

1st October 2015

From the editor's desk...

The tumultuous month of Sept is now behind us, and there are a lot of interesting developments which have occurred in the recent times. Global concerns have never been so visible in the recent past, and with bounties of concerns over China, sovereign downgrades of countries like Brazil etc, Currency crisis etc. Along with it the FED maintaining status quo and the RBI cutting rates despite a 14% deficiency in the monsoon it is quite evident that slowing global growth is uppermost in the mind of central bankers.

However, India by far is best placed in the present down-cycle which has engulfed most emerging economies. The early Diwali surprise by the RBI governor would definitely trigger a lot of positive momentum across the corporate industry over the medium term. Coupled with Cooling Oil and Commodity prices and lower subsidies and higher indirect tax revenues should in our view enable the GOI to meet its fiscal deficit target for this fiscal despite measures like OROP.

The month of September has witnessed FII unwinding in most emerging markets and India cannot be isolated or de-coupled from the slowdown in the global economy. Post this sell-off we remain constructive on Indian Equities as India remains one of the few economies in the globe which can grow at 7.5%.

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7 Seven Picks for the quarter

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Stocks	Sector	CMP (Rs.)	Target (Rs.)	Returns	Rationale
Bank of Baroda	Banking	183	210	12%	Our pick among peers
DCB Bank	Banking	143	170	20%	Racing Ahead
Jubilant Food Works	FMCG	1,603	1,780	12%	Pizza at your doors
KEC International	Power T&D	142	165	19%	Gaining traction
Larsen & Toubro	Diversified	1467	1600	11%	Scarcity Premium
NIIT Ltd	Skill	73	90	14%	Restructuring Story
Supreme Industries	Plastics	623	720	17%	Plastic Supremacy

BANK OF BARODA

CMP : Rs. 183

Fundamental View

- Bank of Baroda – BOB remains our pick in the PSU banking space among large banks due to a good consumer franchise and key metrics which have not deteriorated much in the midst of challenging business environment.
- NIM of 2.9% for the India Business and 2.3% for the International Business, Net NPA of 1.9% and PCR of 65%.
- BOB trading at book value can be accumulated by investors for a price objective of 210



Technical View

- One of the rare PSU names which currently is holding above its 200 DMA. The short term rising trendline support has been a good indicator that the last 3 month uptrend which the stock began is still intact.
- Increased volumes and delivery figures in a fresh uptrend is always a good sign that long term investors are showing buying interest in the stock. Similar is the case with BoB.

DCB BANK

CMP : Rs.143

Fundamental View

- DCB with a market capitalization of 4000cr is well capitalized with a capital adequacy of more than 14% and has a strong presence in Maharashtra & Gujarat. Mortgage loans continues to be the priority for DCB
- Good Management Bandwidth with robust Net Interest Margins and decent metrics (CASA of 23%, Net NPA of 1.2% and PCR of 72%)
- We expect DCB to grow its balance sheet by 23% this year and the bank does not need capital to grow for FY15-16. We fancy the stock despite being a small bank compared to many of its well known peers and recommend a BUY



Technical View

- After breaking out of a Rounding bottom formation in early 2014 the stock has not looked back since the last year and a half.
- In fact there were 2 instances of severe correction with intensities of almost 20-25% from the tops, however, the stock has managed to surge back in its vigour and price trend.
- We believe that this is a good sign that the long term trend is still intact and long term buyers are looking to accumulate the stock on every decent corrections.

JUBILANT FOOD WORKS

CMP : Rs.1603

Fundamental View

- Jubilant Food Works – JFW is a proxy play on the growing consumption theme in India since it has a dominant 72% market share in the Indian Pizza market with more than 920 outlets.
- JFW has now opened more than 60 outlets for Dunkin Donuts and has begun the current fiscal well with a 20% growth in revenues and EBIDTA with a Same Store Growth of 4.6%
- Given its brand equity and innovative marketing strategies, JFW remains our preferred pick in the fast growing consumption theme.



Created in MetaStock from Equis International

Technical View

- Jubilant Foods is currently in a rising channel pattern.
- Historically corrections towards the base of this pattern indicates that they provide excellent entry points for long term investors.
- We believe a similar situation has occurred on the stock again, and current levels suggest that its trading closer to its support zone.

KEC INTERNATIONAL

CMP : Rs.142

Fundamental View

- KEC is our bet to play the growth story in power transmission & distribution and Railways in India. With the low margin legacy orders behind the on-going domestic capex in T&D would in our view boost the order intake for KEC going forward.
- Given the good visibility for new order inflows we believe that KEC is well placed to leverage its strengths and are optimistic on the prospects going forward. BUY



Technical View

- Breakout with volumes, on a long term charts are always a strong indication that the breakout is strong.
- The stock is forming a rectangular pattern and has recently broken out of that pattern on long term charts as well. The stock completed its 50% retracement and scaled back to fresh swing highs with increased volumes which is additionally a good sign for long term trend.

Fundamental View

- Larsen & Toubro – L&T is our bet to play the Engineering, Construction & Infrastructure theme in India and is a proxy to the revival in investment cycle and traction in Defence & Aerospace.
- With its order backlog at the end of the first quarter growing at more than 20% we are positive on the outlook going forward given its management bandwidth and execution capabilities.



Technical View

- The stock is trading at a very crucial mid level support from a long term view. The weekly charts are indicating very good support levels near the 1400 mark, indicated by multiple support points confluence.
- Historically stock has managed to witness a decent rally taking supports from previous support points.

NIIT LTD

CMP : Rs.73

Fundamental View

- New Business Opportunities arising from the Skill India program of the GOI and the re-structuring initiatives at two of its divisions – School Learning & Corporate Learning should in our view enable a business transformation and propel NIIT going forward.
- Given its good brand equity and new leadership at the top we are optimistic on a turnaround at NIIT and recommend a BUY



Technical View

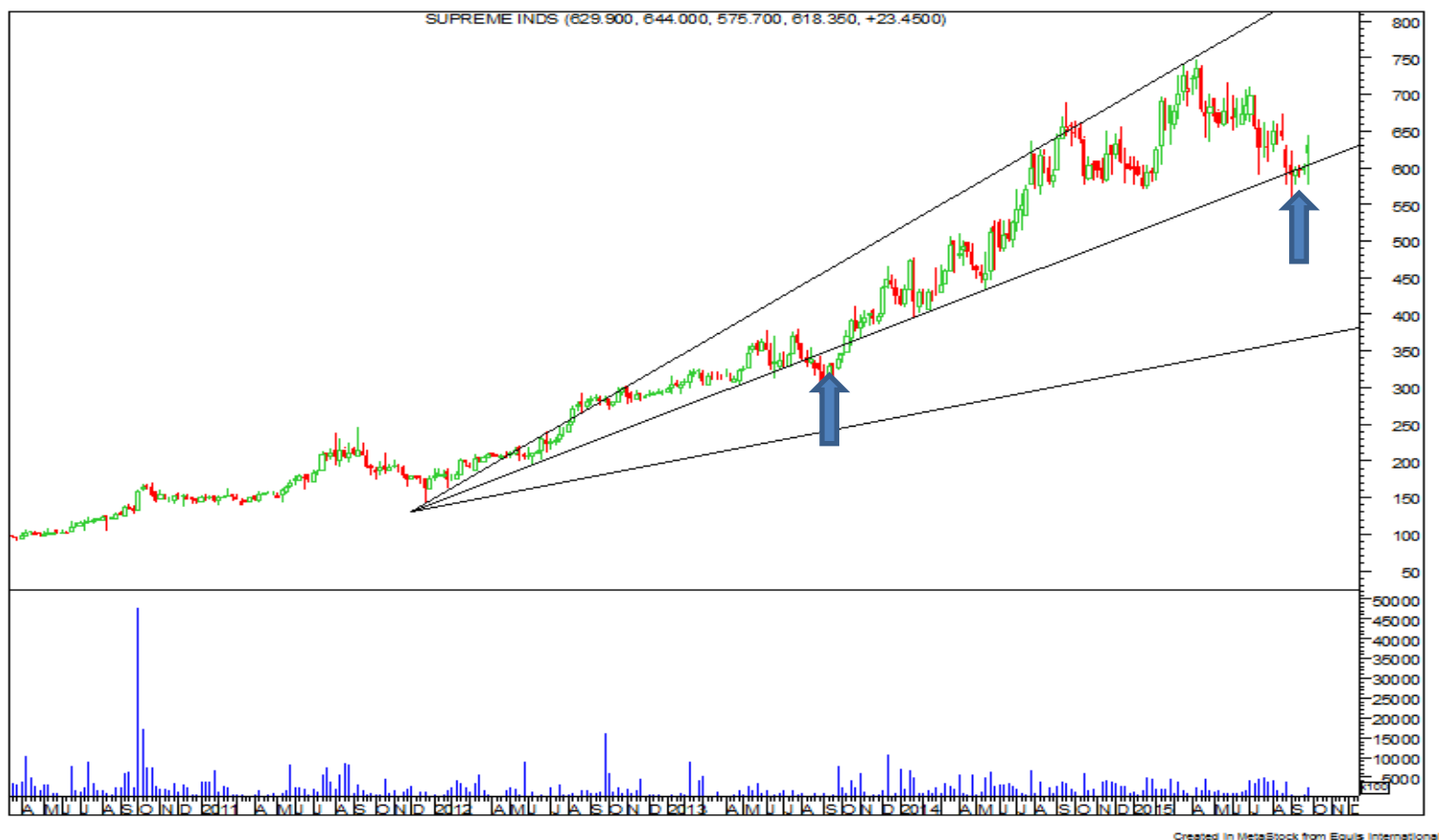
- A rounding bottom formation and a fresh multi year high indicated a start of a strong uptrend for NIIT.
- Volumes once again, supporting the breakout move is a good sign. In the recent few weeks of severe volatility, the stock underwent a marginal correction which was a good sign that the larger structure still remains bullish.

SUPREME INDUSTRIES

CMP : Rs.623

Fundamental View

- Supreme Industries is the market leader in plastic processing with a strong brand equity and product portfolio. In our view the company is a prime beneficiary of declining crude oil prices.
- Supreme has an un-matched distribution network in India and has more than 25 manufacturing locations across the country. Its management bandwidth and track record of posting consistent growth is quite impeccable and is our pick to play the theme of softening oil prices.



Technical View

- Andrew Pitchfork method is yet another good indicator to time the entry in cases of a multi year linear uptrend.
- Supreme Ind is currently trading closer to its longer term averages. If the stock takes support over the near term from these levels with increase in volumes, we believe that it could resume a fresh uptrend and may inch back to rescaling its previous highs.

Performance of LKP Seven picks for the quarter (Jul-15 to Sep-15)

(In Rs)

Name	Reco	Date	Price	Target	CMP	Capital Invested	P/L (%)	P/L	Comments
COLPAL	Buy	01-Jul	2,034	2,250	1900	100,000	-7%	(6,588)	
COALINDIA	Buy	01-Jul	421	480	317	100,000	-25%	(24,703)	
FDC	Buy	01-Jul	149	170	170	100,000	14%	14,094	Target Achieved
KTKBANK	Buy	01-Jul	140	175	126.5	100,000	-10%	(9,643)	
RALLIS	Buy	01-Jul	240	280	220	100,000	-8%	(8,333)	
REL CAP	Buy	01-Jul	365	415	389	100,000	7%	6,575	Profit Booked
ZEEL	Buy	01-Jul	367	400	400	100,000	9%	8,992	Target Achieved
TOTAL						700,000	-3%	(19,606)	
NIFTY			8,453		7,845	700,000	-7%	(50,349)	
OUTPERFORMANCE						700,000	4%	30,743	

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