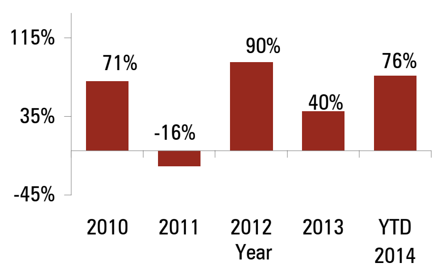
Key Technical Data	
Recommended Price	390-382
Price Target	480.00
Stoploss	348.00
52 Week High	423.90
52 Week Low	201.40
50 days EMA	364.00
200 days EMA	306.00
52 Week EMA	298.00

**Recommendation given on i-click to gain on November 28, 2014 at 10:56 am*

Stock price movement vs. BSE 500



Price performance over last five years



Gladiator Stocks: Series 7.0

Berger Paints (BERPAI) (CMP- ₹ 390.00)

Technical View

Strategy: Buy Berger Paints in the range of ₹ 390.00–382.00 for a target price of ₹ 480.00 with a stop loss below ₹ 348.00 on a closing basis

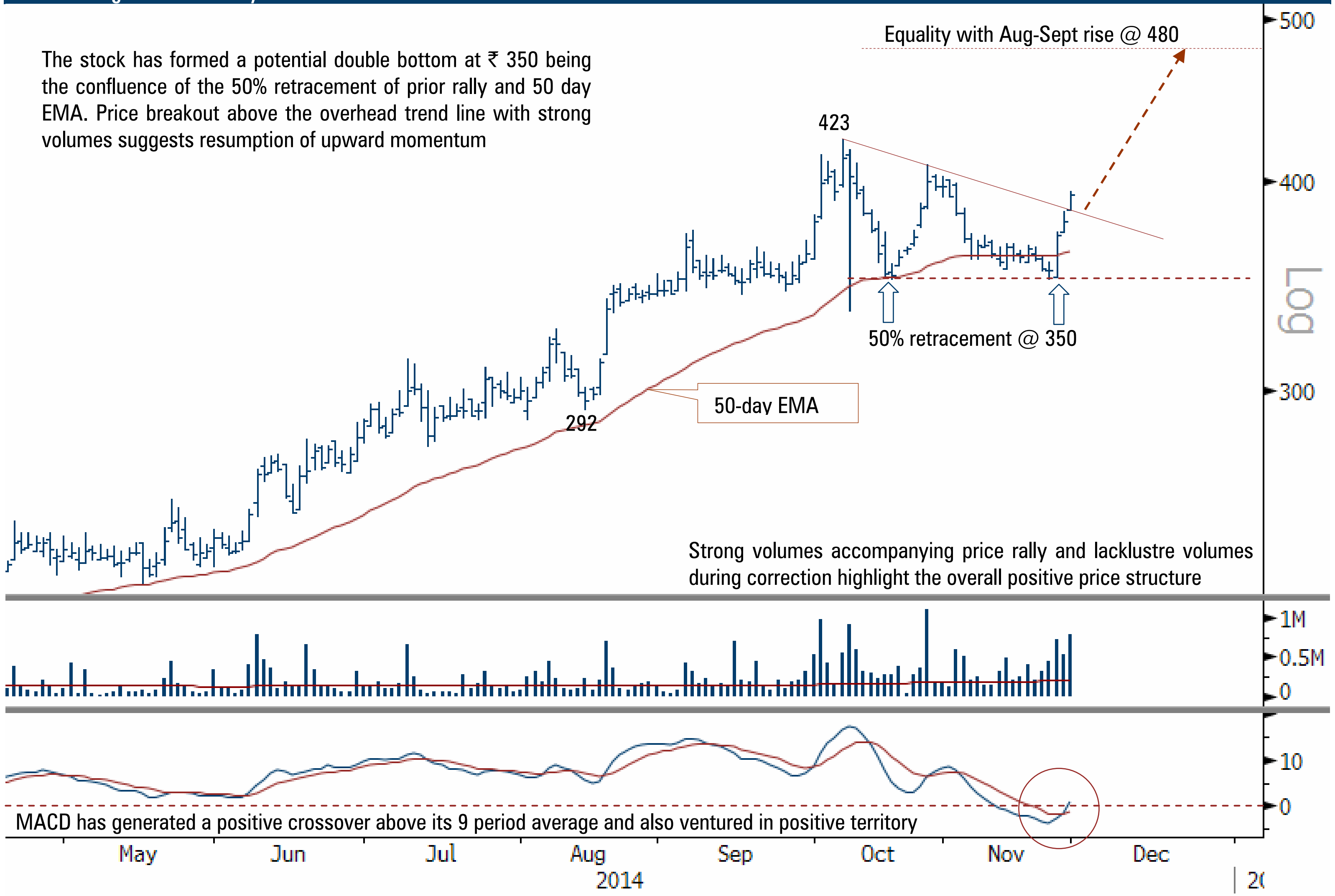
The share price of Berger Paints has remained in a secular uptrend on the bourses consistently forming rising peaks and troughs on the long term price charts. The recent consolidation in prices over the last two months provides fresh entry opportunity to ride the ongoing uptrend

Key technical observations

- The stock rallied to its life high of ₹ 423 levels during October 2014 and, thereafter, entered a secondary corrective phase to work off the short-term overheated conditions. The stock retraced its most recent August-October rally by 50% at late October low of ₹ 350. The presence of the medium term rising 50 day EMA then placed around ₹ 350 made this a value area for the stock and attracted fresh buying support. After the initial cool-off the stock has remained in a consolidation mode between ₹ 350 and 400 levels over the last two months
- Consistent buying support around ₹350 has seen the stock form a potential Double bottom precisely near the ₹ 350 mark. The stock formed a distinct low of ₹ 349.50 in this week’s trade and, thereafter, rebounded sharply to pierce through the overhead trend line connecting the recent swing highs since October 2014. The two back to back bullish gaps created on the daily chart highlights resumption of strong upward momentum and signals end of the secondary corrective phase
- The preceding rally from August to October (298 to 423) consumed eight weeks while the index has already spent seven weeks in the current corrective phase while retracing just 50% of the preceding rally. Larger time wise correction and limited price correction highlight the positive price structure. We believe the stock has concluded a healthy corrective phase and is set to embark upon its next upward leg within the overall secular uptrend
- Among oscillators, the MACD indicator, which gauges the strength in the underlying trend, has generated a positive crossover above its nine period average and ventured into the positive territory above its trigger line indicating strength in the price breakout

Conclusion: We expect the stock to resume its uptrend and head towards ₹ 480 levels in the medium term. The price equality of current up move from November 2014 low of ₹349.50 with the August to October up move (₹ 292 to ₹ 423), projects upsides towards ₹ 480 levels over a medium term horizon

Exhibit 1: Berger Paints – Daily Bar Chart



Source: Bloomberg, ICICIdirect.com Research

Research Analyst

Dharmesh Shah
dharmesh.shah@icicisecurities.com

Dipesh Dagha
dipesh.dagha@icicisecurities.com

Pabitro Mukherjee
pabitro.mukherjee@icicisecurities.com

Stock Data

Particular	Amount
Market Capitalisation (₹ Crore)	13,139.0
Totak Debt (₹ Crore)	623.0
Cash (₹ Crore)	184.0
EV (₹ Crore)	13,578.0
52 week H/L	423 / 201
Equity Capital (₹ Crore)	34.6
Face Value (₹)	2.0
MF Holding (%)	11.8
FII Holding (%)	0.6

Stock return (%)

	1M	3M	6M	12M
Asian Paints	8.6	14.5	35.3	40.0
Berger Paints	2.0	10.7	57.7	65.0
Kansai Nerolac	0.4	22.6	45.5	88.6

Exhibit 1: Key metrics

	FY11	FY12	FY13	FY14
P/E (x)	90.6	75.6	62.3	54.6
EV/EBITDA (x)	11.6	11.7	17.6	18.0
P / BV (x)	19.7	17.2	14.3	12.1
RONW (%)	21.8	22.8	22.9	22.3
ROCE (%)	23.6	23.7	23.0	22.7

Exhibit 2: Financial highlights

₹ Crore	FY11	FY12	FY13	FY14
Net Sales	2,341	2,948	3,346	3,870
EBITDA	250	303	371	431
Net Profit	150	180	218	249
EPS (₹)	4.3	5.2	6.3	7.2

Source: Company, ICICIdirect.com Research

Fundamental view

- The Indian paints industry is worth ~₹ 35000 crore with decorative paints constituting 71% and industrial paints 29%. Decorative paints can be divided into high end acrylic exterior, interior emulsions, medium range exterior, interior emulsion, low end distemper and enamels paints. On the other hand. industrial paints constitutes automotive paints, protective coating, powder coating, other industrial paints like for consumer durable. Over the years, the Indian paint industry has grown 2x of GDP and has been growing in double digits in the last eight to 10 years. Per capita consumption of paints in India is 2.6 kg compared to average 10-13 kg in developed countries. With the slow and steady recovery in urban demand and revival in GDP growth, the Indian paint industry is estimated to be more than ₹ 50,000 crore by FY17

- Berger is the second largest player in the decorative paint segment with a market share of ~18%. The company drives 80% of its revenue from decorative paints with a product portfolio largely catering to middle premium category amongst urban consumers. During 2006-14, Berger's revenues grew at 18.1% CAGR to ₹ 3869 crore and is likely to witness double digit growth, going forward. Operating margins for the company have been in the range of 9-11% in the last eight years. With crude prices sharply falling below US80$/barrel, we believe the company would benefit as crude based raw material prices would follow this sharp fall, providing an uptick in operating margins. Simultaneously, we believe the company would be able to spend more towards A&P to further boost volumes in the decorative paints segment. Net profit for the company has grown at a CAGR of 16.3% during FY06-14 to ₹ 249 crore. The company has strong brands like Rangoli and Weather Coat. Its dealer network of 13000-15000 largely concentrated in eastern India. However, the company is aggressively expanding its dealer network in other areas also mainly to expand its volume from non-eastern region

- The current capacity of Berger Paints stands at 275,000 tonnes. The company has aggressive capacity expansion plans in greenfield (Hindupur, AP). Berger has already expanded capacities of existing plants (Rishra & Goa) funded mostly through internal accruals. The first phase of the state-of-the-art and fully automated water based paint plant at Hindupur in Andhra Pradesh will commence commercial production in FY15. After the first phase, the capacity of the plant is expected at 80,000 tonne per annum. Once fully complete, the capacity of the plant will be 3,20,000 tonne per annum (TPA) of water based paints and 1,00,000 TPA of emulsions. We believe the company's asset turnover would improve from current 2.2x as utilisation of expanded capacity is expected to increase in the next two or three years. Currently, its dividend payout is 30%, which would also increase post completion of capacity expansion. This would help in generating higher free cash flows & improvement of return ratios above current 22%

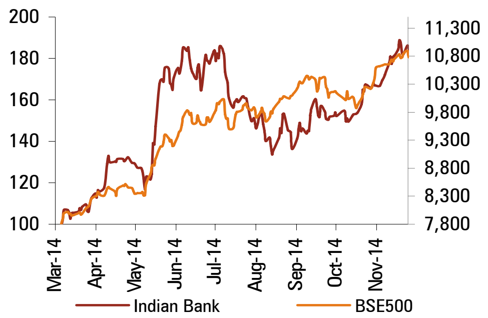
Time frame: 6 months

Key Technical Data

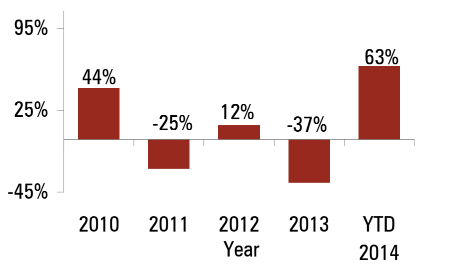
Recommended Price	189.5-184
Price Target	245.00
Stoploss	163.00
52 Week High	199.20
52 Week Low	86.50
50 days EMA	169.00
200 days EMA	149.00
52 Week EMA	146.00

Recommendation given on i-click to gain on 28th November 2014 at 11:16

Stock price movement vs. BSE 500



Price performance over last five years



Indian Bank (INDIBA) (CMP- ₹ 189.00)

Technical view

Strategy: Buy Indian Bank in the range of ₹ 189.50–184.00 for a target price of ₹ 245.00 with a stop loss below ₹ 163.00 on a closing basis

Key technical observations

- The share price of Indian Bank remains in a strong up trend as highlighted by the rising peak and trough formation on long term charts. The stock hit a 52 week high of ₹ 199 in May 2014 and, thereafter, entered a secondary corrective phase over the last five months. Pictorially, the corrective decline since June 2014 till date appears to have taken the shape of rounding consolidation pattern as highlighted in the adjoining price chart. A rounding pattern in a bullish reversal pattern and signals change of trend for a medium term prospective
- The price action in last Friday's trade has seen the stock register a breakout above the neckline of the rounding pattern, thus signalling the end of the secondary corrective decline and resumption of the next up leg, thereby offering a fresh entry opportunity to ride the ongoing uptrend
- The base of the rounding pattern is placed at the 200 days EMA (currently placed at ₹ 150), which also coincides with the 61.8% retracement of the previous major rally from ₹ 87 to ₹ 199, signalling a major long term support at the lower levels and a strong bounce from the support level indicates strong appetite to own the stock among market participants
- Time wise, the stock took 26 weeks in the corrective phase while retracing just 61.8% of the preceding 13 week's rally. Larger time consolidation and limited price correction is the primary indicator of a healthy corrective action and highlights the underlying strength in the trend
- Volume behaviour also supports the overall bullish stance as the rallies throughout the year have been on the back of volumes double of the 200-days average volume of 4 lakh shares per day while the secondary correction have seen relatively low volume participation
- Among oscillators, the 14-days RSI is in strong up trend forming higher highs and has recently given a bullish crossover above its nine period's average thus validating positive momentum from a medium-term perspective

Conclusion: We believe the stock is set for its next up leg and is likely to head towards ₹ 250 in the short-term, being the measuring implication of the rounding pattern breakout. The distance between the neckline ₹ 190 and the base of the rounding pattern ₹ 130 (190-130=60) added to the breakout point (190+60=250) projects upsides towards ₹ 250, thus offering a favourable risk-reward set-up to ride the bull trend

Exhibit 2: Indian Bank – Daily Bar Chart

Source: Bloomberg, ICICIdirect.com Research

Stock Data

Particulars	Amount
Market Capitalisation	₹ 5355 Crore
GNPA (FY14)	₹ 4562 Crore
NNPA (FY14)	₹ 2764 Crore
NIM (FY14)	2.6
52 week H/L	114.4/86.35
Equity Capital	₹ 464.85
Face value	₹ 10
DII Holding (%)	8.4
FII Holding (%)	6.2

Stock return (%)

	1M	3M	6M	12M
Indian Bank	10.6	26.8	7.8	82.7
Syndicate Bank	5.0	0.1	-15.8	46.2
Andhra Bank	6.6	9.7	-14.1	36.9

Exhibit 3: Key metrics

	FY11	FY12	FY13	FY14
P/E	5.1	5.0	5.5	8.1
P/ABV	1.7	1.6	1.6	0.8
RoA	1.3	1.1	0.9	0.7
RoE	16.9	15.0	12.3	9.0

Exhibit 4: Financial highlights

₹ Crore	FY11	FY12	FY13	FY14
NII	4,036	4,418	4,529	4,360
PPP	3,164	3,463	3,061	2,901
PAT	1,713	1,710	1,588	1,161

Source: Company, ICICIdirect.com Research

Fundamental view

- Indian Bank is a PSU banks with strong 81% government holding. It has a branch network of 2380 with 1496 branches in southern states. It has grown its loan book at 19% CAGR to ₹ 122208 crore over FY10-14. Large corporates form 50% of loan book and retail around 14%. The bank has seen deposits growth of 17% CAGR to ₹ 162274 crore over FY10-14, with CASA ratio of 27.8% is fairly good for a south dominated bank

- The bank has been growing its NII by 24-25%, during FY09-11. However, in the last two years, with surging asset quality pressure, NII has been stable at ₹ 4400 crore in three years till FY14. GNPA for the bank has risen to ₹ 4562 crore (3.67% of advances) from ₹ 1851 crore (2.03% of advances) while NNPA has also risen to 2.26% of loans from 1.33% in three years. The RA book forms 9.7% of the loan book. The bank has seen profits growing to ₹ 1588 crore from ₹ 1245 crore in FY10-13 with FY14 net profit reported at ₹ 1161 crore due to higher NPA provisions

- Despite the asset quality pressures and rising credit cost, the bank currently has RoA and RoE of 0.7% and 10.4%, respectively. However, in the past, it used to be 1.3% and 15-17%, respectively. The current ratios are still better than mid-sized PSU peer banks

- Also, healthy treasury income is expected due to 10 year G Sec yield correction of 25-30 bps, as AFS+HFT book stands at 27% of SLR investments for the bank and modified duration of 2.5 years. This can boost future profitability along with improvement in asset quality with turnaround in economy. The stock is currently trading at 0.8x trailing FY14 P/ABV. We remain positive on the stock

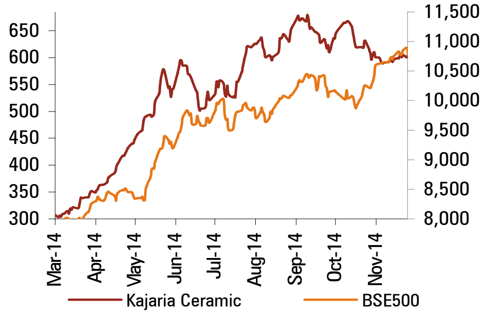
Time frame: 6 months

Key Technical Data

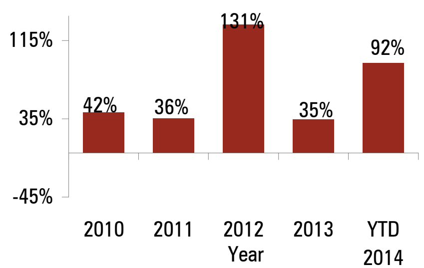
Recommended Price	598-588
Price Target	770.00
Stoploss	518.00
52 Week High	686.50
52 Week Low	242.25
50 days EMA	611.00
200 days EMA	527.00
52 Week EMA	504.00

Recommendation given on i-click to gain on 28th November 2014 at 10:50 am

Stock price movement vs. BSE Small cap Index



Price performance over last five years



Kajaria Ceramics (KAJCER) (CMP- ₹ 598.00)

Technical view

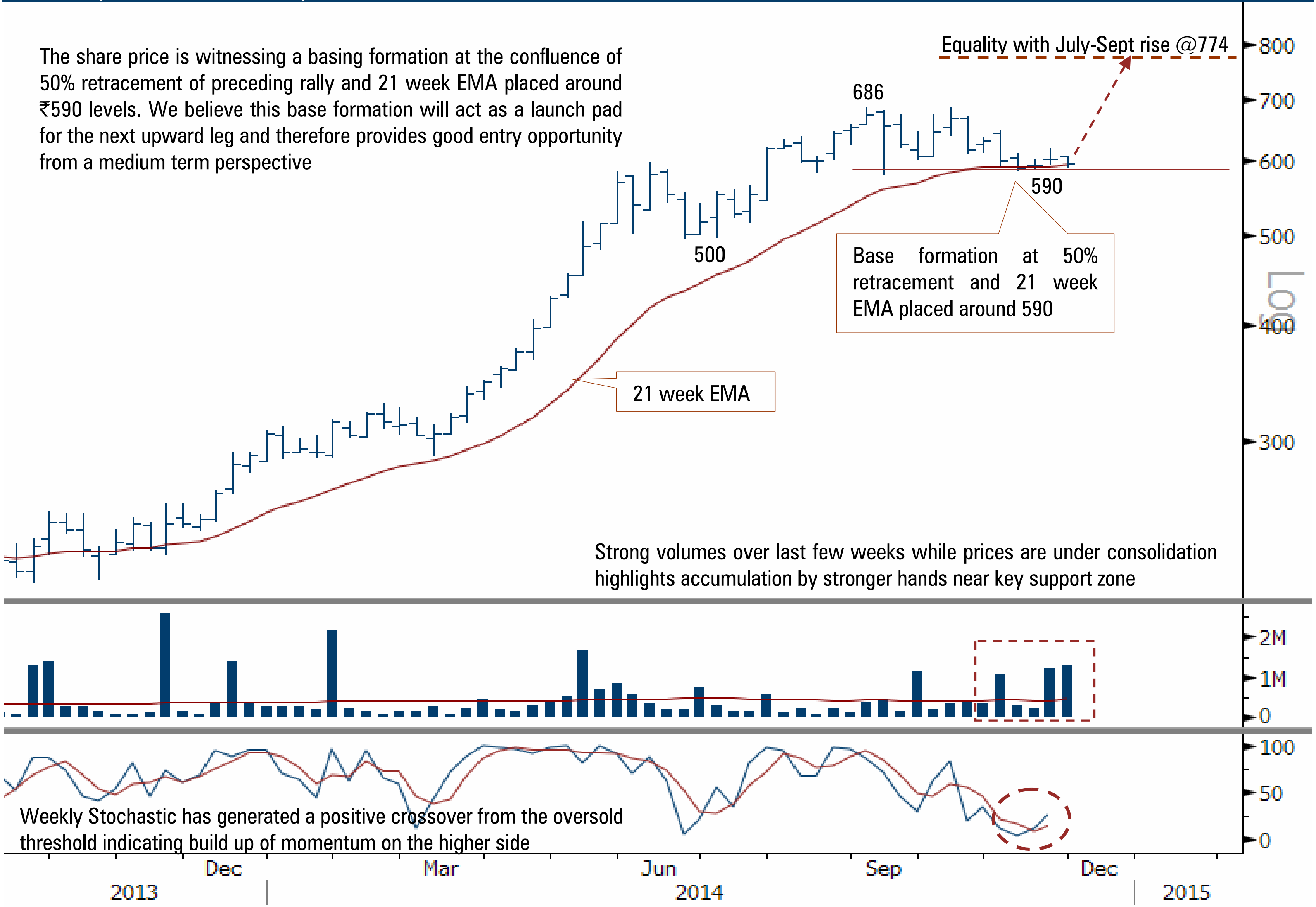
Strategy: Buy Kajaria Ceramics in the range of ₹ 598.00–588.00 for a target price of ₹ 770.00 with a stop loss below ₹ 518.00 on a closing basis

Key technical observations

- The share price of Kajaria Ceramics has witnessed a spectacular run on the bourses over the past three years whereby the stock has generated multi-fold returns for investors. Persistent demand at elevated levels has seen the stock form a series of higher peaks and higher bottoms on the long term price charts
- After hitting an all-time high of ₹ 686 in September 2014 the stock entered a sideways consolidation phase. The price and volume behaviour during this consolidation phase over the last three months carries all the attributes of a healthy correction within an established uptrend. Price wise the stock has retraced its preceding up move from July 2014 low of ₹ 500 to September's all-time high of ₹ 686 by just 50% at the November 2014 low of ₹ 587. Time wise, the stock has already spent 12 weeks under the corrective phase while the preceding rally took just 10 weeks. Extended time correction and limited price correction form the key ingredients of a healthy corrective phase and highlight the overall bullish price structure
- Over the last five weeks, the stock is seen forming a steady base at the 50% retracement support placed around ₹ 590, which also coincides with the 21 week moving average currently placed at ₹ 594. This base formation near key technical support zone will act as a launch pad for the next up move
- The stock has garnered strong volumes over the last two weeks while prices have been in base formation mode above ₹ 590. The volumes in last two weeks are over 12 lakh shares, which is over three times the 52 week average volume of 4 lakh shares. It indicates steady accumulation by stronger hands near key price support
- Among oscillators, the weekly stochastic (5/3/3) has generated a positive crossover above its three period average from the oversold threshold. It indicates build-up of positive momentum in the stock after the recent price correction and augurs well for the stock going forward

Conclusion: Based on the various technical observations listed above, we believe the stock has concluded a healthy corrective phase and is set to take off on its next upward leg within the secular uptrend and therefore provides good entry opportunity from medium term perspective. The price equality with the July – September up move (₹ 500 to ₹ 686) as measured from the current consolidation low of ₹ 587 projects upsides towards ₹ 774

Exhibit 3: Kajaria Ceramics – Weekly Bar Chart



Source: Bloomberg, ICICIdirect.com Research

Exhibit 5: Stock data

Particular	Amount
Market Capitalization	₹ 4536 Crore
Total Debt (FY14)	₹ 236.4 Crore
Cash (FY14)	₹ 6.2 Crore
EV	₹ 4766.2 Crore
52 week H/L	686/244
Equity capital	₹ 15.1 Crore
Face value	₹ 2
MF Holding (%)	5.4
FII Holding (%)	25.2

Exhibit 6: Stock return (%)

	1M	3M	6M	12M
Kajaria Ceramics	(2.8)	(8.3)	9.2	141.1
Somany Ceramics Lt	0.9	16.6	31.8	220.6
Cera Sanitaryware Lt	2.2	0.7	45.0	187.3

Exhibit 7: Key metrics

	FY11	FY12	FY13	FY14
P/E	72.8	54.6	42.7	36.5
Target P/E	63.2	49.4	42.3	34.3
EV / EBITDA	32.4	23.3	19.9	17.0
P/BV	19.8	15.7	12.2	8.6
RoNW (%)	27.2	28.7	28.6	23.5
RoCE (%)	23.2	29.4	28.1	29.0

Exhibit 8: Financial highlights

₹ Crore	FY11	FY12	FY13	FY14
Net Sales	953.2	1,313.0	1,582.2	1,840.0
EBITDA	148.6	206.2	243.5	280.7
Net Profit	60.6	80.9	103.4	124.2
EPS (₹)	11.0	14.1	16.4	20.3

Source: Company, ICICIdirect.com Research

Fundamental View

- Kajaria Ceramic (Kajaria) is the second largest player in the ceramic/vitrified tiles space in India. It was founded in 1988 with 1 million square metre (MSM) capacity in Sikandrabad, Uttar Pradesh. The company, over the last 25 years, has raised capacity to 54.1 MSM and created a strong and widespread dealer network throughout India. Kajaria currently has an annual aggregate capacity of 54.1 MSM distributed across seven plants
- With increasing disposable income and urbanisation, India has emerged as one of the fastest growing tiles markets globally. With per capita consumption at 0.54 square meter (SM)/person in comparison to 3-4 SM/person in peer countries, the prospects for India are huge in catching up with its global counterparts. Also, with the government's initiatives like 'Swachh Bharat Abhiyan' and 'Housing for all by 2022', we believe Kajaria, being the leading player in the industry, is likely to reap the benefits either directly or indirectly
- In November, 2013, the Gujarat Pollution Control Board (GPCB) issued a closure notice to Morbi (hub for unorganised players) based ceramic units that run on coal gas furnace. We view this development as structurally positive for organised players as i) the organised pie will grow faster in the absence of cost advantage enjoyed by unorganised players due to coal gas furnace and ii) it has set the tone for consolidation in the industry
- Kajaria is looking to augment its capacity further by 13 msm to 67.1 msm by June, 2015. This will be achieved through: i) acquisition of a 51% stake in Taurus Tiles Pvt Ltd (5 msm annual capacity of polished vitrified tiles) ii) greenfield facility in Rajasthan (5 msm of polished vitrified tiles) and iii) brownfield facility at its existing location in Rajasthan (3 msm capacity of ceramic tiles). To augment this capacity, it needs to spend ~₹ 210 crore over the next 12 months. Consequently, its topline and bottomline are expected to grow at a CAGR of 26.1% and 32.6%, respectively, during FY14-16E
- Kajaria has come a long way in the last five years in terms of reducing its leverage from a menacing 2.1x in FY08 to 0.3x currently. The sharp improvement in debt to equity has been possible through an improvement in net working capital, which was at 132 days in FY08 to 22 days currently. The healthy balance sheet also lends us comfort in terms of meeting the planned capex of ~₹ 210 crore over the next 12 months
- We remain positive on Kajaria given the sturdy growth in the industry, favourable structural shift, its better margin and return ratio profile coupled with a strong balance sheet. Hence, we have a BUY recommendation on the stock with a target price of ₹ 695 (valuing it at 0.8x PEG, implying P/E of 25x FY16E). Overall, we remain optimistic on Kajaria's business prospects in the organised space and believe the robust growth trajectory will continue. Furthermore, recent decline in the natural gas prices also lends us the comfort in expansion of margin and consequent better earning growth as fuel & power cost accounts for 18.3% of total sales for Kajaria

Time frame: 6 months

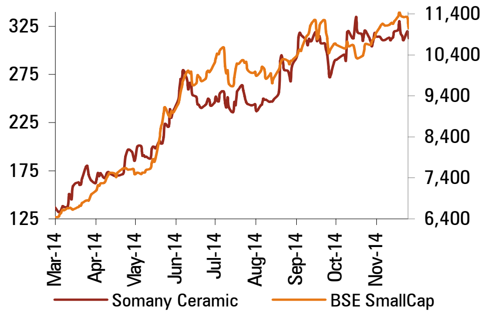
Somany Ceramics (SPLIND)

(CMP- ₹ 321.00)

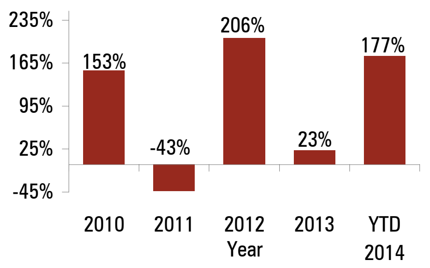
Key Technical Data	
Recommended Price	321-310
Price Target	405.00
Stoploss	278.00
52 Week High	366.00
52 Week Low	91.40
50 days EMA	307.00
200 days EMA	244.00
52 Week EMA	232.00

Recommendation given on i-click to gain on 28th November 2014 at 11:09

Stock price movement vs. BSE Small cap Index



Price performance over last five years



Technical view

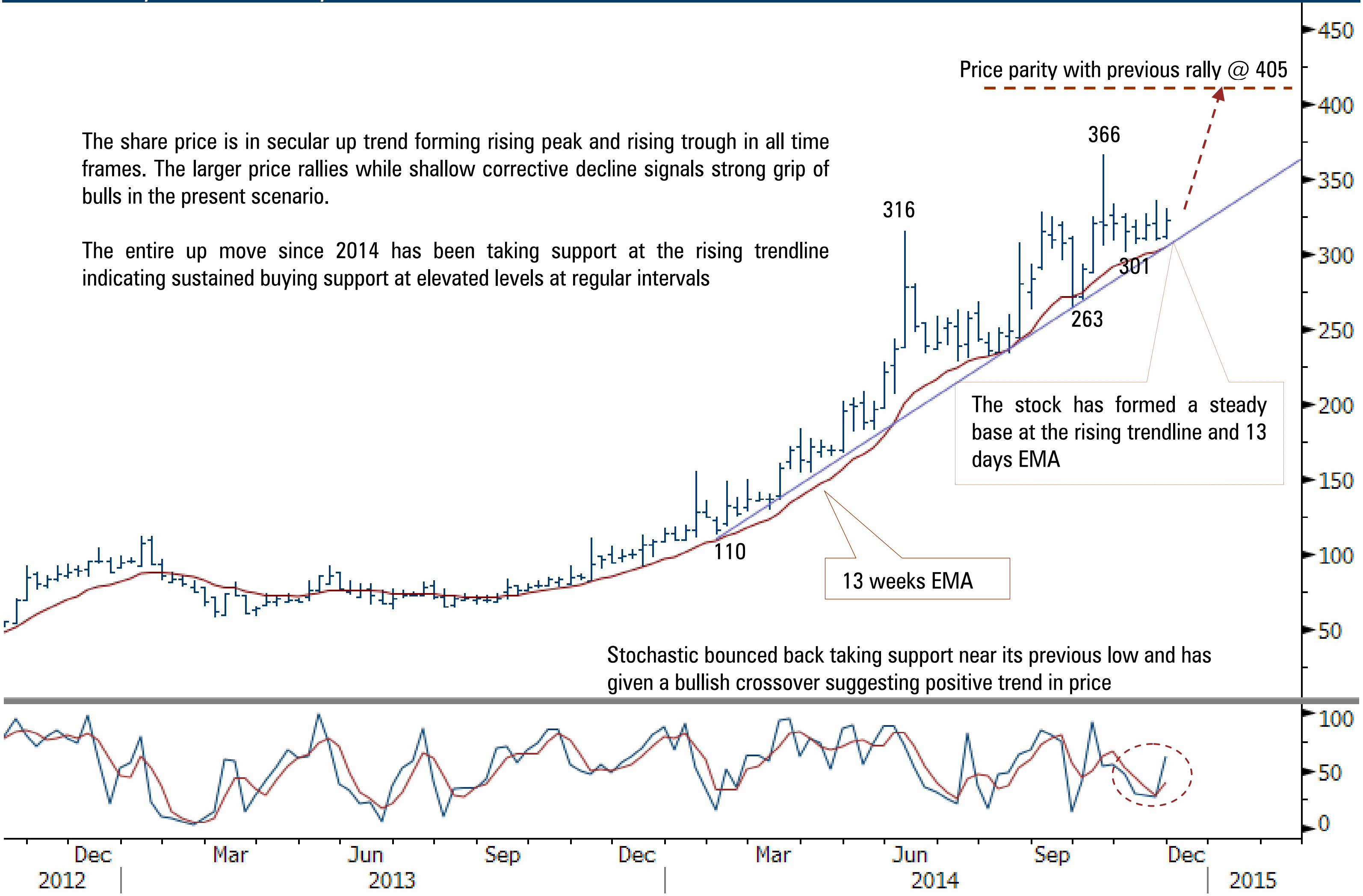
Strategy: Buy Somany Ceramics in the range of ₹ 321.00–310.00 for a target price of ₹ 405.00 with a stop loss below ₹ 278.00 on a closing basis

Key technical observations

- The share price of Somany Ceramics signalled a major shift of trend in January 2014 as it gave a breakout above its 2013 high of ₹ 115. The share price has witnessed a rapid advance, thereafter, and continues to stride northward as defined by the series of rising peaks and troughs on all time frames. The sideways consolidation over the last six weeks provides an entry opportunity for medium term players to ride the next up move
- A look at the smaller degree price behaviour reveals a peculiar tendency of the stock witnessing shallow price consolidation after every intermediate up move. These price consolidations are seen as breather taken by bulls to gather steam for the next upward leg. The larger and stronger price rallies followed by shallow secondary corrective declines highlight the strong grip of bulls in the present scenario
- The entire rally since beginning of 2014 has been taking support at the trend line joining the low of January 2014 (₹ 110) August 2014 (₹ 236) and October 2014 (₹ 263) currently at ₹ 307, indicating sustained buying support at elevated levels. Recently, the stock after a steady rally from August to October 2014 (₹ 234 to ₹ 366), has been in a sideways consolidation mode in the last six weeks, marking time between the broad range of ₹ 336 and ₹ 301. During the past six week's consolidation, the stock has found steady buying support at the medium-term rising trend line as can be seen in the adjacent chart and 13 weeks EMA, which has historically acted as strong support during secondary correction and is currently placed at 304 levels. The stock is seen resolving higher after forming a decent basing pattern around the confluence of the key technical support of around ₹ 300 levels suggesting resumption of the upward momentum
- Among oscillators, the weekly stochastic is seen taking support at its previous lows and has recently given a buy signal thus supporting positive bias in price and signalling a base formation in price for the next up move

Conclusion: Based on the various technical observations listed above, we believe the stock is set for its next up leg and is likely to head towards ₹ 405 in the short-term. The price parity of the previous up move from ₹ 263 to ₹ 366 which is measured (103 points) as projected from the recent trough of ₹ 302, projects upsides towards ₹ 405 over the medium term.

Exhibit 4: Somany Ceramics – Weekly Bar Chart



Source: Bloomberg, ICICIdirect.com Research

Exhibit 9: Stock data

Particular	Amount
Market Capitalization	₹ 1255 Crore
Total Debt	₹ 165 Crore
Cash	₹ 35 Crore
EV	₹ 1385 Crore
52 week H/L (₹)	366 / 91
Equity capital	₹ 7.77 Crore
Face value	₹ 2
FII Holding (%)	5.6
DII Holding (%)	2.8

Exhibit 10: Stock return (%)

	1M	3M	6M	12M
Kajaria Ceramics	(2.8)	(8.3)	9.2	141.1
Somany Ceramics Lt	0.9	16.6	31.8	220.6
Cera Sanitaryware Lt	2.2	0.7	45.0	187.3

Exhibit 11: Key metrics

(x)	FY11	FY12	FY13	FY14
P/E	55.8	53.1	41.6	47.6
EV / EBITDA	20.4	18.7	16.2	18.0
P/BV	12.8	10.6	8.7	6.0
RoNW (%)	23.0	19.9	20.9	15.1
RoCE (%)	18.2	19.5	21.5	17.9

Exhibit 12: Financial highlights

(₹ Crore)	FY11	FY12	FY13	FY14
Net Sales	719.9	879.0	1,053.9	1,253.0
EBITDA	67.7	74.1	85.7	76.8
Net Profit	23.9	25.1	32.0	28.0
EPS (₹)	2.0	6.5	8.2	7.2

Source: Company, ICICIdirect.com Research

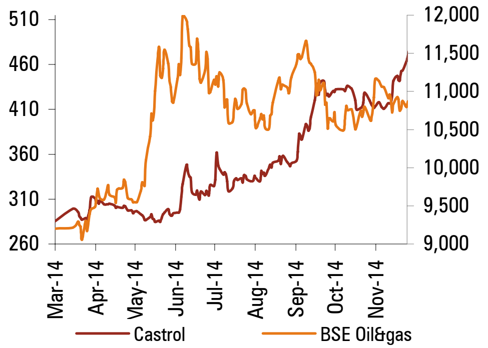
Fundamental View

- Incorporated in 1968, Somany is among the leading and branded tile manufacturing companies in India. The company is a part of the HL Somany group and is present in the ceramic and vitrified segments with total capacity of 44.2 MSM. It has two manufacturing plants, one each in Kadi (Gujarat) and Kassar (Haryana), with a total manufacturing capacity of 19.2 MSM. In the past two years, the company has acquired stakes in five Morbi-based companies, which has gained it access to additional manufacturing capacity of 15.5 MSM. Remaining 9.5 MSM of capacity is through outsourcing model. The company is present across varied price points with a pan-India distribution network
- In November 2013, Gujarat Pollution Control Board (GPCB) issued closure notice to Morbi (hub for unorganised players) based ceramic units that run on coal gas furnace. We believe, Somany being one of the leading players in the industry, is likely to reap the benefits from this structurally positive development as i) organised pie will grow faster in the absence of cost advantage enjoyed by unorganised players due to coal gas furnace ii) the tone has been set for consolidation in the industry
- Somany has emerged as third largest tiles player in the Indian tiles industry and witnessed 23.3% CAGR in the topline during FY10-14 vs. industry average of 16.6% in FY10-14 through aggressive capacity expansion from 16.7 MSM to 34.7 MSM currently. Somany continues to follow an asset light model and is augmenting its capacity by 11.2 to 55 MSM in FY15E largely through JV with local players. Hence, we anticipate the proportion of outsourcing revenues will come down from current level of ~50%, which should lead to expansion in EBITDA margin apart from healthy top line growth. Hence, we remain positive on Somany growth prospects, considering structural shift in the industry post Morbi development, its aggressive expansion plans and its shift from outsourcing model to JV manufacturing model, which will expand its margins
- One of the major overhangs for Somany was its leverage position. However, it managed to reduce its debt to equity from 1.9x in FY10 to the level of 0.7x in FY14 through higher internal accruals and better WC management. Furthermore, Somany raised ₹50 crore by diluting 11.2% stake to private equity firm Creador. Out of this, ₹13 crore is used for its working capital requirement and rest will be used for capacity expansion in the future
- We highlight that we remain positive on Somany's growth considering structural shift in the industry, its strong brand recall, wide distribution network, aggressive expansion plan and expected expansion in margins due to shift from low margin outsourced model to JV. Furthermore, recent decline in the natural gas prices also lends us the comfort in expansion of margin and consequent better earning growth as fuel & power cost accounts for ~13% of total sales for Somany

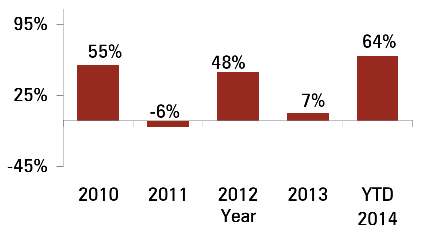
Time frame: 6 months

Key Technical Data	
Recommended Price	505-490
Price Target	660.00
Stoploss	430.00
52 Week High	511.00
52 Week Low	283.10
50 days EMA	426.00
200 days EMA	363.00
52 Week EMA	358.00

Stock price movement vs. BSE Small cap Index



Price performance over last five years



Castrol India (CASIND)

(CMP- ₹ 501.00)

Technical view

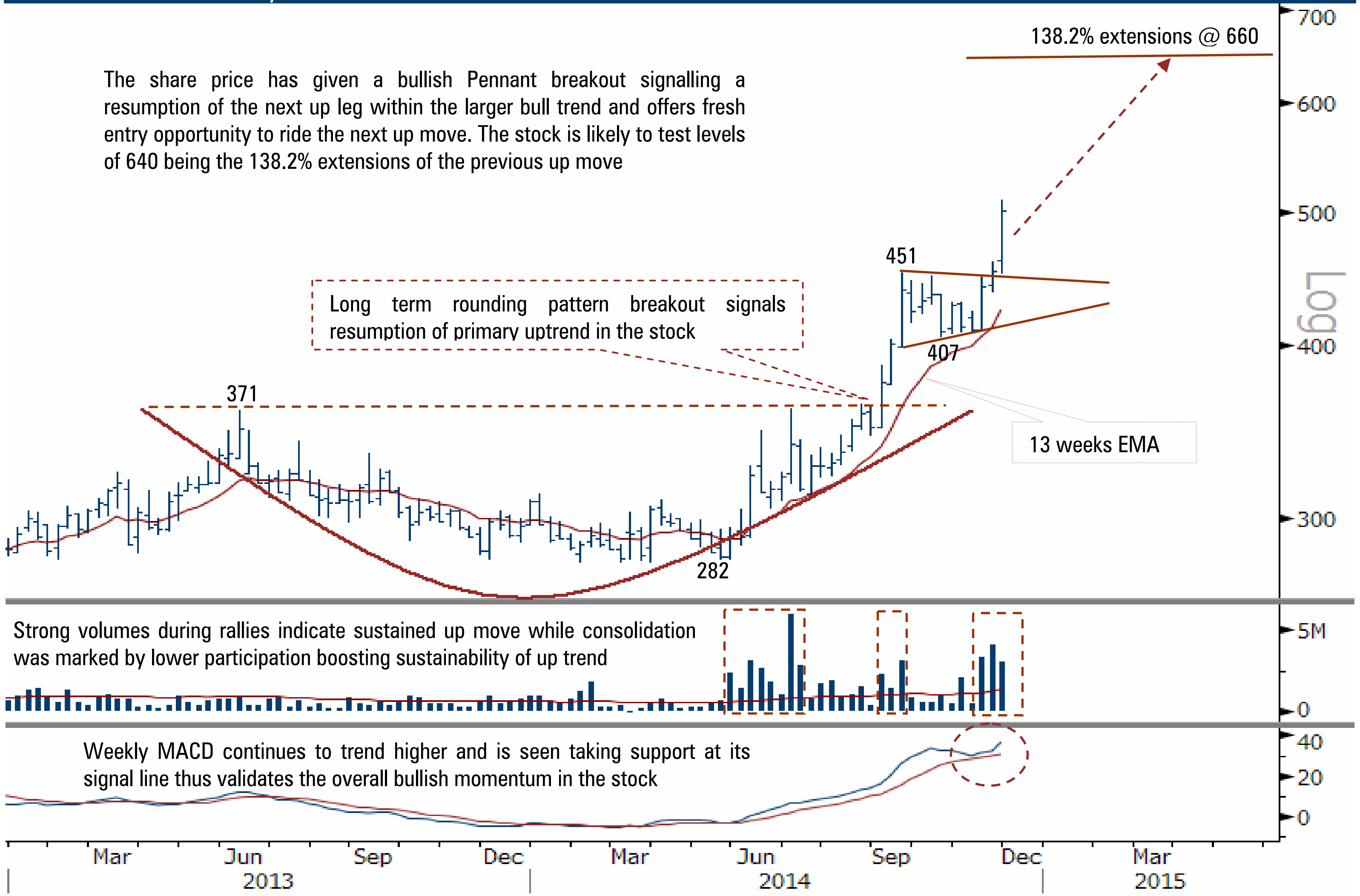
Strategy: Buy Castrol India in the range of ₹ 505.00–490.00 for a target price of ₹ 660.00 with a stop loss below ₹ 430.00 on a closing basis

Key technical observations

- The share price of Castrol India remains in a secular up trend as highlighted by the rising peak and trough formation on all time frames. The stock hit an all-time high of ₹ 451 in September 2014 and thereafter entered a secondary corrective phase over the last two months. Pictorially, the sideways consolidation since September 2014 till mid November 2014 appears to have taken the shape of bullish Pennant formation. A Pennant formation is a bullish continuation pattern comprising of narrow price action between two converging trend lines which marks a temporary pause within an uptrend as bulls take a breather after a strong advance and gather steam before embarking upon the next up move
- The price action in previous week has seen the stock register a breakout above the bullish Pennant pattern, thus signalling end of secondary consolidation and resumption of the next up leg thereby offering fresh entry opportunity to ride the ongoing uptrend from a medium term perspective
- Earlier, in late August, the stock gave a breakout from the rounding pattern, which elevated the stock price to a higher orbit setting up bullish momentum from a medium-term perspective. The share price of Castrol India has been in a sustained up trend since May 2014. The recent breakout area and 80% retracement of the current rally placed around ₹430 levels will act as a short term base for the stock
- Time wise, the stock recently completely retraced its seven weeks decline in just two weeks thus a faster retracement of the previous decline suggesting a continuation of the up trend in the stock
- Volume behaviour over the past few months also vouches for strong participation during rallies as volumes during the rounding pattern breakout and during recent Pennant breakout were double the 50-week average of 3.8 lakh shares per week, while corrections have been low volume affair
- Among oscillators, the MACD is in strong up trend forming higher highs and is seen taking support at its signal line thus validating positive momentum from a medium-term perspective

Conclusion: We believe the stock is set for its next up leg within the larger up trend and is likely to head towards ₹ 645 in the short-term. The 138.2% extensions of the previous major rally from ₹ 282 to ₹ 451 measured from the recent higher trough of 411 projects upside towards 660, thus offering a favourable risk-reward set-up to ride the uptrend

Exhibit 5: Castrol India – Weekly Bar Chart



Source: Bloomberg, ICICIdirect.com Research

Stock Data

Particular	Amount
Market Capitalisation (₹ Crore)	2,278.4
52 week H/L	473/ 221
Face Value (₹)	2.0
DII Holding (%)	7.8
FII Holding (%)	12.6

Stock return (%)

	1M	3M	6M	12M
Tide Water	7.0	34.1	64.1	126.7
Castrol	10.8	36.1	59.0	63.3
Gulf Oil Lubricants	17.1	43.1	NA	NA

Exhibit 13: Key metrics

	CY10	CY11	CY12	CY13
P/E (x)	41.5	42.3	45.4	40.0
Price / Book (x)	18.4	16.8	31.3	27.1
EV/EBITDA (x)	13.0	14.4	31.7	28.7
RoCE (%)	128.1	106.7	91.8	87.4
RoE (%)	88.6	79.6	68.9	67.7

Exhibit 14: Financial highlights

₹ Crore	CY10	CY11	CY12	CY13
Revenues (₹ crore)	2,742.9	2,993.2	3,120.9	3,179.6
EBITDA (₹ crore)	733.2	669.8	622.8	687.6
Net Profit (₹ crore)	490.3	481.0	447.4	508.6
EPS (₹)	9.9	9.7	9.0	10.3

Source: Company, ICICIdirect.com Research

Fundamental view

- Castrol is the largest private player in the lubricants business mainly catering to the automotive and industrial segments. The company has a market share (in value terms) of 18-22% in the domestic lubricants market. Due to its strong brand presence, Castrol commands a price premium of 15-30% compared to its competitors like Gulf Oil Lubricants, Tide Water, IOC, BPCL, HPCL, etc. British Petroleum owns 71% stake in Castrol due to which Castrol benefits from exclusive tie-ups with original equipment manufacturers (OEM) due to global commitments of automobile companies with BP. The company gets major revenues from the automotive segment (~90%) with majority of revenues from the car segment (~40%) followed by ~30% revenues from the motorcycle segment and ~30% from the commercial vehicles segment. The industrial segment constitutes only ~10% of total revenues. In the last 10 years, the topline, PAT have grown at 8.9%,14.8% CAGR, respectively. However, due to adverse economic conditions and slowdown in auto sales, revenue, PAT in the last three years have recorded growth at 2%, 1.8% CAGR, respectively. With an improvement in auto sales and industrial growth, Castrol is expected to grow faster.

- The company leverages its strong distribution network through Castrol Bike Point and Castrol Pit Stop along with the bazaar segment consisting of workshops, garages, etc. Castrol spends ~7% of its revenues on advertising and branding of its products. On the distribution front, the main focus has been on the mobility segment, which has increased over the years with the increase in number of vehicles. In the automotive business, major revenues are from the bazaar segment. The company's focus has been on retaining customers and its next push is focused on the rural market where it is growing 10% YoY. Castrol plans to increase its number of rural dealers to increase its market share in the two-wheeler segment. In urban areas, it has 40% market share in the top 10 cities.

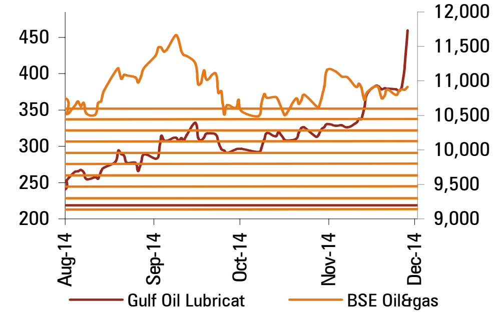
- With the decline in crude oil prices, raw material costs (base oil prices) are expected to come down for Castrol, aiding the improvement in margins. With expectations of an increase in auto sales, the company also expects an increase in its volumes. Castrol is currently trading at 40x CY13 EPS with healthy return ratios of 87.4% (RoCE) and 67.7% (RoE).

Time frame: 6 months

Key Technical Data	
Recommended Price	458-448
Price Target	550.00
Stoploss	408.00
52 Week High	473.70
52 Week Low	230.00
50 days EMA	338.00
20 days EMA	372.00
21 Week EMA	321.00

Recommendation given on i-click to gain on 28th November 2014 at 03:10 pm

Stock price movement vs. BSE Small cap Index



Gulf Oil Lubricant (GULO) (CMP- ₹ 458.00)

Technical view

Strategy: Buy Gulf Oil Lubricant in the range of ₹ 458.00–448.00 for a target price of ₹ 550.00 with a stop loss below ₹ 408.00 on a closing basis

Key technical observations

- The share price of Gulf Oil Lubricants displays a steady uptrend on the price chart as it remains in a rising trajectory amid consistent demand for the stock at elevated levels. The sideways consolidation over the past couple of weeks took the form of a Flag pattern on the daily chart. A Flag formation is a bullish continuation pattern which marks a temporary pause in an ongoing uptrend as bulls take a breather to gather steam for further northward journey

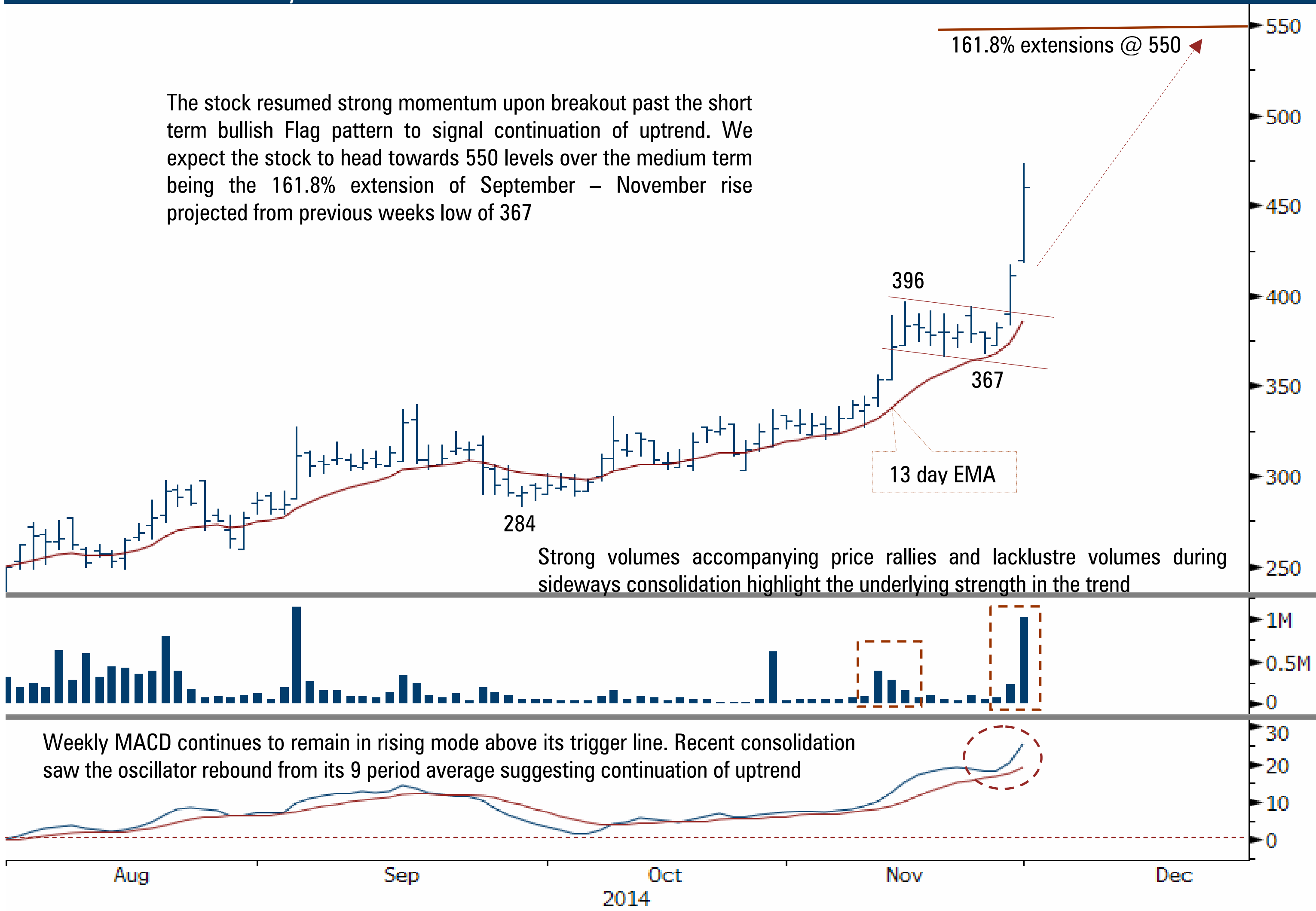
- The strong up move in last week's trade has seen the share price register a breakout from the bullish Flag pattern to signal continuation of uptrend. Strong volumes accompanying the price breakout validate the authenticity of the bullish price pattern. The volumes in last week (11.34 lakh shares) were more than three times the 10 week average volume of 3.5 lakh shares. Strong volumes during price rallies and lacklustre volumes during sideways consolidation highlights the bullish price structure and augurs well for the stock going forward

- We expect the stock to continue its bullish momentum and head towards ₹ 550 levels over the medium term therefore it provides a good reward/risk setup to ride the ongoing uptrend. The 161.8% Fibonacci price extension of the last up move from September 2014 low of ₹284 to mid November high of ₹396 measured from the last weeks low of ₹,367 projects upsides towards ₹550 levels over a medium term horizon

- Among oscillators, the MACD ((E-12/26/9)), which measures the strength in the underlying trend has remained above its trigger line since August 2014 till date. The recent consolidation in prices saw the MACD rebound from its nine period average indicating strength in the price up move

Conclusion: Based on the aforementioned technical evidences, we believe the stock is set to embark upon its next directional up leg towards ₹ 550 levels and, therefore, provides good entry opportunity for medium term players to ride the next up move within an established uptrend

Exhibit 6: Gulf Oil Lubricant – Daily Bar Chart



Source: Bloomberg, ICICIdirect.com Research

Stock Data

Particular	Amount
Market Capitalisation (₹ Crore)	2,278.4
52 week H/L	473/ 221
Face Value (₹)	2.0
DII Holding (%)	7.8
FII Holding (%)	12.6

Stock return (%)

	1M	3M	6M	12M
Tide Water	7.0	34.1	64.1	126.7
Castrol	10.8	36.1	59.0	63.3
Gulf Oil Lubricants	17.1	43.1	NA	NA

Exhibit 15: Financial highlights

	FY11	FY12	FY13	FY14
Revenues(₹ crore)	597.8	756.3	843.5	881.8
EBITDA(₹crore)	76.8	96.1	108.3	108.2
EBIT(₹ crore)	68.6	93.8	105.7	111.9

Source: Company, ICICIdirect.com Research

Fundamental View

- Gulf Oil Lubricants (GOL) is one of the major private players in the lubricants business competing aggressively with its competitors, including Castrol, IOCL, HPCL, BPCL, Tide Water, etc. The company caters to the automotive and industrial segments, including the marine segment. GOL has ~26% share in B2B and ~74% in the automotive channel. OEM, state transport units and direct industrial segments have ~71% share followed by fleet and construction with ~25% and marine with ~4% in its domestic business. The company has increased its market share from 4.4% to 6.5% in the automotive segment and from 4.4% to 6.9% in the bazaar segment in the last seven years. The overall market share has increased from 2.8% in FY07 to 4.5% in FY14. GOL commands a premium over PSU lubricant players. However, it has lower pricing than the top private player in the market. In the last five years, the topline has grown at 11.6% CAGR with PBT growing at 42% CAGR. The company witnessed volume growth at 11.6% CAGR in the last five years. GOL aims to grow at 3x industry growth with the improvement in auto sales and industrial growth.

- The vast presence of depots and the retailers' network is the major strength of the company. There are 33 depots currently with almost one depot in each state. There are more than 50,000 retailers. The company plans to ramp up this number to 75,000 retailers in the coming years. GOL plans to focus on the tractor segment for entering the rural markets. The company's marketing initiative with IPL teams and brand focused approach has also helped it to enter various markets in the south and increase its market share

- With the decline in crude oil prices, raw material costs (base oil prices) are expected to come down for the company, leading to stability in margins. The benefit of lower costs is generally passed to the B2B segment with a lag of three months. In terms of B2C segments, the company follows the leading private company for price hikes/cuts. GOL expects to maintain its current EBITDA margins above 12% in the future as well. The company wants to be one of the top three lubricant players in the business. Gulf Oil is currently trading at 21.8x Q1FY15 annualized EPS (Q1FY15 EPS: ₹ 3.6) with a RoCE of 67.2%.

Strategy Follow up

Date	Scrip	Product	Strategy	RP	Target	SL	Gain/Loss %	Comment
9-Jun	Essel Propack	Cash	Buy	95.00	155.00	64.00	31.00	Book 50% profit at 124
19-Sep	Heidelberg Cement	Cash	Buy	78.50	98.00	69.00	30.00	Target achieved
9-Jun	Cummins	Cash	Buy	635.00	860.00	545.00	29.00	Book profit at 820
9-Jun	KSB Pumps	Cash	Buy	500.00	790.00	390.00	27.00	Book 50% profit at 635
9-Jun	BEL	Cash	Buy	1835.00	2350.00	1490.00	25.00	Book profit at 2290
9-Jun	Ingersoll	Cash	Buy	665.00	995.00	528.00	25.00	Book 50% profit at 830
8-Sep	EPC Industries	Cash	Buy	196.00	255.00	167.00	20.00	Book profit at 235
9-Jun	SKF	Cash	Buy	980.00	1425.00	780.00	20.00	Book 50% profit at 1180
9-Jun	Aban	Cash	Buy	720.00	1050.00	575.00	19.00	Book profit at 853
9-Jun	Federal Bank	Cash	Buy	117.00	165.00	97.00	17.00	Book 50% profit at 136.50
10-Oct	Infosys	Cash	Buy	3770.00	4490.00	3490.00	14.00	Book 50% profit at 4300
10-Oct	Simplex Infra	Cash	Buy	255.00	310.00	224.00	11.00	Book profit at 283
16-Sep	KPR Mill	Cash	Buy	305.00	375.00	267.00	10.00	Book profit at 336.5
19-Sep	UltraTech Cement	Cash	Buy	2630.00	3100.00	2435.00	-7.00	Stoploss triggered
16-Sep	Repro	Cash	Buy	290.00	355.00	261.00	-10.00	Stoploss triggered
8-Sep	Phoenix lamp	Cash	Buy	144.00	180.00	125.00		Open
9-Jun	SBI	Cash	Buy	2710.00	3515.00	2350.00		Open
9-Jun	India Cements	Cash	Buy	112.00	160.00	87.00		Open
9-Jun	EIH Hotels	Cash	Buy	94.00	150.00	74.00		Open
27-Nov	Tide Water	Cash	Buy	16450-15800	19450.00	14800.00		Open
27-Nov	International Tarvel	Cash	Buy	290-280	380.00	238.00		Open

NOTES:

- It is recommended to enter in a staggered manner within the prescribed range provided in the report
- Once the recommendation is executed, it is advisable to keep strict stop loss as provided in the report on closing basis
- The recommendations are valid for three to six months and in case we intend to carry forward the position, it will be communicated through separate mail.

Trading Portfolio allocation

- It is recommended to spread out the trading corpus in a proportionate manner between the various technical research products
- Please avoid allocating the entire trading corpus to a single stock or a single product segment
- Within each product segment it is advisable to allocate equal amount to each recommendation
- For example: The ‘Daily Calls’ product carries 3 to 4 intraday recommendations. It is advisable to allocate equal amount to each recommendation

Recommended product wise trading portfolio allocation

Products	Allocations		Number of Calls	Return Objective		Duration
	Product wise allocation	Max allocation in 1 stock		Frontline Stocks	Mid-cap stocks	
Daily Calls	8%	2-3%	3-4 Stocks	0.50-1%	2-3%	Intraday
Short term Delivery	6%	3-5%	7-10 p.m	4-5%	7-10%	Opportunity based
Weekly Calls	8%	3-5%	1-2 Stocks	5-7%	7-10%	1 Week
Weekly Technical	8%	3-5%	1-2 Stocks	5-7%	7-10%	1 Week
Monthly Call	15%	5%	2-3 Stocks	7-10%	10-15%	1 Month
Monthly Technical	15%	2-4%	5-8 Stocks	7-10%	10-15%	1 Month
Techno Funda	15%	5-10%	1-2 Stocks	10% and above	15% and above	6 Months
Technical Breakout	15%	5-10%	1-2 Stocks	10% and above	15% and above	3-6 Months
Cash in Hand	**10%**	-	-	-	-	-
	100%					

Pankaj Pandey | Head – Research | pankaj.pandey@icicisecurities.com

ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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