KARVY STOCK BROKING

Value Invest
June 2016

Keep Investing in Indian Equities

Keep Calm During Turbulence in Short Term

Keep Growing in the Long Term

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Top 10 Midcap Stocks

Value Invest Jun 2016

NSE Symbol	Sector	Market Cap (Rs Cr.)	CMP * (Rs.)	Target Price (Rs.)	Upside (%)
BAJAJCORP	FMCG	5747	390	465	19
EVEREADY	Consumer Durables	1731	237	293	24
FINCABLES	Electrical Equipment	5340	349	412	18
MHRIL	Consumer Discretionary	3592	405	472	17
MINDAIND	Automotive	1856	1170	1355	16
NATCOPHARM	Pharmaceuticals	8318	477	673	41
SMLISUZU	Commercial Vehicles	1542	1065	1294	21
TRITURBINE	Electrical Equipment	3564	108	128	19
TUBEINVEST	Manufactured Goods	8792	469	593	26
ZENSARTECH	Information Technology	4169	944	1178	25

**As on Jun 02, 2016; Time frame 9-12 Months*

Bajaj Corp Ltd

Bloomberg Code: BJCOR IN

India Research - Stock Broking

BUY

In Pursuit of Excellence, with Almond Drops Hair Oil

Leading position in Light Hair Oil market and Well established brands to surge revenue growth: Bajaj corp is one of the leading players in FMCG sector in hair care category. Bajaj Almond Drops hair oil is market leader in the light hair oil segment with more than 60% of market share and major revenue contributor for the company. Despite the adverse market condition in the hair oil industry, Bajaj corp managed to register 2.9% growth in the sales volume and 4.1% increase in realisation per case for Almond Drops Hair Oil (ADHO) brand. However, the consumption demand is expected to improve considerably on the back of expected good monsoons in FY17E, after two consecutive years of poor rains. Good monsoons are likely to improve disposable incomes of rural India and hence consumption demand would be boosted. This would help the company to post moderate growth in coming years.

Increasing outlets to tap rural markets to push growth: Bajaj corp is continuously focusing towards improving its presence and strengthening its portfolio to drive higher revenue growth. At present, 42.0% of Bajaj Almond Drops hair oil sales are from rural areas only and the company managed to capture 63.2% market share in rural areas. Bajaj corp managed to come up with 0.89mn outlets during FY16, out of which 0.43mn were opened in urban area and 0.46mn in rural area.

Valuation and Outlook

Bajaj corp is market leader in Light Hair oil segment and more than 91% of its revenues are coming from ADHO only. Bajaj corp, with its credentials of debt free, healthy ratios and healthy cash flows, is currently trading at 20.1x FY18E EPS. We value the company at 24.0x FY18E EPS and initiate the coverage on the company with **"BUY"** rating, for a target price of Rs. 465, representing an upside of 19% for a period of 9-12 months.

Key Risks

- Fluctuations in raw material prices.
- Depending on a single product ADHO.
- Competition from existing and new entrants.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	6717	8256	8764	9643	11088
EBITDA	1860	2392	2737	2937	3285
EBITDA Margin (%)	27.7	29.0	31.2	30.5	29.6
Adj. Net Profit	1489	1727	1964	2430	2859
EPS (Rs.)	10.1	11.7	13.3	16.5	19.4
RoE (%)	29.7	34.3	40.5	48.6	51.0
P/E (x)	21.3	39.0	23.2	23.6	20.1

*Source: Company, Karvy Research, **Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	390
Target Price	465
Upside (%)	19

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	57466 / 854
52-wk High/Low (Rs.)	522 / 356
3M Avg.daily volume (Mn)	0.1
Beta (x)	0.6
Sensex/Nifty	26843 / 8219
O/S Shares(mn)	147.5
Face Value (Rs.)	1.0

Shareholding Pattern (%)

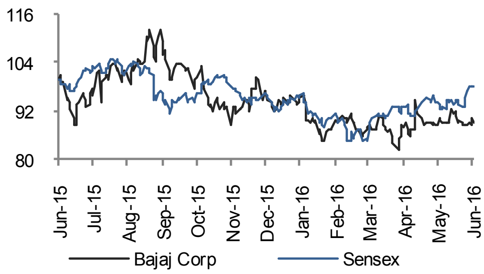
Promoters	66.9
FIIs	23.0
DIIs	3.9
Others	6.3

Stock Performance (%)

	1M	3M	6M	12M
Absolute	1	0	(11)	(13)
Relative to Sensex	(4)	(9)	(13)	(12)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Bajaj Corp Limited (Bajaj corp), incorporated in the year 2006, is a company engaged in the trading and manufacturing of cosmetics, toiletries and other personal care products. Bajaj corp has leadership position in hair care segment. The company's principal product is Almond Drops hair oil, which is the market leader with over 60% share in the Light hair oil market. Now the company is delivering its products through 3.71mn retail outlets serviced by 7392 distributors or stockists and more than 15,000 wholesalers.

Eveready Industries India Ltd

Bloomberg Code: EVRIN IN

India Research - Stock Broking

BUY

LED Segment to Spur Revenues

Eveready launched LED bulbs during Jan 2015 accounted for ~ 22.1% growth during FY16 compared to the previous year. This is expected to be one of the key drivers for revenue growth due to increase in government orders and LED demand. Therefore, we expect revenue to grow at CAGR of 15.3% during FY16-FY18E, majorly driven by their lighting segment growth on account of strong LED sales supported by their competitive pricing strategy in the retail market. EBITDA is estimated to increase at a CAGR of 17.5% during FY16-FY18E with margins touching 9.2% in FY17E and 9.5% in FY18E from 9.1% in FY16 as a result of reducing raw material costs in past years. EBIT margin is expected to be 7.0% in FY17E and 7.4% in FY18E. We have accounted for a capex of Rs. 1000Mn for FY17E where we have considered 100% to be financed by debt. Therefore, increased finance costs are expected to decline PAT margins to 2.9% in FY17E. However, it is likely to rise to 4.2% in FY18E on the back of decreasing debt levels and we have also reduced the tax expense considering their new Assam plant having 400Mn battery capacity would be operational by then based on management guidance in the concall.

Furthermore, RoCE and RoE are expected to fall in FY17E to 22.6% and 18.2% from 25.9% and 25.6% in FY16 respectively. With increasing margins, their RoCE and RoE for FY18E are expected to increase to 26.9% and 24.5% respectively. The company has launched its new appliances segment and the revenues are expected to be recognized towards the end of FY17E.

Valuation and Outlook

At CMP of Rs. 237, the stock is currently trading at 11.2x FY18E EV/EBITDA. The main revenue drivers for the company are expected to arrive from the spurring LED demand. The 2-year forward average EV/EBITDA is ~14.8x. However, owing to battery market uncertainty due to dumping from unorganized markets and pricing pressures, we have slightly discounted our valuation at 13.8x EV/EBITDA having a target price of Rs.293. Therefore, we recommend **"BUY"** rating on Eveready Industries India Ltd (EIIL) with a target price of Rs.293 having an upside potential of 24% over the period of next 9-12 months.

Key Risks

- Raw material prices.
- Dumping from unorganized markets like China and Vietnam.
- Pricing pressures.
- Increasing competition in the LED light segment.
- Monsoon patterns.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	11534	12789	13233	14614	17581
EBITDA	907	1240	1209	1344	1670
EBITDA Margin (%)	7.9	9.7	9.1	9.2	9.5
Adj. Net Profit	136	489	506	427	730
EPS (Rs.)	1.9	6.7	7.0	5.9	10.0
RoE (%)	13.8	33.5	25.6	18.2	24.5
P/E (x)	126.9	35.2	34.1	40.4	23.6

Source: Company, Karvy Research

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	237
Target Price	293
Upside (%)	24

Stock Information

Mkt Cap (Rs.mn/US$ mn)	17314 / 259
52-wk High/Low (Rs.)	375 / 192
3M Avg. daily volume (mn)	0.2
Beta (x)	1.5
Sensex/Nifty	25653 / 7861
O/S Shares(mn)	72.7
Face Value (Rs.)	5.0

Shareholding Pattern (%)

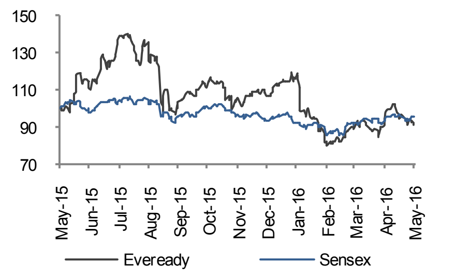
Promoters	44.0
FIIs	12.6
DIIs	18.7
Others	24.8

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(9)	12	(10)	(9)
Relative to Sensex	(9)	1	(10)	(3)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Eveready started its operation in 1905 by selling batteries and was incorporated in 1934 by Khaitan family under the name National Carbon Company. It became a part of Williamson Magor group in 1993 and changed its name to Eveready Industries Limited in 1995 and is currently headed by Mr. B.M Khaitan, the chairman. The company operates under four main business segments; Batteries, Flashlights, Lighting & Electrical and Packet tea. Their products include batteries, flashlights, lanterns, lamps etc.

Finolex Cables Ltd

Bloomberg Code: FNXC IN

India Research - Stock Broking

BUY

Wired for Growth

Capex cycle to derive growth: The company is catering to the segment like agriculture, construction, power etc which requires huge capex. The company has evolved from a wire and cables company into an electrical product company with the launch of various products like switches and LED bulbs. This is expected to derive earnings for the company in coming years. With the increased focus on industrial and infrastructure sector, FCL is well placed to reap the benefits of the same.

Margins to improve on lower commodity prices: The company is experiencing softening of copper prices which can be seen in improving margins. We expect the ebitda margins to reach 16.2% on the back of copper prices softening and improvement in sales of industrial product categories.

LED and switches segment to grow: The others segment has shown a growth of CAGR 34% during FY12-16. The segment is set to grow in the coming years seeing the governments thrust on installing LED bulbs would be a very big opportunity for Finolex. The government's plan to change all the street lightning to LED's (potential of Rs12000cr of LED's over next 3 years).

Result update: For FY16, standalone net sales have seen a marginal growth again because of fall in commodity prices. On the volume terms, both the segments communication and electrical cables have seen a growth of more than 15.0%. For FY16, profit before taxes improved to Rs.3363 mn from Rs.2406 mn with PBTmargins of 13.6%. For the FY16, profit after taxes improved to Rs. 2487 mn from Rs.1761 mn showing a YoY growth of 41.2%.

Valuation and Outlook

At CMP of Rs.342, Finolex cables is trading at 15.4x to FY18E EPS. We expect the improving operating margins on account of the falling raw material prices, we assign a multiple of 18.2x to FY18E EPS. We maintain our **"BUY"** rating for a upward revised target price of Rs.412 representing an upside potential of 18% for a 9-12 months period.

Key Risks

- Competition from unorganized sector.
- Fluctuation in copper prices which constitutes 80% of the total raw material cost.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	23590	24491	24611	26501	29242
EBITDA	2482	2598	3385	4055	4737
EBITDA Margin (%)	10.5	10.6	13.8	15.3	16.2
Adj. Net Profit	2077	1987	2488	2947	3461
EPS (Rs.)	13.6	13.0	16.3	19.3	22.6
RoE (%)	18.8	15.7	17.0	14.5	14.8
P/E (x)	10.0	20.7	20.7	18.1	15.4

*Source: Company, Karvy Research, **Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	349
Target Price	412
Upside (%)	18

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	53399 / 794
52-wk High/Low (Rs.)	359 / 201
3M Avg.daily volume (Mn)	0.2
Beta (x)	0.9
Sensex/Nifty	26843 / 8219
O/S Shares(mn)	152.9
Face Value (Rs.)	1.0

Shareholding Pattern (%)

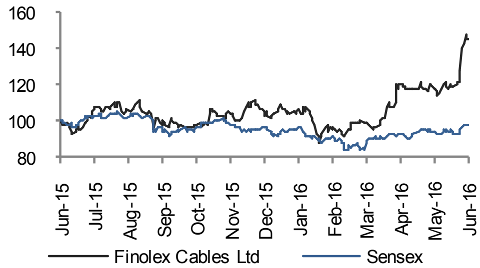
Promoters	37.3
FIIs	7.4
DIIs	17.3
Others	38.0

Stock Performance (%)

	1M	3M	6M	12M
Absolute	23	48	41	45
Relative to Sensex	17	34	38	47

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Finolex cables ltd is a flagship company of Finolex group. As India's leading manufacturer of electrical and telecommunication cables, it also offers a wide range of products for construction, automotive, agriculture, communication and power industries. The company mainly operates through 4 divisions 1 electrical cable 2 communication cables 3 copper rods and others- comprising switches CFL's and LED lamps. Through its facilities set up at Roorkee, Goa, and Pune. Electrical cable segment has the highest contribution of 85% to total sales.

Mahindra Holidays & Resorts India Ltd

Bloomberg Code: MHRL IN

India Research - Stock Broking

BUY

Strong Inventory to Drive Growth through "Club Mahindra"

Strong inventory to drive growth: The new inventory of 450-500 rooms across 4 projects to be added to the current inventory of 2879 rooms. Addition of room is more important strategy for the growth of the vacation membership business. The current inventory and new inventory in pipeline augment well for the growth of the company in the coming years.

Good membership base: Total ownership members are at 1,99,185 on stand-alone basis. With this strong membership base, MHRIL is looking to increase its membership base through referral programmes and by building its brand "Club Mahindra". To the one time membership fees, which is currently at an average of Rs.0.3 Mn per member, there is annual subscription fees which is linked to the inflation numbers.

Attractive new acquisition to expand into Europe: With around Euro 120 Mn of revenue and 10% EBITDA, Holiday Club Resorts (HCR) in which MHRIL increased its stake by 62.3% for consideration of around Euro 27 Mn, is a leading vacation ownership company in Europe and has well established presence in Finland with thirty-two resorts. With this acquisition, the company is looking to grow in Europe and Middle East. It has membership base of 50,000. MHRIL is also looking for more inorganic growth.

Strong promoter: Over the years, many players have come into vacation ownership business. With promoter group like Mahindra, this would give the company an advantage for easy penetration and thrust among the new members.

Valuation and Outlook

With well established resorts, strong network and credible promoter, MHRIL placed well in the Leisure vacation ownership business. The new inventory in pipeline, the acquisition along with growth from the consistent resort and annual subscription business, RoEs and RoCEs in the coming years are expected to improve further. On the back of these growth initiatives, we initiate coverage on MHRIL and assign P/Ex multiple of 23.6x to FY18E EPS and give **"BUY"** rating with a target price of Rs.472, with an upside potential of 17%.

Key Risks

- Dip in vacation ownership business.
- Weak growth in Finland

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	8164	8119	15986	18064	20954
EBITDA	1741	1981	2907	3225	3955
EBITDA Margin (%)	21.0	23.9	18.1	17.8	18.8
Adj. Net Profit	870	812	991	1138	1511
EPS (Rs.)	9.9	9.2	11.3	12.9	17.2
RoE (%)	12.7	10.9	14.2	16.2	19.3
P/E (x)	23.5	27.5	35.6	31.3	23.6

*Source: Company, Karvy Research, **Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	405
Target Price	472
Upside (%)	17

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	35921 / 534
52-wk High/Low (Rs.)	475 / 232
3M Avg.daily volume	48436
Beta (x)	0.8
Sensex/Nifty	26843 / 8219
O/S Shares(mn)	88.8
Face Value (Rs.)	10.0

Shareholding Pattern (%)

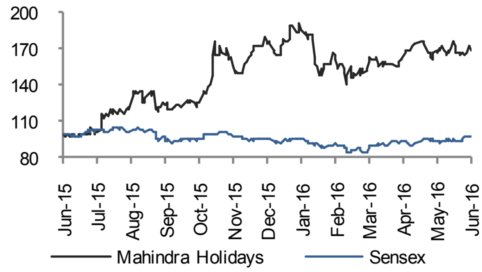
Promoters	75.0
FIIs	10.0
DIIs	5.0
Others	10.0

Stock Performance (%)

	1M	3M	6M	12M
Absolute	1	6	(3)	66
Relative to Sensex	(5)	(5)	(6)	69

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Mahindra Holidays Resorts India Limited (MHRIL), owned by Mahindra and Mahindra group, India's leading player in the leisure hospitality industry, offers quality family holidays primarily through vacation ownership memberships. While Club Mahindra is the flagship brand, the other brands offered by the company are: Club Mahindra Fundays and Club Mahindra Travel. The company currently operates 45 resorts across India and abroad, with inventory of 2879 rooms. Holiday Club Resorts Oy is the leading vacation ownership company in Europe and is a significant operator in the fields of holiday housing and tourism. It has 32 resorts with membership base of 50000. It has presence in neighboring European markets.

Minda Industries Ltd

Bloomberg Code: MNDA IN

India Research - Stock Broking

BUY

Higher Market Penetration Through Acquisitions and New Product Launches to Drive Revenues

Minda Industries Limited (MIL), pioneers in the switches, lighting and horns segment posted standalone revenue of Rs. 14687 Mn during FY16, up by 7.2% (YoY) driven by increased orders from various OEMs (Original Equipment Manufacturers) and significant growth in exports especially in the switches and the lighting segment which surged by 90.9% and 120.0% respectively. The company has made two acquisitions in the lighting and horns segment in the last two years so as to increase their market presence and expand their share of business with major OEMs. Consolidated FY16 revenue went up by 13.5% (YoY), majorly driven by their subsidiaries, Minda ASEAN and MJ castings consolidation. Furthermore, revenues from Minda Kyoraku and Minda Distribution services have soared by 37.1% and17.5% in FY16 (YoY) respectively, boosting their revenues further. EBITDA margin recorded 9.4% in FY16 up by 248bps (YoY) driven by raw material cuts. PAT margin leveled at 4.4% in FY16 compared to 3.1% in FY15, the gap has narrowed mainly on account of debt and asset consolidation of their subsidiaries. Going forward, we expect consolidated revenues to grow at CAGR of 12.3% during FY16-18E driven by their strong order book and strengthening of exports market. EBITDA margins are expected to soar to 9.6% in FY18E. PAT is expected to grow at CAGR of 26.6% between FY16-18E where margins are expected to be 4.7% and 5.3% in FY17E and FY18E respectively.

Valuation and Outlook

Currently, the stock is trading at 10.8x FY18E EPS. Looking at the growth prospects of the company especially on the exports side, we value the company at 12.5x P/E for FY18E EPS for a revised target price of Rs. 1355. The premium is on account of the expected benefits to arrive from Minda Rinder acquisition which enables them to tap the 2-wheeler market in addition to their existing 4-wheeler market, thus broadening the base. We maintain our positive view on MIL with a **"BUY"** rating for a target price of Rs. 1355 representing an upside potential of 16% in a 9-12 month period.

Key Risks

- Raw Material Pricing.
- Budget Allocations.
- European automobile segment.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	17061	22266	25273	28282	32161
EBITDA	778	1543	2378	2715	3087
EBITDA Margin (%)	4.6	6.9	9.4	9.6	9.6
Adj. Net Profit	57	520	1059	1348	1720
EPS (Rs.)	3.6	32.8	66.8	84.9	108.4
RoE (%)	1.8	15.4	25.7	26.0	26.1
P/E (x)	NA	35.7	17.5	13.8	10.8

Source: Company, Karvy Research

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	1170
Target Price	1355
Upside (%)	16

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	18562 / 276
52-wk High/Low (Rs.)	1249 / 471
3M Avg.daily volume	35284
Beta (x)	1.4
Sensex/Nifty	26843 / 8219
O/S Shares(mn)	15.9
Face Value (Rs.)	10.0

Shareholding Pattern (%)

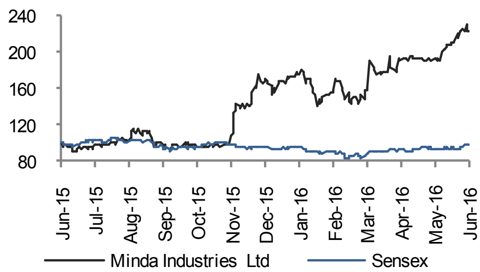
Promoters	70.9
FIIs	0.1
DIIs	2.5
Others	26.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	16	42	31	122
Relative to Sensex	10	28	28	125

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Incorporated in the year 1958, Minda Industries Ltd (MIL), formally called "UNO MINDA", is an auto-ancillary conglomerate that provides proprietary automotive solutions for Original Equipment Manufacturers (OEMs) having its headquarters at Manesar, Haryana, India. Their main product portfolio comprises of: Switches, Lights and Horns which constitute their core stream of revenue and they mostly cater to the 2 wheeler and passenger vehicle segment. In addition to this, they also manufacture Blow Molding components, Fuel systems, Die casting components, and Alloy wheels etc, which are mainly sourced by the passenger vehicle segment.

Natco Pharma Ltd

Bloomberg Code: NTCPH IN

India Research - Stock Broking

BUY

Natco's Export Story To Unfold, Grounded in Strong Science & Courageous Management

Hepatitis C Portfolio To Be The Biggest Growth Driver: Natco is among the first to launch Sofosbuvir+Ledipasvir combo and Daclatasvir, this has put Natco in driver's seat in hepatitis C (HCV) market in India. We estimate that Natco would generate Rs.7247 Mn and Rs.8382 Mn from domestic sales of HCV medicines during FY17E and FY18E respectively. Additionally, Natco has been aggressively filing for product registrations of its hepatitis C medicines in various countries. Margins in Natco's brand medicines are estimated to be 30% whereas margins in the 3rd party sales (business to business sales) are estimated to be 20%-25%.

Tamiflu - A Tangible Opportunity with Substantial Cash Flows: Natco settled Tamiflu lawsuit, allowing Natco to launch gTamiflu before Feb 23, 2017. Tamiflu is a seasonal drug with 85% to 90% of sales occurring during the winter season (Oct to Mar), thus we believe that the launch date is crucial for Natco to generate large revenues and profits. We have assumed a mid Nov 2016 launch. During the exclusivity period, we believe that Natco would be able to gain substantial market share (at least 40%), further we have assumed 30% price erosion during exclusivity period.

Valuation and Outlook

The export story of Natco has not begun yet on a large scale, during FY15 export formulations were only 19% of total sales. With 22 pending niche ANDAs of which some are big-ticket ANDAs and with product registration of HCV medicines in 40 countries and counting, we believe that the export story of Natco will unfold in next 2 years, generating substantial revenues and profits. Natco has been trading at an average TTM PE(x) of 59, 48, 40, 34 & 30 for the past 1, 2, 3, 4 & 5 years respectively. At CMP of Rs.477, Natco is trading at PE of 16.8x FY18E EPS of Rs.28.4. We reiterate a **"BUY"** recommendation with Rs.673 target price based on 22x FY18E EPS of Rs.28.4 for the recurring business and a net present cash flow of Rs.48 per share for FTFs/Para IV opportunities. The target of Rs.673 represents a potential upside of 41%.

Key Risks

Delay/revoke of US FDA approvals and/or registration/approvals in other markets. Loss of exclusivity. Indian Rupee appreciating against USD. Impact of USFDA 483 observations.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	7,389	8,253	11,416	14,832	20,867
EBITDA	1,794	2,134	2,697	4,043	7,030
EBITDA Margin (%)	24.3	25.9	23.6	27.3	33.7
PAT	1,027	1,346	1,530	2,822	4,948
EPS** (Rs.)	6.4	8.1	9.1	16.2	28.4
RoE (%)	16.1	17.0	16.7	25.9	34.7
PE (x)	24.7	51.9	46.9	28.4	16.2

*Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price*
*** Note: EPS is adjusted as the company has announced stock split from FV of Rs.10 to Rs.2 in Nov 2015. The adjustment effect is given for all the above reporting periods.*

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	477
Target Price	673
Upside (%)	41

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	83,177 / 1,236
52-wk High/Low (Rs.)	624 / 372
3M Avg.daily volume (Mn)	0.5
Beta (x)	0.6
Sensex/Nifty	26,843 / 8,219
O/S Shares(mn)	174.1
Face Value (Rs.)	2.0

Shareholding Pattern (%)

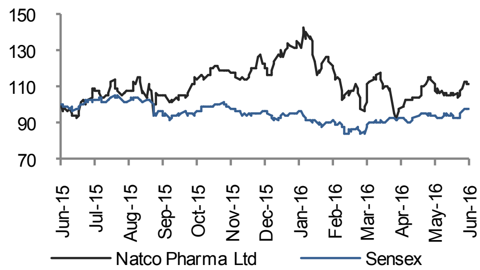
Promoters	51.3
Public	
Institutions	25.3
Non-Institutions	23.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	18	(6)	(4)	12
Relative to Sensex	17	(9)	0	18

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Founded in 1981, Natco is a mid-size pharma manufacturer. It is the market leader in the domestic Oncology segment. Natco has presence in niche therapeutic areas and sells products in more than 40 countries. Natco prides itself in "Resisting the usual" by identifying and pursuing products with large and sustainable revenue potential. In Indian market, it offers 20 oncology medicines (9 for blood cancers + 11 for solid tumors) and 14 medicines in other therapeutic classes. Natco has 3 finished dosages facilities in Kothur, Nagarjuna Sagar and Dehradun, and 2 API facilities in Mekaguda and Chennai.

SML ISUZU Ltd

Bloomberg Code: SM IN

India Research - Stock Broking

BUY

Competitive Pricing to Drive Volumes

SML ISUZU, key player in the commercial vehicle segment is famous for school buses. The company is well-positioned to take advantage of the demand by strategic pricing and product mix. During FY16, their revenue grew by 5.3% driven by volume growth of 8.0% from 11759 vehicles in FY15 to 12700 vehicles in FY16. However, owing to severe competition from players like Eicher and TATA motors in the passenger vehicle segment, there had been pricing cuts to keep their market share afloat. Also, during last fiscal, the company followed the new bus code standards which comply to present market rules which led to one-off costs. Positively, their commercial goods vehicle sales have gone up significantly by 48.5% in FY16 as compared to the previous year. SML now seems to have stream-lined production and has made notable sales in the months April and May 2016 with 1404 vehicles and 1929 vehicles respectively (record high sales), also because this season is quite important for their school bus sales owing to academic year start. Furthermore, the Rs. 2200 Mn capex the company had indicated during FY15 does not seem to have been incorporated hence we cut down our borrowing estimations. Going forward, we expect revenue to grow at CAGR of 18.2% driven by volume growth at CAGR of 19.0% assuming slight reduction in pricing. EBITDA margins are expected to be 7.6% and 7.8% in FY17E and FY18E respectively, considering the raw material cushion to continue. PAT margins are expected to reach 4.9% in FY17E and 5.2% in FY18E supported by robust top line and decreasing financial costs. Accordingly, RoE is expected to reach 19.2% and 20.5% in FY17E and FY18E.

Valuation and Outlook

Currently, the stock is trading at 18.1x FY18E EPS. Looking at the growth prospects of the company, we value the company at 22.0x P/E for FY18E EPS on account of volume growth due to their highly competitive pricing strategy for a revised target price of Rs. 1294. We maintain our positive view on SML with a **"BUY"** rating for a target price of Rs. 1294 representing an upside potential of 21% in a 9-12 month period.

Key Risks

- Intense competition in the commercial passenger segment.
- Raw material pricing.
- Monsoon patterns.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	8813	11055	11643	13868	16275
EBITDA	317	655	848	1054	1269
EBITDA Margin (%)	3.6	5.9	7.3	7.6	7.8
Adj. Net Profit	174	369	511	678	851
EPS (Rs.)	12.0	25.5	35.3	46.8	58.8
RoE (%)	6.8	13.4	16.7	19.2	20.5
P/E (x)	88.6	41.7	30.1	22.7	18.1

Source: Company, Karvy Research

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	1065
Target Price	1294
Upside (%)	21

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	15417 / 229
52-wk High/Low (Rs.)	1600 / 639
3M Avg.daily volume (Mn)	0.2
Beta (x)	1.3
Sensex/Nifty	26843 / 8219
O/S Shares(mn)	14.5
Face Value (Rs.)	10.0

Shareholding Pattern (%)

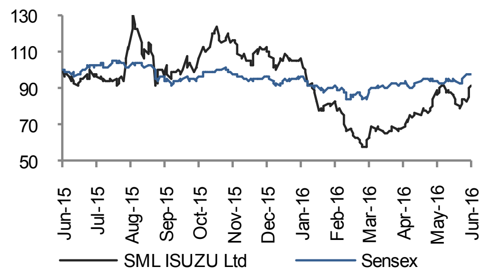
Promoters	44.0
FIIs	0.8
DIIs	17.7
Others	37.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	3	45	(17)	(9)
Relative to Sensex	(2)	31	(19)	(7)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Incorporated in the year 1983, SML ISUZU Ltd is an automobile manufacturer whose main product base includes Trucks, Buses and Special application vehicles like that of Ambulance, Military vans, Tipper etc. Currently headed by Mr. S.K Tuteja, the Chairman, the company has only one plant in Punjab from where it primarily manufactures vehicles. They extensively operate in the 5-12GVW segment having around 100 dealers across the nation. In addition to this, bus chassis is also a part of their portfolio. Since Isuzu Motors is a stake holder, premier bus/truck models are launched under this brand which use ISUZU engines.

Triveni Turbine Ltd

Bloomberg Code: TRIV IN

India Research - Stock Broking

BUY

Favourable Business Mix to Sustain Superior Return Ratios

Strong order book: Overall order intake for Triveni Turbine Ltd (TTL) was encouraging with an inflow of Rs.8370mn in FY16 compared to Rs.6942 mn in FY15 while the consolidated order book stands at Rs.8025 Mn beginning FY17E. The outstanding order book was dominated by product export orders, which grew by 53.0% on YoY basis, reaching 67% of the order book.

Rising exports to counter restraint in domestic growth: We expect TTL to grow export revenues at a CAGR of 22.3% during FY16-18E to reach 55% of revenues by FY18E with focus on Europe, LATAM, Middle-East and African markets in the category upto 30MW power rated turbines.

Domestic revival remains elusive in the near term: GETL and RE mission to mitigate going forward: Indian steam turbine market is largely duopoly with TTL (65% market share) and Siemens together controlling over 95% of market share in the category upto 30MW power rating. GETL order backlog is gaining momentum in the 30-100MW category. We expect turbines business to grow at a CAGR of 7% during FY16-18E contributing to over 52% of revenues by FY18E. In the long term, GoI's focus on renewable energy mission 2022 and to further prospects for TTL with annual opportunity size averaging 373MW for next decade and half.

Robust balance sheet ratios; undeniably attractive: We expect revenue and EBITDA to grow at a CAGR of 15.5% / 18.6% respectively during FY16-18E, while the EBITDA and PAT margins are expected to reach 22.5% / 14.7% respectively by FY18E with RoE and RoCE reaching 33.7% / 34.5% respectively by FY18E

Results Update: Consolidated revenues have seen a growth of 22.4% to reach Rs.7963 Mn in FY16 with EBITDA margins of 21.3% showing a 243bps improvement from FY15 margins. The consolidated profit has reached Rs.1076 Mn in FY16, which shows a 12.1% growth from FY15, with PAT margins of 13.5%.

Valuation and Outlook

TTL expects growth to be driven by agro based industries and renewable rather than manufacturing demand; and in the international market, TTL is focusing on expanding its presence to create reference projects for its products business apart from offering aftermarket services business. We maintain **'BUY'** on TTL for a target price of Rs.128 valuing the company at 27.2x of FY18E EPS of Rs.4.7.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	5180	6508	7963	8998	10618
EBITDA	1062	1226	1698	1980	2389
EBITDA Margin (%)	20.5	18.8	21.3	22.0	22.5
Adj. Net Profit	680	905	1076	1284	1559
EPS (Rs.)	2.1	2.7	3.3	3.9	4.7
RoE (%)	38.9	39.6	36.8	34.7	33.7
P/E (x)	40.8	41.9	34.1	27.7	22.8

*Source: Company, Karvy Research, **Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	108
Target Price	128
Upside (%)	19

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	35637 / 530
52-wk High/Low (Rs.)	133 / 87
3M Avg.daily volume (Mn)	0.2
Beta (x)	0.9
Sensex/Nifty	26843 / 8219
O/S Shares(mn)	330.0
Face Value (Rs.)	1.0

Shareholding Pattern (%)

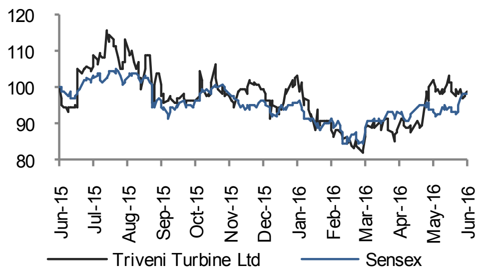
Promoters	70.0
FIIs	20.3
DIIs	3.8
Others	5.9

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(3)	14	(1)	(3)
Relative to Sensex	(8)	3	(4)	(2)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Triveni Turbine Ltd (TTL) is India's largest industrial steam turbine manufacturer with market share of over 60% in the upto 30MW steam turbine segment. Turbines business between 30-100MW ranges is handled by General ElectricTriveni Turbine Ltd JV, GE Triveni Limited (GETL). TTL manufactures steam turbines, which find its application in process co-generation industry, user industries range from Sugar, Paper & paper products, Chemicals, Petroleum products, Cement, Steel, Aluminium etc. TTL has over 2,500 installations across 50 countries like Europe, Africa, Central and Latin America, South East Asia and neighboring countries.

Tube Investments of India Ltd

Bloomberg Code: TI IN

India Research - Stock Broking

BUY

Tube Investmensts (TI): Core Businesses Strengthen Further

Cycles division to grow at a 4.6% CAGR During FY16-18E: We expect cycles business to grow at a CAGR of 4.6% during FY16-18E to Rs.1,625mn with support from institutional buying of standard cycles the volume growth is estimated at 2.4% CAGR during FY16-18E to 47.6 lakh cycles by FY18E whereas the per unit blended realisation is expected to grow at a CAGR of 2.2% in the same period to Rs.3,413 by FY18E with realisation expansion coming from speciality cycles segment. We expect the Rajpura CapEx to be completed before Q2FY17E.

EBITDA/tonne for engineering division to grow at a 5.1% CAGR during FY16-18E: We expect volumes for engineering division to grow at a CAGR of 6.0% to 2.48 lakh tonnes by FY18E with large dia tubes volumes growing at a CAGR of 17.5% while the blended realisation for the segment is expected to grow at a CAGR of 3.0% during FY16-18E. We expect margins to expand leading to growth in per tonne EBITDA expansion by a CAGR of 5.1% during FY16-18E. We witness volume pick-up in the large dia tube products and the same is expected to sustain above the EBITDA break-even levels over next few quarters and grow further going forward.

Metal products division to grow at a CAGR of 8.5% CAGR during FY16-18E: We expect the metal products division to grow at a CAGR of 8.5% during FY16-18E to Rs.1,123mn by FY18E with moderate to robust traction from the chains and sustained recovery in railway products to drive automotive products, railway products and other products segments growth at a CAGR of 9.5%, 6.7% and 6.0% respectively during FY16-18E.

Valuation and Outlook

We maintain **'BUY'** on Tube Investments of India for a target price of Rs.593 on SoTP basis with standalone business valued at Rs.193 based on 23x (11 year average P/E) of FY18E EPS of Rs.8.4, Chola investments valued at Rs.243/share, Chola MS valued at Rs.141/share and all other investments valued at investment value of Rs.16/share aggregating to per share value of Rs.593 representing an upside potential of 26% for 9-12 months period.

Key Risks

- Slowdown in consumption expenditure could impact cycles & auto demand.

Valuation Summary

YE Mar - Standalone (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	35256	38278	39410	40870	43985
EBITDA	3015	3193	3501	3634	3892
EBITDA Margin (%)	8.6	8.3	8.9	8.9	8.8
Adj. Net Profit*	941	869	1019	1437	1566
EPS (Rs.)	5.0	4.6	5.4	7.7	8.4
RoE (%)	7.8	6.8	7.4	48.0	7.9
P/E (x)**	35.8	79.9	70.5	46.1	39.5

*Source: Company, Karvy Research, * Adjusted for exceptional items*

***Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	469
Target Price	593
Upside (%)	26

Stock Information

Mkt Cap (Rs.mn/US$ mn)	87922 / 1307
52-wk High/Low (Rs.)	479 / 321
3M Avg.daily volume (mn)	0.1
Beta (x)	0.6
Sensex/Nifty	26843 / 8219
O/S Shares(mn)	187.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)

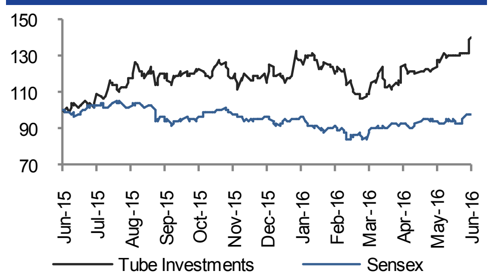
Promoters	50.0
FIIs	15.1
DIIs	11.4
Others	23.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	13	29	20	40
Relative to Sensex	7	17	17	41

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Tube Investments of India Limited (TI) is a holding company of the Murugappa Chettiar Group. The standalone entity operates through three segments, which include Cycles and Components, Engineering and Metal Formed Products, manufacturing products like precision steel tubes and strips, car doorframes, automotive and industrial chains and bicycles. TI's Cycles and Components segment consists of bicycles of different variety, including alloy bikes and specialty performance bikes. TI's brands include names like Hercules, BSA, Philips cycles, Montra and operates a wide distribution network of about 930 stores including 13 exclusive Track and Trial stores. TI operates 15 manufacturing plants in India.

Zensar Technologies Ltd

Bloomberg Code: ZENT IN

India Research - Stock Broking

BUY

Digitalization Holds Centre Stage for Growth

Digital space is the key revenue driver for the Zensar. SMAC (Social, Mobility, Analytics and Cloud) is increasingly paving the model for businesses in the future. Digital transformation is driving the market as witnessed with the global e-commerce market growing at 20% reporting revenues in 2014 totaling US$1.3 Tn. Zensar is growing rapidly, organically and inorganically, in platforms such as digital and cloud. We are expecting the digital revenues to increase by 15% in FY16E and 20% in FY17E; and growth of total revenues by CAGR of 14%.

A strong US and a strong dollar favoring Zensar Technologies: Zensar derives 76% of its revenue from the US and 10% from Europe. The revenues from US have increased by 14% from FY14 to FY15. US economy is expected to be in a fairly robust growth mode in CY16E. Zensar is doing constant organic and inorganic growth in US. We are expecting the revenues to increase by CAGR of 14%.

Oracle continues to be the strong arrowhead for Zensar Technologies: Zensar is also a recognized leader in Oracle deployments, having executed a number of joint implementation projects with Oracle worldwide. Currently, Zensar has renewed its Platinum Partner status, and is already moving towards enhancing its position as a leading expert in Oracle technologies by becoming a Diamond Partner. The strategic acquisition of Professional Access (PA), a US based e-commerce company is another significant step in this direction. PA is one of the largest Oracle ATG and Endeca partners in the world. It is an Oracle Platinum partner with presence in US, UK, Latin America, Middle East and Africa.

Valuation Outlook

We continue to maintain our positive outlook for the company; we expect a revenue growth of CAGR of 12.0% for FY16-FY18E. We expect the digital business to be the centre stage for growth in coming years. Zensar is able to post double digit revenue growth every year, in FY16 also they posted revenue growth of 12.1%. We expect the growth in coming years led by focus on digital business, Oracle capabilities, margin expansions in IMS business and strong deal pipeline. We maintain our **"BUY"** rating with target price of Rs.1178 for a period of 12-18 months.

Key Risks

- Foreign Exchange Risk.
- Change in policies of US.
- Global economic slowdown.

Valuation Summary

YE Mar - Standalone (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	23350	26558	29780	33354	37690
EBITDA	3582	3917	4404	5094	5860
EBITDA Margin (%)	15.3	14.7	14.8	15.3	15.5
Adj. Net Profit*	2375	2646	3092	3574	4108
EPS (Rs.)	54.3	59.7	69.7	80.6	92.7
RoE (%)	28.4	25.2	23.9	22.6	21.4
P/E (x)**	6.9	10.8	13.4	11.7	10.2

*Source: Company, Karvy Research, * Adjusted for exceptional items*

***Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on June 02, 2016)*	944
Target Price	1178
Upside (%)	25

Stock Information

Mkt Cap (Rs.mn/US$ mn)	41686 / 619
52-wk High/Low (Rs.)	1121 / 635
3M Avg.daily volume	37236
Beta (x)	1.0
Sensex/Nifty	26843 / 8219
O/S Shares(mn)	44.6
Face Value (Rs.)	2.0

Shareholding Pattern (%)

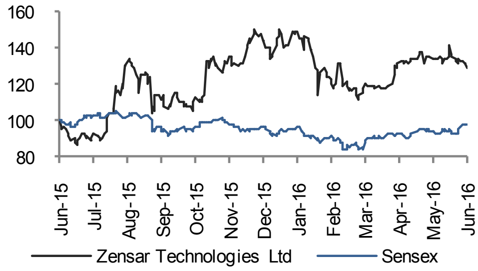
Promoters	48.0
FIIs	13.9
DIIs	0.6
Others	37.5

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(4)	7	(11)	26
Relative to Sensex	(9)	(4)	(14)	28

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Zensar Technologies Ltd. is the part of the RPG group of companies. The company has a services portfolio that ranges from the traditional to the transformational - across service lines of Management Consulting, Business Application Services, Enterprise Solutions, Enterprise Collaboration Services, Testing and Assurance Services, BPM and Infrastructure Management Services. Zensar's experience across industries of Retail, Manufacturing, Insurance, Banking, Healthcare. Zensar operates in the US, Europe, Africa, Middle East, Singapore and Australia regions; and has delivery centers in India (Pune, Hyderabad and Bangalore), China, UK, Amsterdam and US (Westborough). performance.

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