

Market Strategy:

Wealth Maximizer

An Update:

Jun - 2015

INDIAN EQUITIES: GETTING READY TO TAKE-OFF



Keep Investing in Indian Equities

Keep Calm During Turbulence in Short Term

Keep Growing in the Long Term

Wealth Maximizer

India Research - Stock Broking

Indian Equities: Getting Ready to Take-off

Indian equities started the year 2015 on a high note and rallied quickly towards the all time high levels in the first week of March 2015. However, selling pressure was witnessed from those euphoric levels due to concerns over the pace of interest rate hikes in the US and worries over Greece exiting the European Monetary Union. On the domestic front, lag in earnings momentum catching up with the market run up led to disappointment during the quarterly results. All these factors led to markets giving up the gains of the last six months, giving an opportunity for fresh investments to enter the Indian equity markets.

We retained eight out of ten stocks and replaced two stocks in our Wealth Maximizer 2015 due to expected under performance in the coming quarters.

Wealth Maximizer - Jun 2015

| NSE Symbol | R | CMP (₹) | TP (₹) | US (%) |
|------------|---|---------|--------|--------|
| ASIANPAINT | B | 737 | 888 | 21 |
| DIVISLAB | B | 1833 | 2090 | 14 |
| HDFCBANK | B | 1057 | 1198 | 13 |
| ITC | B | 310 | 408 | 32 |
| LT | B | 1791 | 2106 | 18 |
| MARUTI | B | 3993 | 4500 | 13 |
| RELIANCE | B | 991 | 1240 | 25 |
| TCS | B | 2593 | 2960 | 14 |
| ULTRACEMCO | B | 2905 | 3310 | 14 |
| UPL | B | 538 | 670 | 25 |

R: Rating, (CMP as on Jun 29, 2015), US: Upside, B: Buy, TP: Target Price (Time Frame: 9-12 Months)

Exhibit: Wealth Maximizer Jan 2015 - An update

| NSE Symbol | Entry (Rs.) * | TP (Rs.) | US (%) | LTP | RTD (%) | High | Peak Return (%) |
|------------|---------------|----------|--------|------|---------|------|-----------------|
| ASIANPAINT | 752 | 888 | 18.1 | 737 | (2.0) | 917 | 22 |
| DIVISLAB | 1723 | 2090 | 21.3 | 1833 | 6.4 | 1969 | 14 |
| HDFCBANK | 952 | 1150 | 20.8 | 1057 | 11.0 | 1109 | 17 |
| ITC | 369 | 450 | 22.0 | 310 | (16.0) | 402 | 9 |
| JSWSTEEL | 1048 | 1500 | 43.1 | 871 | (16.8) | 1087 | 4 |
| LT | 1495 | 2000 | 33.8 | 1791 | 19.8 | 1894 | 27 |
| RELIANCE | 891 | 1110 | 24.6 | 991 | 11.2 | 1014 | 14 |
| TATAMOTORS | 496 | 655 | 32.1 | 428 | (13.7) | 606 | 22 |
| TCS | 2558 | 2960 | 15.7 | 2593 | 1.4 | 2786 | 9 |
| ULTRACEMCO | 2676 | 3200 | 19.6 | 2905 | 8.6 | 3398 | 27 |

*Entry as on Dec 31, 2014, High: Period High, LTP & RTD (Return till date): As on Jun 29, 2015

Exhibit: Changes in Wealth Maximizer - 2015

| Stock | Status | Comment |
|------------|--------|--|
| ASIANPAINT | R | Market leadership with pricing power |
| DIVISLAB | R | Consistency in growth with industry leading margins |
| HDFCBANK | R | Consistency in business growth, stable NIMs and lowest NPAs |
| ITC | R | Strong brands with pricing power delivering consistent growth |
| LT | R | Proxy to ride the Indian economic growth |
| MARUTI | A | New launches to drive growth |
| RELIANCE | R | Firing the next growth engine and investments to yield results |
| TCS | R | Consistent growth with superior margins |
| ULTRACEMCO | R | Consolidating leadership position with focus on efficiency |
| UPL | A | Fast growing player in the global generic Agro-Chemicals |
| JSWSTEEL | D | Lack of pricing power due to cheaper imports |
| TATAMOTORS | D | Increased concerns over slowdown in China |

A: Added, R: Retained, D: Dropped

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Karvy Stock Broking Research is also available on Bloomberg, KRVY<GO>, Thomson Publishers & Reuters

What has changed in the last six months since we released Wealth Maximizer 2015?

- Indian equities came off from the euphoric levels giving an opportunity for fresh investments
- Status quo in US Fed Fund rates owing to slower than expected economic recovery
- Litmus test for Greece: To be or Not to be in the Euro
- Modi express rolling slower than the expected speed
- Delay in corporate earnings momentum catching up with the Indian equity market run up
- The boom and bust in the Chinese markets proved that growth in the Indian markets is more durable

What we believe

- Global markets to move on from the Greece fiasco and Greece to continue in the Euro
- The US is on course to gradually hike the interest rates acknowledging the slower than expected economic recovery
- Economic growth in India is likely to be a bit slower than expected but is going to be the fastest growing large economy in the world
- On ground execution of capex cycle to pick up due to various government initiatives like 'Make-in-India', Smart cities, Housing for all etc.
- Downward rate cycle in India and subdued global commodity prices to enhance corporate profit margins
- Improving macro environment, relatively stable currency making India an attractive destination for foreign portfolio inflows
- Indian equities are ready to take-off from the ground and likely to outperform other asset classes in the next one year

Our take on the market

We expect Nifty to trade in the band of 8400 – 10800 in the coming 12-15 months, implying a P/E band of 14-18x for CY16 consensus EPS. There could be short term volatility triggered by global events. We remain overweight on domestic consumption, Agri, Automobiles, BFSI, Cement, Consumer Goods, Infrastructure, Software and Pharma.

Wealth Maximizer Jun 2015: Our top ten large-cap picks in the Wealth Maximizer (for a time frame of 9-12 months) are Asian Paints, Divis Labs, HDFC Bank, ITC, L&T, Maruti Suzuki, Reliance Industries, TCS, Ultratech Cement and UPL.

Risk to our call: In our view, the pre-dominant risk is the global financial crisis originating from the European Union. Any drastic economic slowdown in China or in the US could be a risk for our assumptions. Slower reform momentum in India, spike in commodity prices and currency volatility could also play spoil sport.

Wealth Maximizer - Largecap (WM) is an investment product of Karvy Stock Broking Ltd formulated by our Equity Fundamental & Technical Research, based on Techno-Funda Analysis. It enlists 10 stocks from the Karvy Large-cap stock universe.

The objective of 'Wealth Maximizer' is to deliver superior returns over an extended time frame. The investment philosophy works on simple but superior fundamental research.

The 10 large cap companies in this product in our opinion reflects superior businesses with consistent future cash flows, run competently and have potential for exponential stock price growth.

We also track short-term price distortions that create long-term value, driven by sound economic fundamentals of the company. This reflects, stocks that have margin of safety will converge to their intrinsic value over a period of time and will reflect superior returns.

This is also a part of managing the overall risk, the objective is to attain higher risk adjusted returns and deliver consistent out performance.

The stock's performance will be assessed on an ongoing basis and the composition of the stocks in the product will be altered based on target achievement, changes in the fundamentals of the stocks, industry position, market performance and broad macro-economic factors.

The product is being given to the clients in the form of non-binding investment recommendations so that they can decide to capitalize on the robust fundamentals and future plans of the company, which is being discussed in detail in the report.

Global Markets at a Glance

| Equities | | | | | | |
|---------------------|-------|---------|---------|-------|-------|--------|
| EQUITY INDEX | LTP | 6M %Chg | 1Y %Chg | 52WH | 52WL | PE (x) |
| US S&P 500 | 2058 | (2.1) | 5.0 | 2135 | 1821 | 18.2 |
| US NASDAQ | 4958 | (2.4) | 12.5 | 5164 | 4117 | 29.9 |
| CHINA SHANGHAI | 4277 | 5.5 | 108.8 | 5178 | 2033 | 21.6 |
| EURO STOXX 50 | 3442 | (1.0) | 6.4 | 3836 | 2790 | 19.7 |
| JAPAN NIKKEI 225 | 20236 | 0.6 | 33.5 | 20953 | 14529 | 22.9 |
| UK FTSE100 | 6578 | (0.7) | (2.6) | 7123 | 6073 | 20.7 |
| HONGKONG HANGSENG | 26272 | 1.2 | 13.3 | 28589 | 22530 | 10.9 |
| CANADA TSX | 14490 | (2.1) | (4.3) | 15685 | 13636 | 20.2 |
| FRANCE CAC 40 | 4822 | (1.2) | 8.8 | 5284 | 3789 | 24.8 |
| AUSTRALIA ASX 200 | 5459 | 0.7 | 1.2 | 5997 | 5122 | 20.0 |
| GERMANY DAX | 10998 | (0.9) | 11.7 | 12391 | 8355 | 17.7 |
| SWISS MARKET INDEX | 8799 | (0.8) | 2.8 | 9475 | 7853 | 18.1 |
| SOUTH KOREA KOSPI | 2074 | 0.7 | 3.6 | 2190 | 1876 | 17.8 |
| TAIWAN TAIEX | 9323 | 0.9 | (0.7) | 10014 | 8501 | 14.0 |
| INDIA NSE NIFTY | 8322 | (0.0) | 9.3 | 9119 | 7422 | 21.8 |
| SPAIN IBEX35 | 10791 | (0.7) | (1.4) | 11885 | 9371 | 18.6 |
| BRAZIL BOVESPA | 53014 | (1.9) | (0.3) | 62305 | 45853 | 32.6 |
| NETHERLANDS AEX | 474 | (0.9) | 14.5 | 511 | 367 | 22.0 |
| SWEDEN OMX 30 | 1546 | (0.9) | 12.2 | 1720 | 1247 | 15.3 |
| ITALY MIB | 22478 | (0.6) | 5.4 | 24082 | 17556 | - |
| SINGAPORE STRAITS | 3321 | 1.2 | 2.0 | 3550 | 3150 | 14.9 |
| THAILAND SE THAI | 1505 | (0.4) | 1.3 | 1620 | 1376 | 20.0 |
| INDONESIA JAKARTA | 4923 | 0.8 | 0.9 | 5524 | 4826 | 22.0 |
| MEXICO BOLSA | 44710 | (1.9) | 4.6 | 46554 | 39581 | 30.6 |
| MALAYSIA BURSA KLCI | 1707 | 0.9 | (9.3) | 1896 | 1672 | 16.8 |
| NEW ZEALAND 50 | 5727 | 0.4 | 11.4 | 5927 | 5038 | 19.1 |

Source: Bloomberg, Karvy Research

| Currencies | | | | | | |
|-----------------------|------------|--------|-------|--------|-------|-------|
| Currency pair with \$ | Unit | LTP | %6M | %1Y | 52WH | 52WL |
| EURO | \$/ 1 EUR | 1.117 | (0.6) | (18.4) | 1.4 | 1.0 |
| JAPANESE YEN | JPY / 1 \$ | 122.13 | 0.3 | (17.0) | 125.9 | 101.1 |
| BRITISH POUND | \$/ 1 GBP | 1.572 | (0.1) | (8.1) | 1.7 | 1.5 |
| CANADIAN DOLLAR | CAD / 1 \$ | 1.240 | 0.0 | (13.9) | 1.3 | 1.1 |
| AUSTRALIAN DOLLAR | \$/ 1 AUD | 0.768 | 0.1 | (18.5) | 1.0 | 0.8 |
| NEWZEALAND DOLLAR | \$/ 1 NZD | 0.681 | (0.6) | (22.3) | 0.9 | 0.7 |
| SWISS FRANC | CHF / 1 \$ | 0.931 | (0.6) | (4.7) | 1.0 | 0.7 |
| NORWEGIAN KRONE | NOK / 1 \$ | 7.907 | (0.6) | (22.4) | 8.4 | 6.1 |
| SWEDISH KRONA | SEK / 1 \$ | 8.250 | (0.3) | (19.0) | 8.9 | 6.7 |
| CHINA RENMINBI | CNY / 1 \$ | 6.203 | 0.1 | 0.0 | 6.3 | 6.1 |
| HONGKONG DOLLAR | HKD / 1 \$ | 7.752 | (0.0) | (0.0) | 7.8 | 7.7 |
| INDIAN RUPEE | INR / 1 \$ | 63.768 | 0.1 | (5.6) | 64.3 | 59.5 |
| INDONESIAN RUPIAH | IDR / 1 \$ | 13318 | 0.2 | (10.8) | 13400 | 11483 |
| MALAYSIAN RINGGIT | MYR / 1 \$ | 3.779 | 0.2 | (15.0) | 3.8 | 3.1 |
| PHILIPPINES PESO | PHP / 1 \$ | 45.114 | 0.0 | (3.2) | 45.4 | 43.2 |
| SINGAPORE DOLLAR | SGD / 1 \$ | 1.345 | 0.1 | (7.3) | 1.4 | 1.2 |
| SOUTH KOREAN WON | KRW / 1 \$ | 1116 | 0.9 | (9.3) | 1137 | 1008 |
| TAIWAN DOLLAR | TWD / 1 \$ | 30.857 | 0.7 | (3.1) | 32.0 | 29.8 |
| THAI BAHT | THB / 1 \$ | 33.761 | 0.1 | (3.9) | 34.0 | 31.7 |
| RUSSIAN RUBLE | RUB / 1 \$ | 55.815 | (0.1) | (39.1) | 79.2 | 33.7 |
| S AFRICAN RAND | ZAR / 1 \$ | 12.246 | (0.0) | (13.1) | 12.7 | 10.5 |
| BRAZILIAN REAL | BRL / 1 \$ | 3.118 | 0.4 | (29.0) | 3.3 | 2.2 |
| MEXICAN PESO | MXN / 1 \$ | 15.692 | (0.0) | (17.4) | 15.8 | 12.9 |
| DOLLAR INDEX | Spot | 95.181 | 0.4 | 19.3 | 100.4 | 79.7 |

Source: Bloomberg, Karvy Research

| Commodities | | | | | | |
|------------------|---------------|---------|-------|--------|---------|---------|
| Commodity | Unit | LTP | %6M | %1Y | 52WH | 52WL |
| BRENT CRUDE OIL | \$/bbl | 62.1 | 0.1 | (42.2) | 107.3 | 52.3 |
| NYMEX CRUDE OIL | \$/bbl | 58.2 | (0.2) | (39.6) | 96.6 | 48.7 |
| NATURAL GAS | \$/mmbtu | 2.8 | (0.3) | (31.8) | 4.1 | 2.6 |
| GOLD | \$/troy ounce | 1176.8 | (0.3) | (11.3) | 1345.2 | 1132.2 |
| SILVER | \$/troy ounce | 15.7 | (0.4) | (25.3) | 21.6 | 14.4 |
| PLATINUM | \$/troy ounce | 1081.7 | 0.0 | (27.2) | 1519.7 | 1058.9 |
| ALUMINIUM | \$/MT | 1701.0 | (0.2) | (9.8) | 2119.5 | 1677.0 |
| COPPER | \$/MT | 5790.0 | 0.6 | (16.6) | 7212.0 | 5339.5 |
| ZINC | \$/MT | 2019.0 | (0.5) | (7.6) | 2416.0 | 1981.0 |
| NICKEL | \$/MT | 11835.0 | (4.9) | (37.4) | 19990.0 | 11730.0 |
| LEAD | \$/MT | 1784.0 | 0.2 | (17.4) | 2307.0 | 1676.5 |
| IRON ORE | \$/ MT | 62.2 | 0.3 | (33.0) | 97.3 | 48.0 |
| COAL | \$/ MT | 60.5 | (0.2) | (19.0) | 74.9 | 51.8 |
| COKING COAL | \$/ MT | 90.9 | (0.2) | (20.9) | 116.5 | 85.0 |
| CORN | Cents / bu | 392.0 | 0.0 | (12.4) | 462.3 | 352.0 |
| WHEAT | Cents / bu | 579.5 | (0.7) | (11.3) | 672.5 | 469.3 |
| SOYBEAN | Cents / bu | 972.8 | (0.7) | (15.2) | 1198.0 | 895.8 |
| ROUGH RICE | \$/ 100 lb | 10.1 | 0.1 | - | 12.5 | 9.5 |
| CRUDE PALMOIL | MYR / MT | 2237.0 | (1.3) | (10.3) | 2511.0 | 2024.0 |
| SOYBEAN OIL | Cents / lb | 33.2 | (0.7) | (15.6) | 40.6 | 29.8 |
| COFFEE | Cents / lb | 132.4 | (0.8) | (27.3) | 232.0 | 126.3 |
| SUGAR | Cents / lb | 12.1 | 0.5 | (37.5) | 19.6 | 11.5 |
| COTTON | Cents / lb | 66.7 | (0.7) | (14.0) | 78.5 | 61.3 |
| ETHANOL | \$/ Gal | 1.6 | (1.1) | (13.2) | 1.7 | 1.4 |
| RUBBER | Cents / KG | 151.0 | (2.5) | (14.8) | 178.0 | 135.0 |
| BALTIC DRY INDEX | Index | 813.0 | (1.2) | (4.4) | 1484.0 | 509.0 |

Source: Bloomberg, Karvy Research

| Bonds | | | | | |
|---------------|--------|------------|------------|------|-------|
| 10Y Govt Bond | Yld% | 6M Chg BPS | 1Y Chg BPS | 52WH | 52WL |
| US | 2.319 | (0.5) | (21.2) | 2.7 | 1.6 |
| GERMANY | 0.762 | (3.4) | (48.3) | 1.3 | 0.0 |
| FRANCE | 1.216 | (1.9) | (48.1) | 1.8 | 0.3 |
| CHINA | 3.630 | 0.0 | (46.0) | 4.3 | 3.4 |
| JAPAN | 0.456 | 0.5 | (11.0) | 0.6 | 0.2 |
| UK | 2.023 | (4.8) | (64.4) | 2.8 | 1.3 |
| BRAZIL | 12.669 | 7.4 | 52.3 | 13.4 | 10.9 |
| ITALY | 2.413 | 2.3 | (43.2) | 3.0 | 1.0 |
| RUSSIA | 11.000 | (1.0) | 247.4 | 15.8 | 8.5 |
| INDIA | 7.870 | (2.2) | (87.8) | 8.8 | 7.6 |
| CANADA | 1.747 | (12.5) | (50.3) | 2.4 | 1.2 |
| AUSTRALIA | 3.010 | 5.6 | (53.2) | 3.7 | 2.2 |
| SPAIN | 2.385 | 3.8 | (27.6) | 2.9 | 1.0 |
| S.KOREA | 2.447 | (4.9) | (73.5) | 3.3 | 2.1 |
| MEXICO | 6.075 | (0.1) | 38.6 | 6.3 | 5.2 |
| INDONESIA | 8.380 | (3.4) | 16.7 | 8.8 | 7.0 |
| NETHERLANDS | 1.046 | (2.2) | (43.4) | 1.6 | 0.2 |
| NORWAY | 1.808 | (4.9) | (67.3) | 2.5 | 1.2 |
| SWITZERLAND | 0.110 | (1.9) | (54.8) | 0.7 | (0.3) |
| HONG KONG | 1.781 | (5.6) | (25.2) | 2.2 | 1.3 |
| SINGAPORE | 2.716 | 6.7 | 38.7 | 2.8 | 1.8 |
| SOUTH AFRICA | 8.340 | (1.9) | 2.0 | 8.5 | 7.0 |
| PORTUGAL | 3.129 | 4.2 | (52.2) | 4.0 | 1.5 |
| GREECE | 15.298 | 22.0 | 934.1 | 15.3 | 5.5 |

Source: Bloomberg, Karvy Research

Exhibit: Valuation Summary of Wealth Maximizer - 2015

| Symbol | Sector | CMP (Rs.) | Mcap (Rs.mn) | 6M ADV# (Rs.mn) | FY17E P/E (x) | FY17E RoE (%) | FY17E EPS (Rs.) |
|------------|-----------|-----------|--------------|-----------------|---------------|---------------|-----------------|
| ASIANPAINT | Consumer | 736.7 | 706065 | 1199 | 34.8 | 29.4 | 21.2 |
| DIVISLAB | Pharma | 1833.0 | 239001 | 287 | 19.2 | 26.6 | 95.6 |
| HDFCBANK | Banking | 1056.7 | 2599359 | 1864 | 16.8 | 20.7 | 62.8 |
| ITC | Consumer | 310.0 | 2452749 | 2976 | 20.3 | 32.8 | 15.3 |
| LT | Infra | 1790.6 | 1637326 | 3132 | 22.1 | 15.3 | 80.9 |
| MARUTI | Auto | 3993.3 | 1204665 | 1185 | 17.7 | 21.2 | 225.0 |
| RELIANCE | Oil & Gas | 990.9 | 3171709 | 3332 | 10.2 | 15.6 | 124.1 |
| TCS | Software | 2592.9 | 4994756 | 3115 | 18.6 | 33.9 | 139.4 |
| ULTRACEMCO | Cement | 2904.9 | 788933 | 838 | 22.2 | 15.7 | 130.7 |
| UPL | Agri | 538.2 | 232346 | 1090 | 13.6 | 21.3 | 39.6 |

Source: Company, Karvy Research, Bloomberg; # ADV: Average Daily Turnover

Exhibit: Comparative Valuation of Wealth Maximizer - 2015

| Symbol | CMP (Rs.) | Mcap (Rs. mn) | PE (x) | | | EPS (Rs.) | | |
|------------|-----------|---------------|--------|-------|-------|-----------|-------|-------|
| | | | FY15E | FY16E | FY17E | FY15E | FY16E | FY17E |
| ASIANPAINT | 736.7 | 706065 | 49.8 | 40.7 | 34.8 | 14.8 | 18.1 | 21.2 |
| DIVISLAB | 1833.0 | 239001 | 28.6 | 23.3 | 19.2 | 64.2 | 78.8 | 95.6 |
| HDFCBANK | 1056.7 | 2599359 | 25.9 | 21.2 | 16.8 | 40.8 | 49.9 | 62.8 |
| ITC | 310.0 | 2452749 | 26.9 | 23.3 | 20.3 | 12.0 | 13.3 | 15.3 |
| LT | 1790.6 | 1637326 | 33.5 | 29.8 | 22.1 | 51.0 | 60.0 | 80.9 |
| MARUTI | 3993.3 | 1204665 | 32.5 | 22.5 | 17.7 | 122.9 | 177.7 | 225.0 |
| RELIANCE | 990.9 | 3171709 | 10.3 | 12.3 | 10.2 | 80.1 | 92.8 | 124.1 |
| TCS | 2592.9 | 4994756 | 25.2 | 21.3 | 18.6 | 101.4 | 121.7 | 139.4 |
| ULTRACEMCO | 2904.9 | 788933 | 39.6 | 29.5 | 22.2 | 73.4 | 98.6 | 130.7 |
| UPL | 538.2 | 232346 | 16.6 | 16.1 | 13.6 | 26.7 | 33.4 | 39.6 |

Source: Company, Karvy Research, Bloomberg

Exhibit: Price Performance of Wealth Maximizer - 2015

| Symbol | CMP (Rs.) | Mcap (Rs. Mn) | Absolute Performance (%) | | | | Relative Performance (%) | | | |
|------------|-----------|---------------|--------------------------|-------|--------|-------|--------------------------|-------|--------|--------|
| | | | 1M | 3M | 6M | 12M | 1M | 3M | 6M | 12M |
| ASIANPAINT | 736.7 | 706065 | (6.4) | (5.3) | (2.8) | 26.0 | (5.8) | (6.0) | (3.6) | 14.4 |
| DIVISLAB | 1833.0 | 239001 | 0.7 | 2.2 | 7.3 | 27.5 | 1.4 | 1.5 | 6.4 | 15.8 |
| HDFCBANK | 1056.7 | 2599359 | 0.6 | 4.1 | 11.0 | 29.5 | 1.2 | 3.4 | 10.0 | 17.5 |
| ITC | 310.0 | 2452749 | (5.2) | (2.4) | (16.2) | (3.1) | (4.6) | (3.0) | (17.0) | (12.0) |
| LT | 1790.6 | 1637326 | 8.2 | 6.7 | 20.1 | 7.4 | 8.9 | 6.0 | 19.1 | (2.5) |
| MARUTI | 3993.3 | 1204665 | 5.5 | 10.6 | 19.3 | 62.7 | 6.2 | 9.9 | 18.2 | 47.7 |
| RELIANCE | 990.9 | 3171709 | 13.0 | 22.1 | 10.5 | (2.1) | 13.7 | 21.2 | 9.5 | (11.1) |
| TCS | 2592.9 | 4994756 | (0.7) | 3.1 | 2.8 | 9.7 | (0.0) | 2.4 | 1.8 | (0.4) |
| ULTRACEMCO | 2904.9 | 788933 | (2.4) | 3.7 | 9.8 | 11.9 | (1.7) | 3.0 | 8.8 | 1.6 |
| UPL | 538.2 | 232346 | (2.6) | 23.6 | 60.1 | 63.3 | (2.0) | 22.8 | 58.7 | 48.2 |

Source: Company, Karvy Research, Bloomberg

Asian Paints Ltd

Bloomberg Code: APNT IN

India Research - Stock Broking

BUY

Asian Paint: Market leadership with pricing power

Strong traction with double digit growth in domestic decorative paint segment: Asian Paints is expected to register strong growth and strengthen its leadership position in the domestic decorative paints segment, which contributes for 81% of its revenue amid higher double digit volume growth due to incremental demand from tier-II and tier-III cities. Its innovative products, superior brand image, strong marketing & distribution network under the brands colour world & colour ideas continue to drive volume growth.

Volumes in industrial and automotive segments to improve amid uptick in economic growth: APL is likely to gain market share in the industrial and automotive segments amid expectations over strong recovery in the Indian economy in the next couple of years. Strong traction in the two-wheeler segment is likely to boost demand in the automotive segment, while, recovery in industrial activity is likely to drive volume growth in industrial coatings segment.

Organic and inorganic growth plans to strengthen the leadership position: APL is expanding its Rohtak plant and has proposed to set-up a Greenfield plant in Andhra Pradesh. APL's plans to set up green field plant in Indonesia and the acquisition (51%) of Kadisco chemicals Ethiopia are likely to boost international revenues that account for around 13% of its revenue.

Softening RM prices to drive profitability: APL which generally undertakes small price hikes is likely to see higher margin expansion due to softening of RM prices amid steep fall in crude oil prices. Steady decline in crude oil prices are likely to result in lower solvent and monomer prices, while titanium di-oxide prices are relatively stable. This could result in higher profitability, if APL being a market leader prefers to undertake smaller price cuts and pass on the benefits to consumers.

Valuation and Outlook

At CMP of Rs737 the stock trades at 34.8x FY17E EPS of Rs21.2. Considering superior brand leadership & pricing power, consistency in earnings growth and various organic & in-organic growth plans being pursued, we value the company at 41x FY17E EPS with a target price of Rs 888, representing an upside potential of 20.5%.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-------------------|--------|--------|--------|--------|--------|
| Net Sales | 109708 | 127148 | 141828 | 161618 | 185226 |
| EBIDTA | 17485 | 20161 | 22354 | 26477 | 30780 |
| EBIDTA Margin (%) | 15.9 | 15.9 | 15.8 | 16.4 | 16.6 |
| Adj. Net Profit | 10833 | 12121 | 14227 | 17368 | 20355 |
| EPS (Rs.) | 11.3 | 12.6 | 14.8 | 18.1 | 21.2 |
| RoE (%) | 36.8 | 33.8 | 32.0 | 31.2 | 29.4 |
| PE (x) | 65.2 | 58.5 | 49.8 | 40.7 | 34.8 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 737 |
| Target Price | 888 |
| Upside (%) | 20.5 |

Stock Information

| | |
|---------------------------|--------------|
| Mkt Cap (Rs.mn/US\$ mn) | 706065/11058 |
| 52-wk High/Low (Rs.) | 922 / 565 |
| 3M Avg. daily volume (mn) | 1.4 |
| Beta (x) | 1.0 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 959.2 |
| Face Value (Rs.) | 1.0 |

Shareholding Pattern (%)

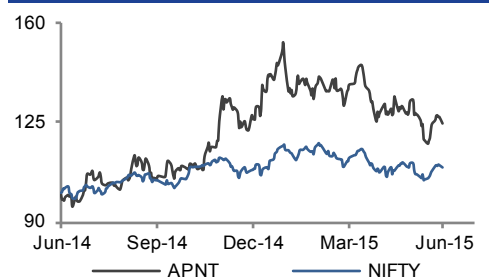
| | |
|-----------|------|
| Promoters | 52.8 |
| FIIs | 18.1 |
| DIIIs | 8.8 |
| Others | 20.3 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|-----|-----|-----|-----|
| Absolute | (6) | (5) | (3) | 26 |
| Relative to Sensex | (6) | (6) | (4) | 14 |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Asian Paints Ltd (APL) is India's leading paint manufacturer and operates 26 plants in 19 countries with a total capacity of over 1.26 million KL. APL is the market leader in decorative paints in India, while it operates in industrial and automotive segments through its 50-50 JV with PPG USA. Its products are sold in over 65 countries and international operations contribute for 13% of its revenues. APL also has presence in home improvement business through Sleek (kitchen solutions provider), EssEss (Bath & wash segment). APL also manufactures chemicals like PAN and Penta that are used as raw materials for paints. APL has a strong distribution network, with over 40000 dealer network.

Divi's Laboratories Ltd

Bloomberg Code: DIVI IN

India Research - Stock Broking

BUY

Divi's: Consistency in growth with industry leading margins

Divi has a good track record of delivering consistent growth, maintaining industry leading margins and debt free status that led to premium valuations, at the same time its strict adherence to client's intellectual property make Divi the preferred choice of partner for pharma MNCs.

Revenue traction to continue in Customs Synthesis: The Company's Customs Synthesis Segment is currently selling intermediates for 6 products which are being marketed by innovators. The company has another 10-15 years of commercialization. This will enable the company to sustain revenues in this critical segment.

Higher Yields Enables Company to gain leadership status in Generics: Divi's continues to have a sizeable presence in some of the critical segments of the generics business. Key molecules where the company has leadership status include Dexomethorphan, Naproxen and Iopimadol. Supply for Valsartan has also commenced and should be an important molecule for the company. The Top 6 APIs contribute significantly to the company's revenues.

Nutraceuticals business to scale up: Divi's is getting validations for Astaxanthene (Fish Feed) Vivatal, Leucopine and Xanthophil. We believe the company can scale this business to Rs 3.6 bn in FY 17.

Valuation and Outlook

Divi has completed its major capex and all units of DSN SEZ – Vizag are operational with a capacity utilization of nearly 80%, hence considering to set up a new manufacturing facility near Kakinada – AP with an capex of over Rs 500 cr. Divi's is all set to clock revenue CAGR of 21% in the period FY 15E-17E on back of good volume growth, higher capacity utilization at DSN SEZ and EBDITAM in excess of 35%. With strong return ratios in excess of 25% and strong revenue growth of 20-25% for the next couple of years, we rate the stock as a BUY with a price target of Rs 2090 based on 22x FY17E EPS of Rs 95.6, giving an upside potential of 14%.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-------------------|-------|-------|-------|-------|-------|
| Net Sales | 21448 | 25321 | 31149 | 37491 | 44969 |
| EBIDTA | 8152 | 10145 | 11653 | 14379 | 17216 |
| EBIDTA Margin (%) | 38.0 | 40.1 | 37.4 | 38.4 | 38.3 |
| Adj. Net Profit | 6020 | 7733 | 8515 | 10458 | 12687 |
| EPS (Rs.) | 45.4 | 58.3 | 64.2 | 78.8 | 95.6 |
| RoE (%) | 26.0 | 28.3 | 26.4 | 26.9 | 26.6 |
| PE (x) | 40.4 | 31.5 | 28.6 | 23.3 | 19.2 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 1833 |
| Target Price | 2090 |
| Upside (%) | 14.0 |

Stock Information

| | |
|---------------------------|---------------|
| Mkt Cap (Rs.mn/US\$ mn) | 239001 / 3743 |
| 52-wk High/Low (Rs.) | 1969 / 1403 |
| 3M Avg. daily volume (mn) | 0.2 |
| Beta (x) | 0.6 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 132.7 |
| Face Value (Rs.) | 2.0 |

Shareholding Pattern (%)

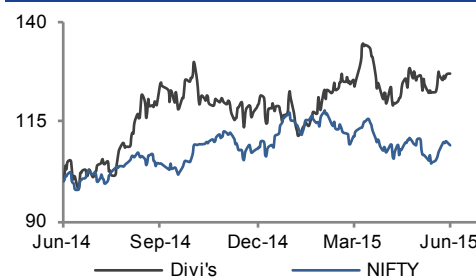
| | |
|-----------|------|
| Promoters | 52.1 |
| FII's | 19.4 |
| DII's | 14.4 |
| Others | 14.2 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|----|----|----|-----|
| Absolute | 1 | 2 | 7 | 28 |
| Relative to Sensex | 1 | 1 | 6 | 16 |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Divi's manufactures generic APIs and nutraceuticals. It also undertakes custom manufacturing of APIs, advanced intermediaries and specialty ingredients for innovator pharma companies in the global markets. Divi has one manufacturing unit in Hyd and three units in Vizag, all of which are approved by US FDA. It has four R&D centres and two pilot plants. Exports contribute for around 87% of Divi's revenue. Divi has a total of 38 drug master files (DMFs) with USFDA and 214 EDMFs and 18 CoS (Certificates of Suitability) with various European Union authorities. Divi has filed a total of 8 patents for generic products.

HDFC Bank Ltd

Bloomberg Code: HDFCB IN

India Research - Stock Broking

BUY

HDFC Bank: Consistency in growth, stable NIMs and lowest NPAs

Loan book is expected to grow at a CAGR of 22% over FY15-17E: HDFC Bank is expected to outpace the credit growth in the system by 3-4 percentage points and to grow at a CAGR of over 20% in the next few years. Its loan book growth is driven by healthy mix of retail and corporate loans.

Adequately capitalized to support balance sheet growth: HDFC Bank has raised capital in Q4FY15 with which CAR has increased to 16.8% with a tier I capital of 13.7%, which will aid loan book growth plans over the next few years and BASEL III implementation.

NIM is expected to be around 4-4.5%: HDFC Bank is expected to maintain its NIM in the range of 4-4.2%, led by the bank's strong CASA franchise of around 44% along with higher proportion of fixed rate retail loans. Further, current deposits are likely to grow strongly due to recovery in capital markets, where the bank has higher market share.

Lowest NPAs reflect superior risk management: HDFC Bank is relatively immune from asset quality strain in the banking industry primarily due to superior risk management practices along with lower exposure to stressed sectors. GNPA and NNPA were at 0.9% and 0.2% indicates best in class asset quality. We expect further moderation in fresh slippages.

Valuation and Outlook

HDFC Bank was able to command premium valuation in the market for its consistent growth of over 20% in net profits, healthy balance sheet growth, higher NIMs, lower NPAs, adequate CAR, superior return ratios coupled with good corporate governance. At CMP HDFCBank trades at 3x FY17E BVPS. We value the stock at 3.7x FY17E BVPS and recommend a 'BUY' for a price target of Rs. 1198, implying an upside of 13.4% from current levels.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-----------------|-------|-------|-------|-------|-------|
| NII | 15810 | 18480 | 22400 | 26770 | 32310 |
| Net Profit | 6730 | 8480 | 10220 | 12510 | 15730 |
| EPS | 28.3 | 35.3 | 40.8 | 49.9 | 62.8 |
| ABV | 150 | 178 | 244 | 274 | 322 |
| P/BV | 7.0 | 5.9 | 4.3 | 3.9 | 3.3 |
| P/E (x) | 37.3 | 29.9 | 25.9 | 21.2 | 16.8 |
| RoE (%) | 20.3 | 21.3 | 19.4 | 19 | 20.7 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 1057 |
| Target Price | 1198 |
| Upside (%) | 13.4 |

Stock Information

| | |
|---------------------------|-----------------|
| Mkt Cap (Rs.mn/US\$ mn) | 2599359 / 40709 |
| 52-wk High/Low (Rs.) | 1109 / 791 |
| 3M Avg. daily volume (mn) | 1.8 |
| Beta (x) | 1.0 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 2511.5 |
| Face Value (Rs.) | 2.0 |

Shareholding Pattern (%)

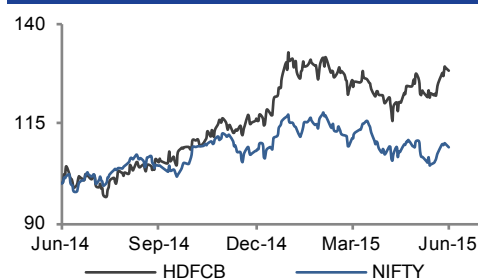
| | |
|-----------|------|
| Promoters | 21.7 |
| FIIs | 32.6 |
| DIIs | 9.7 |
| Others | 36.0 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|----|----|----|-----|
| Absolute | 1 | 4 | 11 | 29 |
| Relative to Sensex | 1 | 3 | 10 | 18 |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

HDFC Bank Ltd is a private sector bank offering retail, wholesale banking and treasury services, with a balance sheet size of Rs 5905 billion. It operates through a network of 4014 branches and 11766 ATMs spread across 2464 towns. Its various products and services include auto loans, personal loans, credit cards, home loans, commercial vehicle / construction equipment finance, gold loans, savings account, current account, FDs and working capital, term loans, bill collection, forex & derivatives, cash management services for corporate clients on the wholesale front. In its treasury segment, it offers forex and derivatives, local currency Money Market & Debt Securities and Equities products.

ITC Ltd

Bloomberg Code: ITC IN

India Research - Stock Broking

BUY

ITC: Strong brands with pricing power delivering consistent growth

Strengthen leadership position in cigarettes with double digit growth: ITC is a dominant player in the Cigarettes segment with a revenue market share of over 75%. It is expected to maintain double digit growth in revenue and EBIT, driven by its strong pricing power, distribution reach, tight control over the entire value chain and consumers' loyalty towards the company's brands at various price points. Higher disposable income in rural areas could result in consumers switching from lower end products like beedis and local made cigarettes to 64mm micro filter cigarettes.

Stringent anti-tobacco measures to hurt unorganized players and benefit organised players like ITC: Stringent anti-tobacco measures like ban on sales of loose cigarettes need to cover 80% of the pack with health warnings, banning advertisements at POS to benefit organized players and hurt the non-legal cigarette manufacturers more severely. Organized players like ITC can tide over with its well established brands that may not require advertisements and innovative packing & distribution strategy.

Strong traction in FMCG business to drive growth and softening commodities to expand margins: ITC is likely to register a double digit revenue growth on the back of new product launches and higher spending on advertisement & promotion on the back of its wide distribution network. Softening of commodity prices would provide scope for margin expansion in FMCG business.

Steady performance in other non-FMCG segments: Other segments like agri-business, paperboards and Hotels are likely to improve their performance driven by strong recovery in the Indian economy.

Valuation and Outlook

ITC is expected to register double digit growth in the next 2 years, by strengthening its leadership position in cigarettes segment, higher growth in FMCG business and steady performance in non-FMCG segments. At CMP the stock trades at 20x FY17E EPS. We value the stock at 26x FY17E EPS which is lower than the last 7 year average PE of 29x. We recommend a 'BUY' with a target price of Rs 408 representing an upside potential of 31%.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-------------------|--------|--------|--------|--------|--------|
| Net Sales | 313235 | 349847 | 384333 | 422215 | 477164 |
| EBIDTA | 111662 | 131579 | 141492 | 156827 | 179672 |
| EBIDTA Margin (%) | 35.6 | 37.6 | 36.8 | 37.1 | 37.7 |
| Adj. Net Profit | 76081 | 88914 | 96632 | 106190 | 121713 |
| EPS (Rs.) | 9.6 | 11.1 | 12.0 | 13.3 | 15.3 |
| RoE (%) | 35.7 | 35.3 | 32.8 | 31.9 | 32.8 |
| PE (x) | 31.9 | 31.4 | 26.9 | 23.3 | 20.3 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 310 |
| Target Price | 408 |
| Upside (%) | 31.6 |

Stock Information

| | |
|---------------------------|-----------------|
| Mkt Cap (Rs.mn/US\$ mn) | 2452749 / 38412 |
| 52-wk High/Low (Rs.) | 409 / 294 |
| 3M Avg. daily volume (mn) | 7.7 |
| Beta (x) | 0.7 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 8015.5 |
| Face Value (Rs.) | 1.0 |

Shareholding Pattern (%)

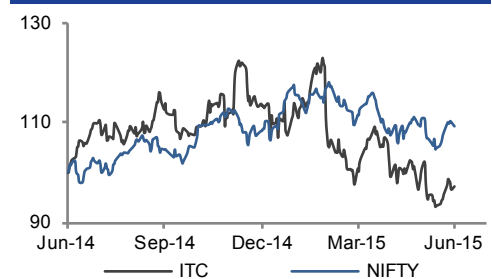
| | |
|-----------|------|
| Promoters | 0.0 |
| FIIs | 20.7 |
| DIIs | 34.8 |
| Others | 44.5 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|-----|-----|------|------|
| Absolute | (5) | (2) | (16) | (3) |
| Relative to Sensex | (5) | (3) | (17) | (12) |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

ITC Ltd is a market leader in cigarettes and is engaged in diverse businesses ranging from cigarettes (contribute for 42% of revenue and 85% of EBIT), FMCG - packaged foods & personal care (contribute for 22% of rev & 0.3% of EBIT), Agri business (contribute for 21% of rev & 7% of EBIT), paperboards & packaging (12% of rev & 7% of EBIT), hotels (3% of Rev & 0.4% of EBIT) and information technology. Its popular brands include - 'Gold Flake', 'Bristol', 'NavyCut', 'Aashirvad', 'Sunfeast', 'Bingo', 'B Natural', 'Yippee', 'Kitchens of India', 'Candyman', 'mint-o', 'Wills Lifestyle', 'John Players', 'Fiama Di Wills', 'Vivel', Classmate, Paperkraft, ITC Hotels. ITC's products are sold through 2 mn outlets.

Larsen & Toubro Ltd

Bloomberg Code: IN

India Research - Stock Broking

BUY

L&T: Proxy to ride the Indian economic growth

Proven leadership reflected in robust order book build-up: L&T's outstanding order book at the end of Mar'2015 stood at Rs 2327 billion from diversified sectors, while the order inflow for the year was around Rs 1554 billion. Robust order book build up reflects its proven leadership in the infrastructure & engineering segments and gives revenue visibility with order book coverage of over 2.5x.

Excellent execution capabilities making it the most preferred partner: L&T has an excellent track record of executing the most complex projects in diverse sectors like infrastructure, Oil & Gas, Defence, Power and others making it the most preferred partner resulting in repeat orders from clients.

Strong traction in infrastructure segment to drive growth: L&T Infrastructure segment constitutes for 71% of the order book and 55% of its new order inflow during FY15, continue to drive growth with strong traction in order inflows and revenue growth along with sustained EBITDA margins of over 11-12%.

Listing of subsidiaries or induction of strategic partner in its business segments to unlock value: L&T is planning to list L&T Infotech in next few months which had nearly \$1 billion in revenue and an EBITDA margin of around 20%, which could unlock value in the medium term.

Valuation and Outlook

L&T is well positioned to capture growth in various segments of the Indian economy with its excellent execution capabilities in diverse sectors like Infra, Oil & Gas, Defence, Metals & Mining, Railways and various others. L&T's superior execution capabilities coupled with its balance sheet strength when compared to the highly stressed balance sheets of its many smaller competitors in the sector, resulted in strong order book build-up for L&T. We value the company at 26x FY17E EPS of Rs 81 and recommend a 'BUY' with a target price of Rs 2106, representing an upside potential of 18%.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-------------------|--------|--------|--------|---------|---------|
| Net Sales | 744980 | 851284 | 920046 | 1065431 | 1285089 |
| EBIDTA | 103634 | 110951 | 113356 | 138991 | 173481 |
| EBIDTA Margin (%) | 13.9 | 13.0 | 12.3 | 13.0 | 13.5 |
| Adj. Net Profit | 52057 | 49020 | 47648 | 56117 | 73346 |
| EPS (Rs.) | 37.4 | 52.7 | 51.0 | 60.0 | 80.9 |
| RoE (%) | 16.5 | 13.7 | 12.1 | 13.1 | 15.3 |
| PE (x) | 24.2 | 24.0 | 33.5 | 29.8 | 22.1 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 1791 |
| Target Price | 2106 |
| Upside (%) | 17.6 |

Stock Information

| | |
|---------------------------|-----------------|
| Mkt Cap (Rs.mn/US\$ mn) | 1637326 / 25642 |
| 52-wk High/Low (Rs.) | 18934 / 1401 |
| 3M Avg. daily volume (mn) | 1.8 |
| Beta (x) | 1.4 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 930.3 |
| Face Value (Rs.) | 2.0 |

Shareholding Pattern (%)

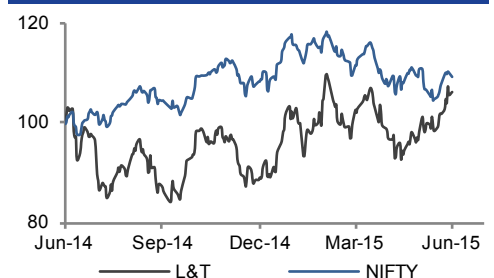
| | |
|-----------|------|
| Promoters | 0.0 |
| FIIs | 16.8 |
| DIIs | 36.1 |
| Others | 47.1 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|----|----|----|-----|
| Absolute | 8 | 7 | 20 | 7 |
| Relative to Sensex | 9 | 6 | 19 | (2) |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

L&T is India's largest Engineering & Construction Company with interests in Design & Engineering, EPC Projects, Financial Services, IT, Real Estate, Manufacture & Fabrication and Construction. It undertakes contracts in Buildings, Transportation infrastructure, heavy civil infrastructure, Power, Water & Renewable energy, Ship building, Defence, Machinery & Ind products. L&T, through its subsidiaries, associates and JVs it operates in Financial services, Infotech, Infrastructure, hydrocarbon, SPVs for manufacturing, fabrication and other services etc.

Maruti Suzuki India Ltd

Bloomberg Code: MSIL IN

India Research - Stock Broking

BUY

Maruti Suzuki: New launches to drive growth

Market leader in the Indian passenger vehicle segment with a wide range of models & vast dealer network: MSIL is a market leader in the Indian passenger car segment with models in the entry level small car, hatchback, sedan, MUV / SUV. We believe that MSIL's strong product pipe line coupled with vast dealer network would be the key driver over next 2-3 years.

Recovery in the domestic economy and down cycle in interest rates to boost PV sales: MSIL is a proxy for domestic passenger car segment, which is expected to see a revival amid expected recovery in the domestic economy and down cycle in the interest rates as it gets transmitted in the system. Improvement in job markets, business conditions in the urban area and recovery in agriculture and allied activities in the rural area are expected to increase the number of first time car buyers in which MSIL is a major player.

New model launches to aid market share gains: MSIL is planning to launch SX4 Cross and a Compact SUV in the next 12 months. MSIL is also planning to introduce ATM technology on other models post the encouraging response for its recent launch Celerio ATM.

Subdued raw material prices to benefit in margin expansion: MSIL continue to benefit from the subdued commodity prices in the global markets, this coupled with lower currency volatility and better product mix is likely to result in margin expansion in the next two years.

Valuation and Outlook

MSIL is likely to benefit in terms of market share gains from the expected strong recovery in the domestic passenger car sales. We expect MSIL to deliver a CAGR of 36% in EPS and 21% in RoE during FY17E. We recommend a 'BUY' for a target of Rs 4500, giving an upside potential of 12.7%.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-------------------|--------|--------|--------|--------|--------|
| Net Sales | 436351 | 437918 | 498740 | 585485 | 707106 |
| EBIDTA | 44618 | 54825 | 66059 | 87762 | 106348 |
| EBIDTA Margin (%) | 10.2 | 12.5 | 13.2 | 15.0 | 15.0 |
| Adj. Net Profit | 22132 | 26686 | 37112 | 53676 | 67974 |
| EPS (Rs.) | 73.3 | 88.3 | 122.9 | 177.7 | 225.0 |
| RoE (%) | 13.0 | 13.3 | 16.3 | 20.3 | 21.2 |
| PE (x) | 54.5 | 45.2 | 32.5 | 22.5 | 17.7 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 3993 |
| Target Price | 4500 |
| Upside (%) | 12.7 |

Stock Information

| | |
|---------------------------|-----------------|
| Mkt Cap (Rs.mn/US\$ mn) | 1204665 / 18866 |
| 52-wk High/Low (Rs.) | 4077 / 2428 |
| 3M Avg. daily volume (mn) | 0.3 |
| Beta (x) | 1.0 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 302.1 |
| Face Value (Rs.) | 5.0 |

Shareholding Pattern (%)

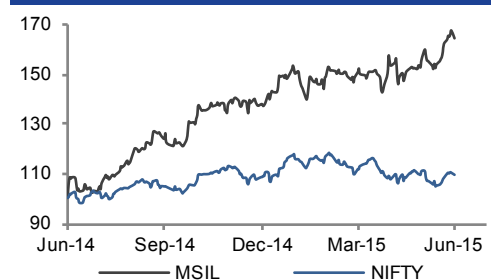
| | |
|-----------|------|
| Promoters | 56.2 |
| FII's | 21.8 |
| DII's | 14.7 |
| Others | 7.3 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|----|----|----|-----|
| Absolute | 5 | 11 | 19 | 63 |
| Relative to Sensex | 6 | 10 | 18 | 48 |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Maruti Suzuki India Limited (MSIL) is India's leading passenger vehicle (PV) manufacturer with a capacity of 1.5 million cars per year in two manufacturing facilities. It has over 14 brands in various segments like small car & hatchback (Alto800, Alto K10, Wagan R, Celerio, Stingray, Ritz, Swift), sedan (DZire, Ciaz), van (Omni, Eeco), SUV/MUV (Ertiga, Gypsy, Grand Vitara) segments in over 150 variants. Maruti has a nationwide sales network in 1097 cities & service network in 1454 cities. MSIL has 51.3% market share in the Indian passenger car segment. MSIL exports cars to over 125 countries. Maruti Suzuki India is a subsidiary of Suzuki Motor Corporation of Japan.

Reliance Industries Ltd

Bloomberg Code: RIL IN

India Research - Stock Broking

BUY

Reliance Industries: Firing the next growth engine and investments to yield results

Capex in core business (Refining & Pet-chem) to drive growth & profitability:

RIL is investing in pet-coke gasification plant that is expected to come on stream in FY16 which is expected to reduce annual energy (LNG) cost of nearly \$ 1.5 billion and is likely to increase the GRMs by approximately \$1/barrel. The capex for Refinery off-gas cracker will increase the production capacity of polymers with much lower cost of production. RIL's core strength in operations is reflected in capacity utilization of over 100% at its high complexity refinery at Jamnagar delivering superior GRM's as against the Singapore GRM's.

Upstream, Petro products retailing and Shale gas to drive growth:

RIL's upstream gas production is expected to increase from the current levels. Ramp-up in US shale gas production in its JVs is likely to contribute to growth. RIL is planning to re-commission the entire petroleum retail outlets as the government has decontrolled petrol and diesel prices, which could contribute towards growth.

Launch of Rel Jio 4G services could be a game changer in the Indian digital services market:

RIL is expected to launch its pan-India digital services (4G broadband, voice, data content, cloud services, entertainment, MSO) under Reliance Jio network during this year which could garner significant market share given the expectations over its higher speed, wide coverage and competitive pricing.

Aggressive expansion in retail to strengthen leadership position:

Reliance retail is expanding its retail network (grocery, fashion, digital, Jewellery etc...) to strengthen its leadership position in all formats. It has over 2600 stores in 200 towns and over 15 million consumers enrolled for its loyalty program. It is among the fastest growing retail chain with revenue CAGR of over 31% in the last five years.

Valuation and Outlook

RIL is expected to maintain profitability in its core business with a capex that increases the operational efficiency across the refining & petrochemicals business, while, the new businesses like the Reliance Jio digital services are likely to trigger the next level of growth and boost revenues. At CMP, RIL is trading at 8.4x FY17E EPS of Rs 124, We recommend a 'BUY' for a price target of Rs. 1240, valuing at 10x FY17E EPS, implying an upside of 25% from current levels.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-------------------|---------|---------|---------|---------|---------|
| Net Sales | 3970620 | 4344600 | 3754350 | 4058086 | 4231765 |
| EBIDTA | 333830 | 357610 | 384920 | 519082 | 627250 |
| EBIDTA Margin (%) | 8.4 | 8.2 | 10.3 | 12.8 | 14.8 |
| Adj. Net Profit | 208790 | 224930 | 235660 | 299664 | 362528 |
| EPS (Rs.) | 70.7 | 76.6 | 80.1 | 92.8 | 124.1 |
| RoE (%) | 11.9 | 11.8 | 11.3 | 14.9 | 15.6 |
| PE (x) | 10.9 | 12.2 | 10.3 | 12.3 | 10.2 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 991 |
| Target Price | 1240 |
| Upside (%) | 25.1 |

Stock Information

| | |
|---------------------------|-----------------|
| Mkt Cap (Rs.mn/US\$ mn) | 3171709 / 49672 |
| 52-wk High/Low (Rs.) | 1043 / 796 |
| 3M Avg. daily volume (mn) | 4.2 |
| Beta (x) | 1.1 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 3236.4 |
| Face Value (Rs.) | 10.0 |

Shareholding Pattern (%)

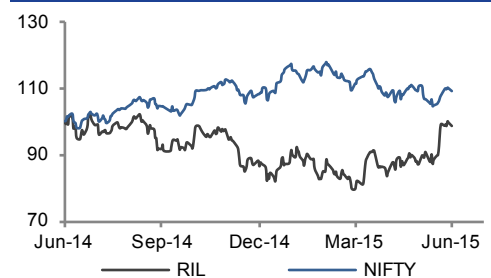
| | |
|-----------|------|
| Promoters | 45.2 |
| FII's | 18.8 |
| DII's | 12.6 |
| Others | 23.4 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|----|----|----|------|
| Absolute | 13 | 22 | 10 | (2) |
| Relative to Sensex | 14 | 21 | 9 | (11) |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

RIL is India's largest private sector enterprise, with businesses in the energy and materials value chain. Its key business activities span exploration and production of oil & gas, petroleum refining & marketing, petrochemicals (polyester, fibre intermediates, plastics and chemicals), textiles, retail, Telecom, SEZs and others. It operates its Jamnagar refinery complex with a capacity of 1.3 mn BPD and its Petchem facilities at Jamnagar, Hazira, Patalganga, Vadodara, Nagothane, and Nagpur. It operates retail stores across the country in value and specialty formats. RIL is the only company that holds pan-India 4G spectrum and unified telecom license to offer voice and data services under Reliance Jio.

Tata Consultancy Services Ltd

Bloomberg Code: TCS IN

India Research - Stock Broking

BUY

TCS: Consistent growth with superior margins

Leader in Growth Rate among Industry Peers: TCS USD revenue has been growing consistently by ~15% in the last few years despite its large base, ahead of its peers like Infosys, HCL Technologies and Wipro. Going forward, we expect TCS to maintain broad-based growth and a CAGR of 15% in USD terms over FY15-FY17E.

Steady improvement in margins: TCS has improved its margins steadily between 25%-30% over the last many years, even during challenging global economic environment. This was due to continuous improvement in operational efficiency, higher employee utilization levels over 80% and increased share of high margin projects.

Well diversified revenue model: TCS has maintained the broad-based revenue growth in various geographies and verticals, with growth contributors being BFSI (40.6%), retail (13.6%), manufacturing (10.1%) and life sciences & healthcare (6.4%). TCS has maintained a balance between bread-and-butter businesses such as application development & maintenance and newer growth avenues such as Digital.

Proven capabilities in managing currency volatility: USD contributes 56% to its revenue pie, whereas GBP, EUR and other currencies contribute 14%, 7.8% and 21.6% respectively. TCS was able to manage the currency volatility even during turbulent times in the global currency markets.

Valuation and Outlook

TCS with its broad based service delivery model is expected to register consistent growth of over 15% in USD revenue terms with superior margins of around 26-28% over the next few years. TCS continues to command premium valuations due to its consistent growth and profitability. We recommend a 'BUY' with a target of Rs 2960, valuing the stock at 21x FY17E EPS, which represents an upside potential of 14%.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-------------------|--------|--------|--------|---------|---------|
| Net Sales | 629895 | 818094 | 946484 | 1079021 | 1232778 |
| EBIDTA | 180399 | 251528 | 239920 | 307101 | 351403 |
| EBIDTA Margin (%) | 28.6 | 30.7 | 25.3 | 28.5 | 28.5 |
| Adj. Net Profit | 139173 | 191639 | 198522 | 237794 | 272726 |
| EPS (Rs.) | 71.0 | 97.7 | 101.4 | 121.7 | 139.4 |
| RoE (%) | 40.9 | 43.6 | 39.8 | 36.5 | 33.9 |
| PE (x) | 22.2 | 21.8 | 25.2 | 21.3 | 18.6 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 2593 |
| Target Price | 2960 |
| Upside (%) | 14.2 |

Stock Information

| | |
|---------------------------|-----------------|
| Mkt Cap (Rs.mn/US\$ mn) | 4994756 / 78223 |
| 52-wk High/Low (Rs.) | 2839 / 2299 |
| 3M Avg. daily volume (mn) | 1.2 |
| Beta (x) | 0.6 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 1958.7 |
| Face Value (Rs.) | 1.0 |

Shareholding Pattern (%)

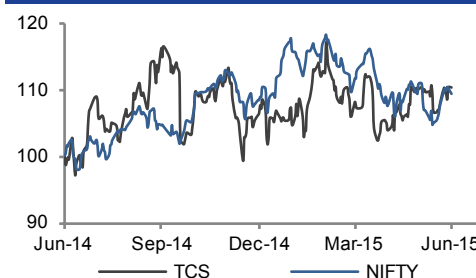
| | |
|-----------|------|
| Promoters | 73.9 |
| FII's | 17.0 |
| DII's | 4.7 |
| Others | 4.5 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|-----|-----|------|------|
| Absolute | (5) | (2) | (16) | (3) |
| Relative to Sensex | (5) | (3) | (17) | (12) |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Tata Consultancy Services Limited (TCS) is an integrated Information Technology, Consulting and Business Solutions provider offering a wide range of services like Application Development & Maintenance, Enterprise Solutions, Assurance services, Engineering & Industrial services, Infrastructure services, Global Consulting, Asset Leveraged Solutions and Business Process Outsourcing services. It has a total employee base of 3 lakh working from 183 offices spread across 43 countries. It derives 52% of its revenue from North America, 2% from Latin America, 17% from UK, 11.6% from Continental Europe, 9% from Asia Pacific, 2% from MEA and 6.4% from India.

UltraTech Cement Ltd

Bloomberg Code: UTCEM IN

India Research - Stock Broking

BUY

Ultratech: Consolidating leadership position with focus on efficiency

Volume growth of 12% on the back of demand pick-up and higher capacity utilization in the next 2 years: Ultratech being the largest cement manufacturer with presence across the country is well positioned to benefit from the likely higher spending on infrastructure and housing amid robust economic recovery during which cement sector is likely to see volume growth of over 8%, while Ultratech is expected to register a growth in volumes of over 12% in the next 2 years.

Organic & inorganic expansion to strengthen leadership position: Ultratech has planned for a capex of over Rs 10,000 cr to expand and modernize its existing facilities, acquisition of JP group's MP (4.9MTPA) cement plants with a target to reach 71.2 MTPA to strengthen the leadership position.

Economies of scale to result in an EBITDA growth of over 33%: Ultratech with its capacity of 71 MTPA by FY16E, is expected to benefit from its network of cement, captive power, ready mix plants, material handling terminals is well positioned to benefit from better coordination & mobilization of materials. Also, being a market leader with a strong brand the company is likely to command premium pricing over its smaller competitors. It brings in operational efficiency and pricing power in consideration to its size, therefore, resulting in higher EBITDA per ton of Rs1196 by FY17E.

Subdued raw material prices to aid profitability: Subdued crude oil, pet-coke and coal prices are likely to contribute towards lower operating expenses and aid profitability.

Valuation and Outlook

Ultratech is likely to benefit from strong revival in the economy, organic & in-organic growth plans, improved operational efficiency and leadership position in the Cement industry. We expect Ultratech to deliver a CAGR of 12% in sales and 33% in EBITDA driven by 6% growth in realization during FY15-17E. We recommend a "BUY" for a target of Rs 3310 valuing at 25x FY17E EPS, for an upside potential of 14%.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-------------------|--------|--------|--------|--------|--------|
| Net Sales | 200230 | 200779 | 226565 | 272071 | 321941 |
| EBIDTA | 45235 | 36160 | 39153 | 55728 | 69181 |
| EBIDTA Margin (%) | 22.6 | 18 | 17.3 | 20.5 | 21.5 |
| Adj. Net Profit | 26605 | 21445 | 20147 | 27046 | 35851 |
| EPS (Rs.) | 97 | 78.2 | 73.4 | 98.6 | 130.7 |
| RoE (%) | 18.9 | 13.3 | 11.2 | 13.5 | 15.7 |
| PE (x) | 29.9 | 37.1 | 39.6 | 29.5 | 22.2 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 2905 |
| Target Price | 3310 |
| Upside (%) | 13.9 |

Stock Information

| | |
|---------------------------|----------------|
| Mkt Cap (Rs.mn/US\$ mn) | 788933 / 12355 |
| 52-wk High/Low (Rs.) | 3398 / 2297 |
| 3M Avg. daily volume (mn) | 0.3 |
| Beta (x) | 1.3 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 274.4 |
| Face Value (Rs.) | 10.0 |

Shareholding Pattern (%)

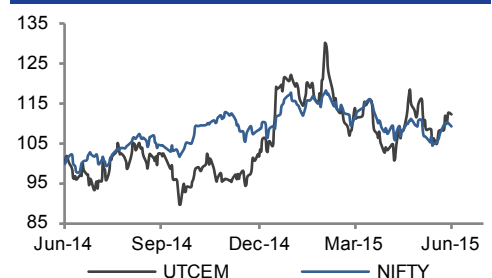
| | |
|-----------|------|
| Promoters | 61.7 |
| FIIs | 19.3 |
| DIIs | 5.9 |
| Others | 13.1 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|-----|----|----|-----|
| Absolute | (2) | 4 | 10 | 12 |
| Relative to Sensex | (2) | 3 | 9 | 2 |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Ultratech is the largest manufacturer of cement in India with an installed capacity of over 62 mn tons per annum (MTPA). It manufactures grey cement, ready mix concrete, white cement and other building products. It operates through 12 integrated plants, 1 clinkerisation plant, 16 grinding units, 6 bulk terminals and 100 RMC plants. It markets white cement under the brand 'Birla White' and has a capacity of 0.56MTPA besides 2 wallcare putty plants with a combined capacity of 0.8MTPA. Ultratech is the largest exporter of cement from India and its operations spread across Bahrain, Bangladesh, Sri Lanka and UAE. Ultratech is a part of the Aditya Birla Group and is a subsidiary of Grasim Industries Limited.

UPL Ltd

Bloomberg Code: UNTP IN

India Research - Stock Broking

BUY

UPL: Fast growing player in the global generic Agro-Chemicals

Lower Forex volatility and new product launches to help achieve the targeted top-line growth: UPL was able to generate volume growth to the tune of 14% in FY15 but exchange impact of -3% reduced the overall sales growth to 13% in Indian Rupee Terms (2% price increase). Depreciation of Euro and Brazilian Real versus US Dollar is expected to be relatively lower than last year, which in turn would help the company achieve a top-line growth in the range of 12%-15% in FY16E & FY17E. This along with new launches of 69 Actives/Technical; 151 Formulations and Total Country Launches/Registrations of 567 (addressable Market size of USD 5 billion) are expected to help the company generate incremental revenue of Rs. 3600 Crore (approx.) over the next two years.

Expanding EBITDA Margins & Sustenance of Return Ratios: UPL's EBITDA margins are expected to expand by 150 bps by FY17E. Out of this, change in fuel type is expected to contribute close to 100 bps in margin expansion, with the remaining expansion is due to falling commodity prices and stable Indian Rupee vis-a-vis the US Dollar. Margin expansion and sustained top-line growth is expected to help the company sustain 22%/40% RoE/RoCE respectively.

Generation of Free Cash Flows: UPL is expected to generate free cash flows (Net operating cash flows – Capex) of more than Rs. 10,000 million during FY16E and FY17E. This would in-turn help the company bring down its Debt to Equity levels below 0.3 levels.

Valuation and Outlook

UPL is likely to register a top line growth of around 12-15% on the back of aggressive new product launches scheduled for the next two years along with margin expansion of 150 bps. We expect UPL to maintain 22% RoE and generate free cash flows of over Rs 10,000mn in the long run, giving scope for higher dividend payments / share buy-back. We value UPL at 17x FY17E EPS and recommend a “BUY” for a target of Rs 670, with an upside potential of 24%.

Exhibit: Valuation Summary (Rs. Mn)

| YE Mar (Rs. Mn) | FY13 | FY14 | FY15E | FY16E | FY17E |
|-------------------|-------|--------|--------|--------|--------|
| Net Sales | 91857 | 107709 | 119111 | 135311 | 151794 |
| EBIDTA | 16733 | 20484 | 23626 | 26709 | 30308 |
| EBIDTA Margin (%) | 18.2 | 19.0 | 19.8 | 19.7 | 20.0 |
| Adj. Net Profit | 7746 | 9498 | 11440 | 14249 | 16877 |
| EPS (Rs.) | 17.1 | 21.6 | 26.7 | 33.4 | 39.6 |
| RoE (%) | 17.6 | 19.2 | 20.6 | 21.4 | 21.3 |
| PE (x) | 6.9 | 8.5 | 16.6 | 16.1 | 13.6 |

Source: Company, Karvy Research

Recommendation (Rs.)

| | |
|--------------|------|
| CMP | 538 |
| Target Price | 670 |
| Upside (%) | 24.5 |

Stock Information

| | |
|---------------------------|---------------|
| Mkt Cap (Rs.mn/US\$ mn) | 232346 / 3639 |
| 52-wk High/Low (Rs.) | 575 / 297 |
| 3M Avg. daily volume (mn) | 2.9 |
| Beta (x) | 0.8 |
| Sensex/Nifty | 27645 / 8318 |
| O/S Shares(mn) | 428.6 |
| Face Value (Rs.) | 2.0 |

Shareholding Pattern (%)

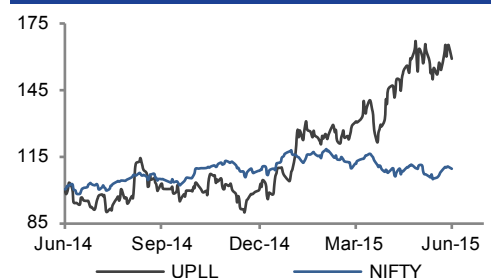
| | |
|-----------|------|
| Promoters | 29.8 |
| FIIs | 46.3 |
| DIIs | 10.1 |
| Others | 13.8 |

Stock Performance (%)

| | 1M | 3M | 6M | 12M |
|--------------------|-----|----|----|-----|
| Absolute | (3) | 24 | 60 | 63 |
| Relative to Sensex | (2) | 23 | 59 | 48 |

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

UPL Ltd is a global generic crop protection chemicals company. UPL is engaged in research, manufacturing, marketing & sales of agrochemicals like Insecticides, Fungicides, Herbicides, Fumigants, and Rodenticides; as well as other industrial & specialty chemicals sold in over 120 countries. Its geographical revenue comprises of 28% from Latin America, 22% from India, 19% from North America, 17% from Europe and 15% from the rest of the world. UPL has product registrations in various countries and it ranks amongst the top 5 post patent agrochemical companies in the world.

Asian Paint: Technical View



The stock has slipped almost 25% from the highs of 922.50 towards 693 levels and bounced back on the same day to give a closing at around 705 levels indicating it has bottomed out and is well set to head higher. In the recent rally the stock has moved higher with spurt in volumes. On the daily charts, the stock is trading near to its 21-DEMA and 200-DEMA, indicating that the stock is reversing its downtrend and is likely to head towards 950 levels in the long term.

Divi's Lab: Technical View



The stock is in an uptrend forming higher highs and higher lows. The stock made an all time high of 1969 and went into correction mode and corrected till the upward sloping trend line on daily charts and found support on the same. The monthly 20 SMA is placed at 1580 and weekly is placed at 1797 which are key medium term supports going ahead , resistances are pegged at 1970 and once this is cleared the stock has the potential to edge higher towards 2250-2300 in medium term with reversal placed at 1674.

HDFC BANK: Technical View



The Long term chart suggests a linear up trend by making higher highs on the monthly charts. The extension levels drawn from the low of Rs. 528 to the all time high of Rs. 1109.30 and then to the recent low of Rs. 944.20 gives a potential upside target of 1191 levels (23.80%) in the near term, above which the next possible targets can be pegged at Rs. 1341.08 (38.20%) in the months to come.

ITC: Technical View



Technically ITC is in secular uptrend on monthly charts from 66 levels in October 2008 and made an all time high of 409.95. The stock retraced from there to 294 levels where it took support from its previous swing low and 200 DEMA level on weekly chart and bounced back from there. The stock can retest all time highs in coming months breaking above which it can test uncharted territories of 430-440 levels.

LT: Technical View



L&T is forming a series of higher highs and higher lows on weekly charts and is trading above its short to medium term moving averages indicating a structural uptrend. Among the momentum oscillators 14-period RSI is reaffirming underlying bullish tone, as it managed to hold above 40-level during price correction from the life-time high of 1893.80 but rebounded from 200 DEMA, and currently it is inching higher in sync with price. From the above observation, technically stock has a potential to surge higher in an uncharted territory towards 2080 and towards 2200 in the coming months.

MARUTI: Technical View



MARUTI is in the secular uptrend making higher highs and higher lows on the weekly charts trading near its all time highs outperforming the broader markets. The stock gave a consolidation breakout above 3900 levels and is expected to test 4975 levels which is 61.80% Fibonacci price extension drawn from the swing low of 1215 to the swing high of 3789.70 levels.

RELIANCE: Technical View



RELIANCE has given a break out from its multi week trading range and moved above its previous swing highs of 925 levels with very good volumes, making the chart structure on daily chart to higher highs and higher lows. The stock also moved above its 50 weeks and 100 weeks moving averages, adding bullishness into the stock. The stock has support at 920-925 zone and below it at 850-860 zone, where the previous said trading range points are placed, and on the higher side, the stock has resistance at 1155-1165 zone, where previous swing highs are placed and above it at 1260-1340 levels.

TCS: Technical View



Technically TCS is in consolidation mode on monthly charts since it recorded its all time high of 2839.7. The stock is in uptrend since 219 levels in March 2009. Fibonacci pattern indicates that any break out above 2812 on closing basis can take the stock to 3540-3550 levels in the coming months.

Ultratech: Technical View



The stock is in a structural up trend since September 2013 and making higher highs and higher lows. The stock is on the verge of giving breakout of downward sloping trend line around 2970 levels drawn from the life time high of 3398 levels to the low of 3109 levels. The breakout above the said levels could take the stock to the high of 3398 levels in medium term and above that it may take stock to 3850-3900 levels in the long term.

UPL: Technical View



UPL has been one of the outperformer generating more than 140% of return after the stock broke from the consolidation range above 220 levels on the weekly charts. The stock is trading well above its long term moving averages and is expected to test 744 levels which is 61.80% Fibonacci price extension drawn from the swing low of 176.60 to the swing high of 570 levels.

Source: Karvy Research, Bloomberg, Data updated at 29 Jun 2015, 3:30PM

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