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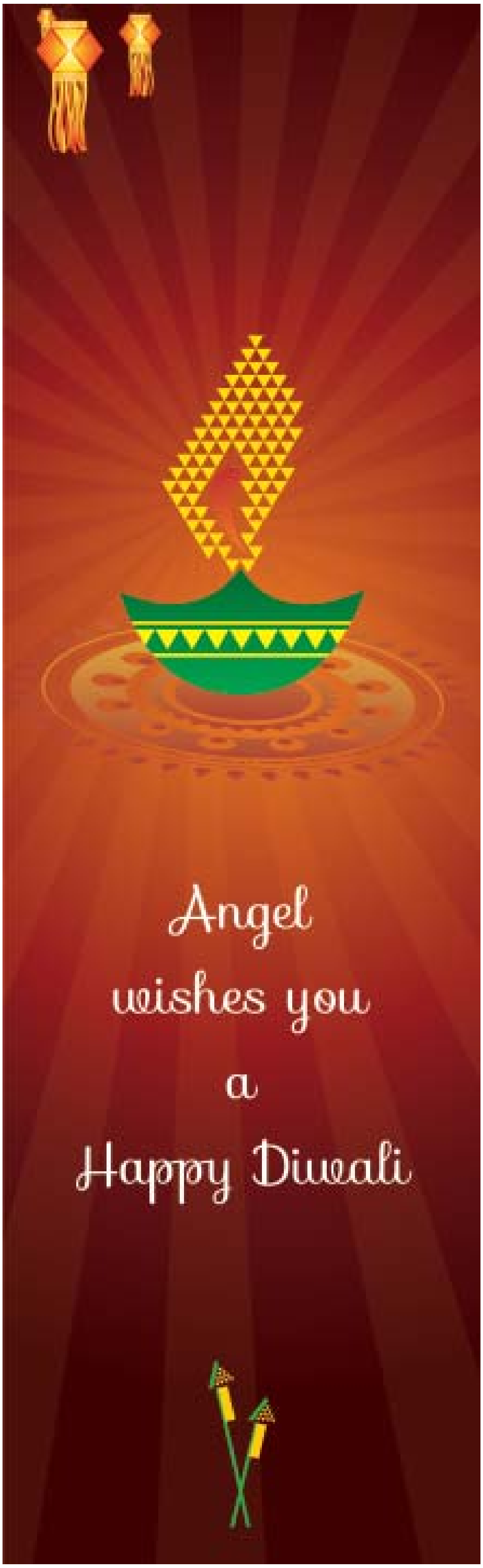
Market Strategy - Diwali Special
October - 2014

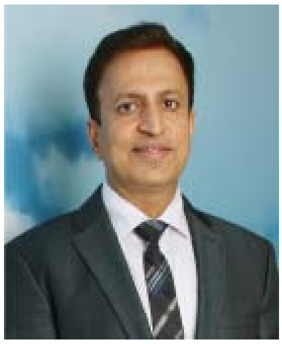
May the glow of the Diya light your path towards progress and continued success.

Happy Diwali

Research Team



Dear Friends,


Dinesh Thakkar

Let me first wish you all a very Happy Diwali and a Prosperous New Year!

I am sure you would have kept abreast to the sea change that has taken place in our market outlook and are all excited to get more involved in the markets in the coming weeks and months. There is such an invigorating atmosphere, with markets looking to have conclusively embarked on a major new bull cycle.

Even with modest policy impetus, India has always had the potential to grow at a reasonably high growth rate. But with the new government's pro-growth policies we should be able to clock even better growth, once the investment cycle also gathers steam. There are a lot of low-hanging fruits and with an able and proven leader at the helm, we can expect a slew of more and more concrete measures in the coming months in the run-up to the 2015 budget.

Apart from policy impetus, there is another big trigger on the cards - declining inflation and interest rates. The previous government, in an attempt to please its vote bank, had unwittingly created a vicious inflation cycle, by giving large hikes in MSP crop prices to farmers year after year and also in wages through pay commission, NREGA, etc. By the end of 2013, before elections, the previous government did realize its follies and stopped giving big hikes in food prices; it hiked wheat price by only 5% (something which the new government has continued with latest 5% rice price hike). Already food and overall inflation are coming down, we've seen the start of deposit rate cuts too and I expect them to collapse in the coming months, taking the economy into a low inflation and low interest rate scenario - a big trigger for growth and for equity markets.

The broader point is that Sensex earnings should once again start clocking 15-16%. Moreover, in the initial years, due to the high fixed costs, interest costs and spare capacity in the system, 15% revenue growth can lead to much higher earnings growth of even 20-25%. In my view, higher than expected earnings in a host of domestic cyclical sectors as well as quality midcaps, is what will continue to drive the markets going forward. Moreover, sectors such as mining, infrastructure, construction, cement and engineering, amongst others are likely to benefit from the government's pro-growth measures as well.

Equities by their very nature are undoubtedly one of the best financial assets to participate in this growth. So, friends, this Diwali bring out the fireworks and join the markets in celebrating the good times that are now upon us!

Best regards,

Dinesh Thakkar

Top Picks

Company	CMP (₹)	TP (₹)
Axis Bank	379	501
Banco Products	139	182
Bank of India	239	310
Crompton Greaves	203	235
Goodyear	644	756
ICICI Bank	1,460	1,894
India Cement	108	146
Infosys	3,889	4,700
Jagran Prakashan	122	154
Mangalam Cement	244	337
Punjab National Bank	900	1,109
Siyaram Silk Mills	712	952

Note: Investment period - 12 Months
BSE Sensex (26,297) and Price as on October 10, 2014

Earnings growth to drive market forward

Markets have witnessed a strong rally in the last eight months, which has so far been aided by the deeply beaten down valuations. Going ahead, we believe that acceleration in earnings growth will drive the markets forward. We expect the performance of various domestic cyclical sectors to continue improving going forward on the back of the improving economy and policy environment. In our view, top-line and earnings are at subdued levels across most cyclical sectors and are likely to show material improvement going forward, which is not yet fully reflected in consensus. Further, we expect earnings growth to be better than sales growth in the coming years on the back of improvement in operating margins, capacity utilisation and financial leverage (which would reflect in lower depreciation and interest costs).

Lower inflation and interest rates to catalyze investment cycle

The government and the Reserve Bank of India (RBI) have been continuously making efforts to bring down inflation, which is now beginning to yield results. Lower crude oil prices and stable currency have aided in easing of inflationary pressures. Going forward, we expect inflation to continue trending lower as RBI's tight policy as well as the government's decision of measured 4-5% hike in minimum support prices as opposed to average hikes of 10-12% in last few years, would aid in lowering food and overall inflation. As inflation reaches RBI's comfort levels of 6%, we expect rising financial savings and declining interest rates, which would also act as a catalyst for the investment cycle.

Earnings growth to outpace sales growth

There is increasing credibility that the better inflation and policy environment are likely to push up GDP growth and consequently corporate sales growth. Further, we expect earnings growth to be better than sales growth in the coming financial years. The better demand environment and resulting improved pricing power, coupled with lower cost inflation are likely to help companies in reviving their operating margins back to previous levels. Moreover, under-utilized capacities set-up prior to the downturn, capex on stuck or delayed projects due to policy logjam as well as stretching working capital requirements had burdened P&Ls in the form of higher depreciation and interest costs (as per data across 1,883 listed companies, excluding BFSI, IT, Pharma & FMCG). Hence additional topline growth in the next few years will not require commensurate interest & depreciation costs. Moreover, higher cash-flows, easier access to fresh equity capital and lower interest rates are likely to further aid in lower interest costs as a percentage of sales. All these factors are in our view expected to cumulatively contribute towards higher growth in earnings.

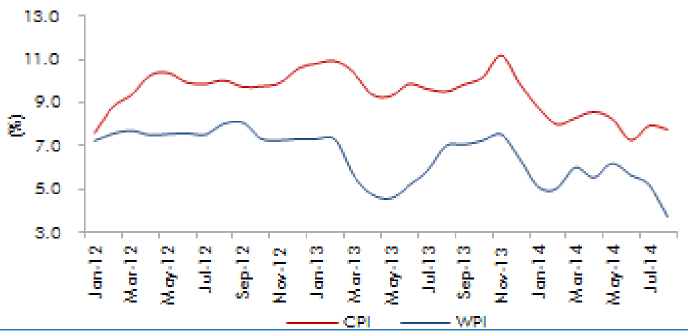
Outlook and Valuation

We are positive on a range of domestic cyclical stocks and quality mid-caps where there is still upside left in terms of value and where earnings outlook remains strong. Amongst sectors we like, banking is one of the preferred sectors as plays on the overall economic revival story. We like both private and PSU banks - private banks in anticipation of continued structural market share gains and PSU banks as beneficiaries of improving asset quality and lower interest rates. We also like stocks in the tyres and auto ancillary space owing to recovery in auto sales volumes and improving margins. We are positive on cement stocks, on similar expectations of economic revival and more specifically, pick-up in infrastructure and construction activity due to the government's focus. We particularly like smaller regional cement players as their valuations still look compelling.

Lower inflation and interest rates to catalyze investment cycle

The government and the RBI have been continuously making efforts to bring down inflation, which is now beginning to yield results. CPI inflation has eased from 11.9% in November 2013 to 7.8% in August 2014, in line with the RBI's target of containing inflation at around 8% levels by January 2015. In its latest monetary policy, the RBI has kept policy repo rate and CRR unchanged and re-iterated its focus on bringing CPI inflation to 6% levels by January 2016. Lower crude oil prices and stable currency have aided in easing of inflationary pressures. Going forward, we expect inflation to continue trending lower as RBI's tight policy as well as the government's decision of measured 4-5% hike in minimum support prices as opposed to average hikes of 10-12% in last few years, would aid in lowering food and overall inflation. As inflation reaches RBI's comfort levels of 6%, we expect rising financial savings and declining interest rates, which would also act as a catalyst for the investment cycle.

Exhibit 1: Declining trends in WPI and CPI inflation



Source: Office of Economic Adviser, Mospi, Angel Research

Government reforms to gain momentum in the run up to budget 2015

The government has so far shown focus on reviving the economy, sticking to a fiscal consolidation and pro-economic agenda and attracting foreign investments into key sectors such as infrastructure, manufacturing, etc. By the next budget, we expect this process to gather steam as the government gears up to roll out more and more concrete steps for reviving the economy. Amongst key action areas, we expect the government to bring about measures relating to infrastructure and land acquisition, reducing roadblocks to FDI, simplify project clearances and comprehensively work towards re-organizing the beleaguered mining sector.

Mining alone has significant scope to add to the GDP growth. The Supreme Court recently cancelled coal block allocations to private companies in a landmark judgement, of which in our view the silver lining will be a revamped mining policy. We believe the government will bring more clarity and transparency into a revamped policy framework in the mining sector, not just in coal but also other major resources like iron ore and bauxite. This is likely to have long-reaching benefits for the Indian economy, as borne out in the statistics on our under-utilized natural resources as per global standards.

As per industry data, India has coal reserves of 1,25,909mn MT till date as against China's reserves of 1,14,500mn MT while India's annual coal production is 588mn MT as against China's annual coal production of 3,520mn MT, indicating that China is producing 6x as much coal with lesser reserves. Further, India has strong reserves of iron ore (5,200mn MT vs China's reserves of 7,200mn MT) and bauxite (540mn MT vs China's reserves 830mn MT) but production is again far lower than China. Once the policy issues on mining are sorted out and commercial mining is allowed to commence on a large scale by the private sector, post transparent auctions, we would expect significant capacity expansions across power, steel and aluminum sectors, which would not only add significantly to GDP growth but also take us to a globally meaningful net exporter status from currently being a net importer in these resources.

Exhibit 2: Potential for increase in mining of natural resources

	Iron Ore Reserves Mn MT	Steel Mn MT	Bauxite Reserves '000 MT	Aluminum '000 MT	Coal Reserves Mn MT	Coal Production Mn MT
India	5,200	80	540,000	1,700	125,909	588
China	7,200	783	830,000	21,500	114,500	3,520
China vs India	**1.4x**	**10x**	**1.5x**	**13x**	**0.9x**	**6x**

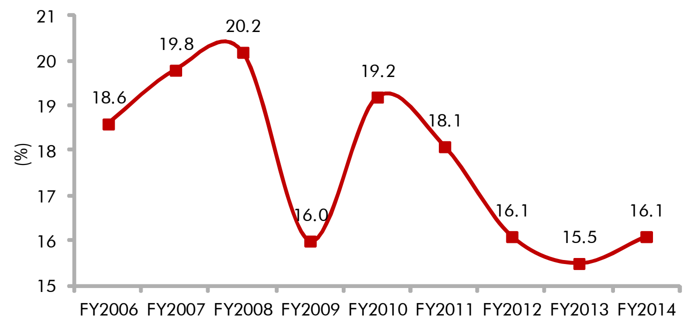
Source: USGS, BP, Angel Research

Earnings growth to outpace sales growth

In the last few years, earnings were under pressure due to decline in operating margins, and higher depreciation and interest costs. Going forward, we believe that a reversal in these factors would provide a boost to the earnings of Indian companies.

In the last few years, companies have witnessed a decline in their operating margins as they have been unable to pass on escalated costs to final consumers, owing to a sluggish demand scenario. Companies have been subject to higher wage expenses in the backdrop of rising inflation, and have also incurred higher other expenses. The better demand environment and resulting improved pricing power, coupled with lower cost inflation are likely to help companies in reviving their operating margins back to previous levels.

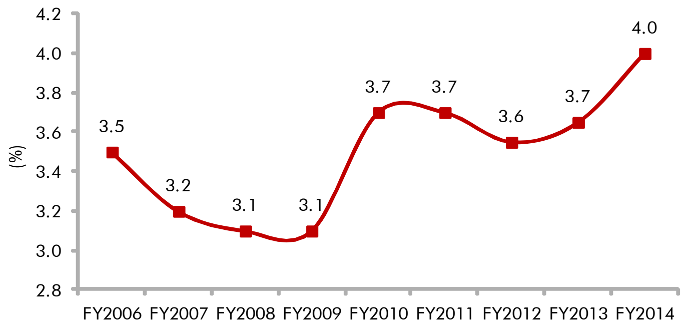
Exhibit 3: Lower demand, high inflation marred OPM



Source: Capitaline, Angel Research; Note: Aggregate data of 1,883 listed companies

Moreover, under-utilized capacities set-up prior to the downturn, capex on delayed projects due to policy logjam as well as stretching working capital requirements had burdened P&Ls in the form of higher depreciation and interest costs (as per data for 1,883 listed companies, excluding BFSI, IT, Pharma & FMCG). The depreciation cost for companies increased substantially from 3.1% in 2008 to 4.0% in 2014 and fixed assets turnover decreased from 1.5 times in 2006 to 1.3 times in 2014. We believe that going forward, improvement in demand will lead to higher capacity utilization, which will bring down the depreciation cost as a % of sales for these companies and also enable them to increase the fixed assets turnover ratio back to historical levels.

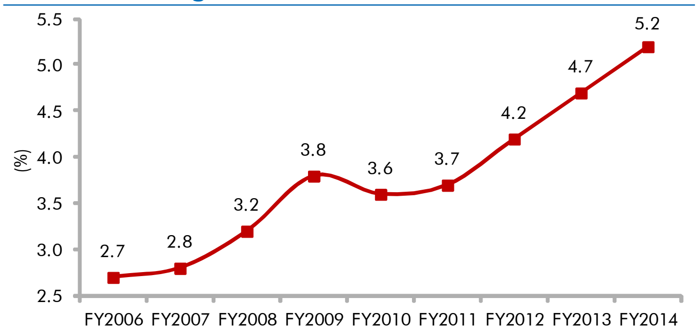
Exhibit 4: Under utilisation of capacity escalated depreciation cost



Source: Capitaline, Angel Research; Note: Aggregate data of 1,883 listed companies

Moreover, higher cash-flows, easier access to fresh equity capital and lower interest rates are likely to further aid in lower interest costs as a percentage of sales. For the companies considered in our analysis, the interest cost as a percentage to sales increased from 2.7% in FY2006 to 5.2% in FY2014 due to higher debt and interest rates. However, going forward, we expect interest costs as a percentage of sales to decline for the companies, mainly on back of (a) expected decline in interest rates due to lower inflationary pressures (b) easing off of working capital pressure owing to improvement in payment cycle which would result in lower working capital debt (c) an expected improvement in the debt/equity ratio owing to higher cash flows and easier access to fresh equity capital. Higher cash flows would result in debt repayment and better equity market conditions would lead to companies repaying their debts by raising equity; this would also help reduce the interest cost.

Exhibit 5: Rising debt escalated interest costs



Source: Capitaline, Angel Research; Note: Aggregate data of 1,883 listed companies

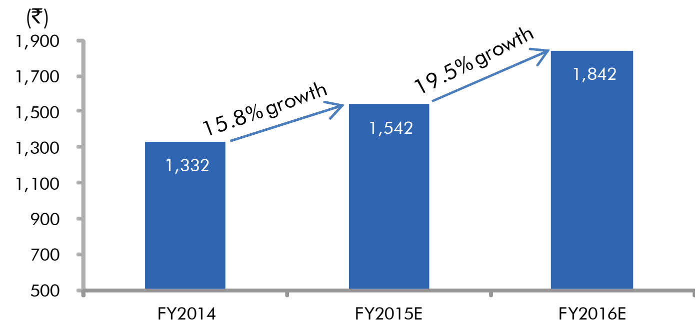
Outlook and Valuation

We expect the performance of various domestic cyclical sectors to continue improving going forward on the back of the improving economy and policy environment. In our view, top-line and earnings are at significantly subdued levels and are likely to show material improvement going forward, which is not yet fully reflected in consensus.

Amongst sectors we like, banking is one of the preferred sectors as plays on the overall economic revival story. We like both private and PSU banks - private banks in anticipation of continued structural market share gains and PSU banks as beneficiaries of improving asset quality and lower interest rates. We also like stocks in the tyres and auto ancillary space owing to recovery in auto sales volumes and improving margins. We are positive on cement stocks, on similar expectations of economic revival and more specifically, pick-up in infrastructure and construction activity due to the government's focus. We particularly like smaller regional cement players as their valuations still look compelling. Among midcaps, we suggest focusing on quality picks across sectors where there is still upside left in terms of value and where earnings outlook remains strong.

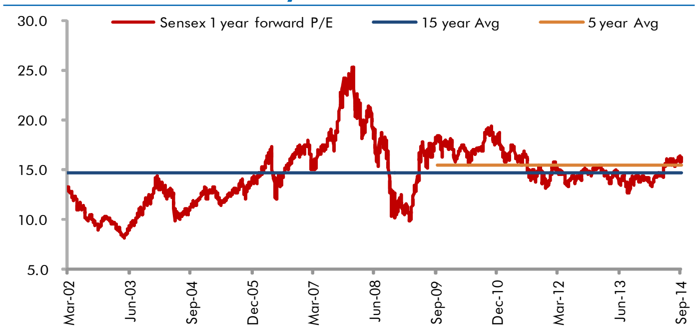
Overall, we expect the Sensex EPS to report a growth of 15.8% in FY2015 and 19.5% in FY2016 with an upward bias. Attributing a 16.5x multiple to our FY2016E Sensex EPS, we arrive at a target of 30,393 for the Sensex, implying an upside of ~16% from the present levels with a 12 month horizon.

Exhibit 6: Sensex EPS growth over FY2014-16E



Source: Angel Research

Exhibit 7: Sensex one-year-forward P/E



Source: Angel Research

Top Picks

Axis Bank (CMP: ₹379/ TP: ₹501/ Upside: 32%)

- Axis Bank, the third largest private sector bank in India, has been focusing on retail business in the past few years. It has increased its branch network at a 24% CAGR from 1,035 in FY2010 to 2,421 branches as of 1QFY2015, which has aided the bank to maintain healthy growth in its low cost deposits (CASA ratio at 42% in 1QFY2015). Moreover, the contribution of the retail advances to total advances has increased from 20% in FY2010 to 34% in 1QFY2015 (excluding retail agriculture loans), out of which 88% of retail loans are secured. Focusing on secured retail products has also aided the bank to maintain its relatively better asset quality with a Net NPA ratio of 0.44% as of 1QFY2015, which is one of the lowest in the industry.
- Axis Bank is well capitalized with a capital adequacy ratio (CAR) of 16.09% and Tier I CAR of 12.64% as in 1QFY2015. Strong capital adequacy combined with branch expansion has positioned the bank to benefit from growth opportunities in the up-cycle and further improve its market share of advances and low cost deposits.
- We expect the bank to grow its earnings at a CAGR of 17.2% over FY2014-16E. On the valuation front, Axis Bank is trading at 1.8x FY2016 P/ABV, ie at a 47.0% discount to HDFC Bank, which is trading at FY2016 P/BV of 3.4x. **We maintain our Buy recommendation with a target price of ₹501.**

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2015E	21,987	3.5	7,083	30.2	184.9	1.7	17.3	12.6	2.1
FY2016E	26,185	3.5	8,540	36.4	213.3	1.7	18.1	10.4	1.8

Banco Products (CMP: ₹139/ TP: ₹182/ Upside: 31%)

- Banco is a manufacturer of radiators and gaskets that have applications in automobiles, oil engines, compressors and locomotives. The company is a leading exporter of aftermarket radiators to Europe, with a growing presence in the America, Middle East and African markets.
- The commercial vehicle (CV) industry contributed ~80.0% to the company's domestic standalone sales in FY2014. We expect Banco to perform well on the back of recovery in the global economy as well as revival in domestic CV demand.
- In order to focus on the core business, the company has divested its entire stake in Lake Cement for US$17.7mn at an approximate premium of 52%. It is expected that it will use the proceeds for acquisitions (in Europe) related to the core business. We believe this will strengthen its core business and fortify its presence in the global markets.
- We expect Banco to register a CAGR of 15.0% in revenue over FY2014-16E to ₹1,536cr with an operating margin of 13.7% in FY2016E. The profit is expected to grow at a CAGR of 20.4% over the same period to ₹130cr in FY2016E. At the CMP, the company is trading at a PE of 7.6x FY2016E earnings. **We have a Buy rating on the stock with a target price of ₹182 based on FY2016E PE of 10x.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2015E	1,313	13.3	102	14.3	16.8	9.7	1.6	6.0	0.8
FY2016E	1,536	13.7	130	18.2	19.0	7.6	1.3	4.9	0.7

Bank of India (CMP: ₹239/ TP: ₹310/ Upside: 30%)

- PSU Banks such as Bank of India (BOI) are expected to be among the beneficiaries of an improved economic and policy environment. Further with inflation consistently declining and gross domestic savings once again entering into financial savings such as deposits, we expect interest rates to decline going forward. This is expected to improve the operating performance of banks such as BOI on all fronts including credit growth, asset quality and treasury gains.
- Benchmark 10-year bond yield has fallen to 8.46% and is expected to fall further due to the softening trend in inflation, which is expected to contribute to substantial treasury gains for banks such as BOI.
- In the last ten years, BOI has traded at an average P/ABV multiple of 1.1x and in the range of 0.7x to 1.4x. Currently it is trading close to its bottom average trading range in the last 10 years and at an attractive valuation of 0.5x FY2016E P/ABV, which is at a 44.4% discount to its closest peer, Bank of Baroda. We expect the valuation gap to narrow with improving fundamentals. **Hence we maintain our Buy view on the stock with a target price of ₹310.**

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2015E	16,189	2.0	3,367	52.4	395.4	0.5	12.2	4.6	0.6
FY2016E	18,243	2.0	3,910	60.8	443.0	0.5	12.9	3.9	0.5

Crompton Greaves (CMP: ₹203/ TP: ₹235/ Upside: 16%)

- Crompton Greaves (CG) is among the leading players in the power transmission & distribution, industrial equipment, and consumer products and solutions segments in India. The company derives more than 50% of its revenue from international operations (as of FY2014).
- The company has proposed to de-merge its consumer business into a separate listed entity. In the consumer business, CG is a market leader in the fans and pumps segments with 26% and 14% market shares, respectively. We believe the demerger would unlock value for share holders as the consumer business is expected to deliver strong growth in the near future with higher margins and better return ratios. Thus, CG's consumer business would command a higher valuation multiple, in line with its peers in the space.
- The overseas operations as in Belgium, Hungary, Canada and US have become profitable at the EBITDA level but are still showing losses at the net profit level owing to higher interest liabilities. CG's Management expects margins to improve as the new orders bagged are relatively higher margin orders.
- The stock trades at an attractive valuation of 0.9x FY2016E EV/sales; **we maintain our positive stance on the company and assign an EV/sales multiple of 1x to arrive at a target price of ₹235, implying an upside of 16% in the stock price from the current levels.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2015E	14,899	6.6	503	7.9	12.9	25.7	3.2	14.7	1.0
FY2016E	16,720	7.2	638	10	14.8	20.3	2.9	12.2	0.9

Goodyear (CMP: ₹644/ TP: ₹756/ Upside: 17%)

- Goodyear India (GIL) is a market leader in the tractor tyre industry, with a market share of ~22% in the front tyre segment and ~34% in the rear tyre segment.
- Raw Material cost accounts for ~71% of net sales of which, rubber constitutes ~62%. Natural Rubber (NR) prices have been declining in the recent past largely due to global surplus in NR. Domestic rubber prices have declined from average levels of ₹171/kg in CY2013 to ₹121/kg currently. Additionally, styrene butadiene rubber (SBR), which is also used for manufacturing tyres, is showing signs of weakness owing to weak demand from China.
- GIL is a debt free-cash rich company with a RoIC of 64.9%. We expect the company's RoIC to surge to ~148% in CY2015. The company's cash and equivalents are expected to be at ₹545cr by CY2015-end, which are ~36% of the current market cap.
- The stock is currently trading at a PE of 10.2x for CY2015E. **We have a Buy recommendation on the stock with a target P/E of 12x for CY2015E, and arrive at a target price of ₹756.**

Y/E Dec.	Sales (₹ cr)	OPM (%)	PAT* (₹ cr)	EPS* (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
CY2014E	1,691	10.0	116	50.5	24.8	12.7	2.9	6.3	0.6
CY2015E	1,842	11.0	145	62.9	25.2	10.2	2.3	4.6	0.5

ICICI Bank (CMP: ₹1,460/ TP: ₹1,894/ Upside: 30%)

- In the last six years, ICICI Bank has delivered a strong performance in a tough environment. It has increased its branch network from 1,388 branches in 1QFY2009 to 3,763 in 1QFY2015. Its balance sheet also strengthened, with CASA ratio improving from 29% at the end of FY2009 to 43% in 1QFY2015, Gross NPA ratio decreasing to 2.69% in 1QFY2015 as against 5.1% in FY2010 and Net NPA ratio decreasing to 0.87% in 1QFY2015 as against 1.87% in FY2010.
- Branch expansion coupled with strong capital adequacy at 17.57% (Tier1 at 12.5%) will in our view enable the bank to grow its loans and low-cost deposits at a faster pace than the industry and increase its market share as the business environment turns conducive.
- The stock is trading at a valuation of 1.9x FY2016E P/ABV (adjusting for subsidiaries). **We maintain our Buy recommendation on the stock with a target price of ₹1,894, valuing the core bank at 2.5x FY2016E P/ABV and assigning a value of ₹206 to its subsidiaries.**

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2015E	31,434	3.2	11,399	98.7	696.9	1.5	14.9	14.8	2.1
FY2016E	37,089	3.3	13,632	118.0	779.6	1.6	15.8	12.4	1.9

India Cements (CMP: ₹108/ TP: ₹146/ Upside: 35%)

- India Cements is the largest cement player in south India and the fifth largest player in India, with an installed capacity of 13.1 MTPA in south India and overall total capacity of 15.6 MTPA (pan India). The company derives 85-90% of its revenue from south India. Due to excess capacity in south India and political instability in Andhra Pradesh, the demand for cement in the south region had been weak in the past couple of years. Now, with the Telangana issue being resolved and demand picking up in the region, we expect overall utilization levels to improve going forward.
- The pricing environment in south India continues to remain stable despite a sharp increase in the previous quarter. As per the Management, prices are expected to increase further post monsoons, which should lead to an improvement in margins in future.
- At the current market price of ₹108 the stock is available at trailing EV/tonne of $63, which is at a large discount to its other midcap peers. Given the improving macroeconomic scenario, stable pricing and expected pickup in demand, we are positive on India Cements and value it at EV/tonne of $75 on FY2016E installed capacity. **We arrive at a price target of ₹146, ie an upside of 35% from the current levels.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2015E	5,086	10.5	100	3.2	3.5	33.4	1.3	11.6	1.2
FY2016E	5,869	11.3	188	6.1	7.4	17.7	1.3	9.2	1.0

Infosys (CMP: ₹3,889/ TP: ₹4,700/ Upside: 21%)

- Infosys has reinforced its USD revenue growth guidance of 7-9%, earlier given in 1QFY2015. This should result in 2.3-3.5% qoq revenue growth for the rest of the quarters of FY2015. We believe that this is a conservative number by the company and expect the company to post ~10.4% USD revenue growth in FY2015. Over the long term, the new Management has given an outlook of a meaningful revival over the next 2-3 years and is targeting a long term revenue growth of 15-18% and EBIT margins of 26-28%, thus reverting back to being the industry leader in growth and profitability.
- Management commentary indicates that the deal pipeline seems to be better than what it was the same time last year. During the last few quarters, Infosys signed 4-5 large deals worth US$700mn+, indicating a better spending trend in key verticals like financial services, retail and manufacturing although telecom and hi-tech verticals continue to be challenging. We expect Infosys to post a 10.8% USD revenue CAGR over FY2014-16E.
- At the current market price, the stock is trading at 18.2x and 16.5x its FY2015E and FY2016E EPS, respectively, ie at a discount to its peers and thus provides a good investment opportunity for long term investors, as we believe that over the next 2-3 years the company will be back to its growth trajectory and breach the valuation gap. **We maintain our Buy on the stock with a price target of ₹4,700.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2015E	55,347	27.3	12,204	213.4	22.0	18.2	4.0	12.3	3.3
FY2016E	61,546	27.8	13,465	235.7	20.8	16.5	3.4	10.5	2.9

Jagran Prakashan (CMP: ₹122/ TP: ₹154/ Upside: 26%)

- We expect Jagran Prakashan (JPL) to register a healthy net sales CAGR of ~8% over FY2014-16E, supported by strong growth in circulation revenue and improvement in advertising revenue. Further, we expect the company to report CAGR of ~12% over FY2014-16E in circulation revenue owing to combination of increase in cover price and volume growth. Also, we expect revenue from advertisements to pick up due to improvement in GDP growth.
- We expect the company to report an operating profit CAGR of ~12% over FY2014-16E to ₹479cr on back of improvement in margin due to lower news print costs and effective cost management strategy. We expect a net profit CAGR of ~12% over FY2014-16E to ₹282cr on back of decent sales numbers and healthy operating profit.
- Considering Dainik Jagran's status as the most read Hindi newspaper and its strong presence in the rapidly growing Hindi markets of Bihar, Haryana, Jharkhand, Punjab, Madhya Pradesh and Uttar Pradesh, we expect JPL to benefit from an eventual recovery in the Indian economy. At the current market price of ₹122 the stock trades at a PE of 15.9x and 13.5x its FY2015E and FY2016E EPS of ₹7.7 and ₹9.1, respectively. Hence, **we maintain our Buy rating on the stock with a target price of ₹154.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2015E	1,824	22.9	239	7.7	19.0	15.9	2.9	9.2	2.2
FY2016E	1,981	24.2	282	9.1	20.2	13.5	2.5	7.9	2.0

Mangalam Cement (CMP: ₹244/ TP: ₹337/ Upside: 38%)

- Mangalam Cement (MCL), a BK Birla group company having its plant in Rajasthan, has expanded its cement capacity by 1.25 MTPA (increase of 63%) to 3.25 MTPA (as of end-FY2014). We expect MCL to report a healthy 21.8% volume CAGR over FY2014-16E, on the back of improved outlook for cement demand.
- With MCL's grinding capacity now having increased to 1.4x of clinker capacity post expansion (vs 1.2x earlier), it expects to increase the fly ash component in cement production from the current 16% to 30-32% during FY2015E, closer to industry levels, which is expected to aid OPM expansion. Also, the new 1.25 MTPA capacity, which is expected to contribute significantly to overall production volume, is also expected to be more energy efficient. Thus there would be a further reduction in the cost of cement production for the company. The realizations are also expected to improve due to strong demand recovery in the cement sector. Overall, we expect EBITDA/tonne to improve from ₹310/tonne in FY2014 to ₹680/tonne in FY2016.
- At the current market price of ₹244, the stock is trading at trailing EV/tonne of $49 (on its 3.25 MTPA installed capacity), which is at a large discount to its midcap peers. **We value MCL at EV/tonne of $60 and imply 6.5x FY2016 EV/EBITDA to arrive at target price of ₹337, thus providing an upside of 39% from the current levels.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2015E	940	13.5	52	20	9.9	12.2	1.2	7.4	1.0
FY2016E	1,156	15.7	84	31	14.6	7.9	1.1	4.8	0.7

Punjab National Bank (CMP: ₹900/ TP: ₹1,109/ Upside: 23%)

- Punjab National Bank (PNB)'s loan growth in the last 2 years has been conservative at 5.1% and 13.1% in FY2013 and FY2014 respectively. However, with the economic cycle expected to turnaround, growth rate should pick up in FY2016.
- With economic cycle improving, recoveries are likely to improve going forward. PNB has a large pool of bad loans with Gross NPA of ₹19,604cr (5.5% of advances and 52.6% of net worth), restructured book of ₹34,012cr (9.8% of advances and 91% of net worth) and written off accounts of ₹6,550cr (1.9% of advances and 17.6% of net worth). While this had depressed its book value and valuations so far, once the recovery cycle picks up steam, the bank is likely to be among the bigger beneficiaries.
- In last ten years, PNB has traded at an average P/ABV multiple of 1.3x and in the range of 0.9x to 1.5x. Currently PNB is trading at a valuation of 0.8x FY2016 P/ABV. We expect the P/ABV multiple to expand over the next few years due to higher growth, better asset quality and return metrics. **We maintain our Buy recommendation with a target price of ₹1,109.**

Y/E March	Op Inc. (₹ cr)	NIM (%)	PAT (₹ cr)	EPS (₹)	ABV (₹)	RoA (%)	RoE (%)	P/E (x)	P/ABV (x)
FY2015E	22,819	3.2	4,894	135.1	979.6	0.8	13.4	6.7	0.9
FY2016E	26,141	3.2	5,775	159.5	1137.8	0.8	14.2	5.6	0.8

Siyaram Silk Mills (CMP: ₹712/ TP: ₹952/ Upside: 34%)

- Siyaram Silk Mills (SSML) has strong brands, such as *Siyaram's, Mistair, MSD, J. Hampstead* and *Oxemberg*. With launch of two new premium cotton brands - *Zenesis* and *Moretti*, entry into linen fabrics, foray into ladies wear (SKD) under the brand Siya and increased focus on premium J. Hampstead brand, the company will be able to maintain its high growth trajectory.
- The revenue share of readymade garments, which is a high margin business, is expected to increase to 20% in FY2016E from 16.3% in FY2014. The asset turnover (gross block) is expected to improve from 2.4x in FY2014 to 3.1x in FY2016E as the company has already incurred the required capex. We believe there would be minimum capex requirement as it would outsource manufacturing, which would prove to be more profitable. In addition, with the cash flow coming in, the company will be able to reduce its debt to ₹201cr by FY2016E from ₹275cr in FY2014, thereby easing interest expenses and improving profitability.
- We believe that with market leadership in blended fabrics, strong brand building, wide distribution channel, strong presence in tier II and tier III cities and emphasis on latest designs and affordable pricing points, SSML will be able to post a revenue CAGR of 17.8% over FY2014-16E to ₹1,810cr with an EBITDA margin of 11.1%. We expect the profit to grow at a CAGR of 32.4% over FY2014-16E to ₹111cr. On account of the improved brand acceptance and strong profit growth, **we reiterate our Buy rating on the stock with an upgraded target price of ₹952, valuing the stock at a revised target PE of 8x FY2016E earnings.**

Y/E March	Sales (₹ cr)	OPM (%)	PAT* (₹ cr)	EPS* (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/EBITDA (x)	EV/Sales (x)
FY2015E	1,536	10.8	80	85.7	19.9	8.3	1.5	5.3	0.6
FY2016E	1,810	11.1	111	119	22.8	6.0	1.2	4.1	0.5

Stock Watch

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr) FY15E	Sales (₹ cr) FY16E	OPM (%) FY15E	OPM (%) FY16E	EPS (₹) FY15E	EPS (₹) FY16E	PER (x) FY15E	PER (x) FY16E	P/BV (x) FY15E	P/BV (x) FY16E	RoE (%) FY15E	RoE (%) FY16E	EV/Sales (x) FY15E	EV/Sales (x) FY16E
Agri / Agri Chemical																		
Rallis	Neutral	250	-	4,862	2,020	2,365	13.9	13.9	9.0	10.5	27.8	23.8	5.8	4.9	22.6	22.4	2.4	2.1
United Phosphorus	Buy	331	424	14,195	11,850	13,627	17.3	17.3	29.9	35.3	11.1	9.4	2.2	1.9	22.2	21.7	1.3	1.1
Auto & Auto Ancillary																		
Ashok Leyland	Accumulate	44	47	12,550	11,904	16,757	5.7	10.6	(0.2)	3.2	-	13.9	3.0	2.7	(1.1)	20.6	1.2	0.8
Bajaj Auto	Accumulate	2,349	2,475	67,959	23,153	26,835	20.4	20.6	130.0	154.7	18.1	15.2	6.0	5.0	33.2	32.7	2.5	2.1
Eicher Motors	Neutral	11,270	-	30,546	11,026	13,997	15.6	16.6	399.0	547.0	28.2	20.6	8.9	6.6	31.3	32.0	2.6	2.0
Escorts	Neutral	160	-	1,967	4,471	5,038	5.5	6.8	12.1	18.7	13.3	8.6	1.0	0.9	7.4	10.4	0.4	0.3
Hero Motocorp	Accumulate	2,842	3,061	56,755	29,621	35,172	14.0	14.6	147.3	180.0	19.3	15.8	8.1	7.0	42.1	44.6	1.7	1.4
L G Balakrishnan & Bros	Neutral	654	-	1,026	1,276	1,484	11.5	11.5	42.6	50.4	15.3	13.0	2.8	2.4	18.2	18.1	0.9	0.8
Mahindra and Mahindra	Buy	1,318	1,524	81,885	42,041	47,163	14.4	14.6	64.0	74.1	20.6	17.8	3.9	3.3	19.0	18.8	1.7	1.4
Maruti	Accumulate	2,965	3,197	89,571	51,954	64,494	12.6	13.7	124.4	177.6	23.8	16.7	3.8	3.3	16.0	19.5	1.5	1.2
Tata Motors	Accumulate	492	562	1,32,643	2,77,024	3,24,026	14.8	15.5	50.4	60.7	9.8	8.1	2.0	1.6	20.2	19.8	0.6	0.5
TVS Motor	Neutral	224	-	10,635	10,556	12,777	6.8	7.9	9.8	15.5	22.8	14.4	6.0	4.5	26.4	31.4	0.9	0.7
Amara Raja Batteries	Neutral	582	-	9,946	4,113	4,903	16.9	17.1	25.1	29.9	23.2	19.5	5.8	4.6	24.9	23.9	2.3	1.9
Exide Industries	Accumulate	167	176	14,233	6,872	7,903	15.3	15.7	7.6	8.9	22.0	18.8	3.4	3.0	15.3	16.0	1.7	1.4
Apollo Tyres	Accumulate	220	240	11,196	15,021	17,026	14.5	14.1	21.6	24.0	10.2	9.2	2.1	1.7	20.2	18.4	0.8	0.7
Ceat	Neutral	758	-	2,727	6,202	7,386	10.5	10.7	79.5	92.9	9.5	8.2	2.0	1.6	22.4	21.2	0.6	0.5
JK Tyres	Neutral	510	-	2,096	8,229	8,982	11.7	11.4	73.5	76.8	6.9	6.6	1.5	1.3	22.0	19.0	0.6	0.6
Sterling Tools	Accumulate	365	397	250	342	394	47.5	54.8	27.4	33.1	13.3	11.0	2.2	1.8	16.2	16.7	0.9	0.8
Swaraj Engines	Accumulate	986	1,056	1,224	665	759	15.1	15.0	61.9	70.4	15.9	14.0	4.7	3.8	29.4	27.3	1.6	1.3
Banking																		
Axis Bank	Buy	379	501	89,490	21,987	26,185	3.5	3.5	30.2	36.4	12.6	10.4	2.1	1.78	17.3	18.1	-	-
Bank of Baroda	Buy	859	1,031	36,876	17,962	20,377	2.0	2.0	117.8	135.8	7.3	6.3	1.0	0.9	13.4	13.8	-	-
Bank of India	Buy	239	310	15,353	16,189	18,243	2.0	2.0	52.4	60.8	4.6	3.9	0.6	0.5	12.2	12.9	-	-
Canara Bank	Buy	368	462	16,956	13,979	15,557	2.1	2.1	65.5	74.9	5.6	4.9	0.6	0.6	10.5	11.0	-	-
Dena Bank	Buy	58	75	3,125	3,583	3,966	2.2	2.2	11.5	15.4	5.0	3.8	0.5	0.5	9.5	11.6	-	-
Federal Bank	Neutral	128	-	10,980	3,065	3,493	3.1	3.0	10.2	12.2	12.6	10.5	1.4	1.3	12.0	13.0	-	-
HDFC	Neutral	1,007	-	1,57,905	9,438	11,024	3.5	3.4	38.8	45.4	25.9	22.2	5.1	4.6	26.9	27.5	-	-
HDFC Bank	Accumulate	867	963	2,09,310	30,881	37,511	4.4	4.3	43.5	54.6	19.9	15.9	4.3	3.56	22.0	23.2	-	-
ICICI Bank	Buy	1,460	1,894	1,68,967	31,434	37,089	3.2	3.3	98.7	118.0	14.8	12.4	2.1	1.9	14.9	15.8	-	-
IDBI Bank	Buy	61	76	9,744	9,583	10,921	2.0	2.0	11.1	13.1	5.5	4.6	0.4	0.4	7.9	8.7	-	-
LIC Housing Finance	Buy	312	408	15,763	2,567	3,073	2.4	2.4	30.3	35.6	10.3	8.8	1.9	1.6	18.9	19.1	-	-
Punjab Natl.Bank	Buy	900	1,109	32,577	22,819	26,141	3.2	3.2	135.1	159.5	6.7	5.6	0.9	0.8	13.4	14.2	-	-
South Ind.Bank	Buy	25	36	3,410	1,872	2,128	2.7	2.7	3.7	4.3	6.8	5.9	1.0	0.9	14.4	15.0	-	-
St Bk of India	Buy	2,451	2,988	1,83,007	76,522	89,477	3.1	3.1	182.5	244.3	13.4	10.0	1.5	1.4	11.2	13.7	-	-
UCO Bank	Buy	79	98	8,016	7,817	8,725	2.9	2.9	20.1	22.0	3.9	3.6	0.7	0.6	16.8	16.1	-	-
Union Bank	Buy	201	233	12,770	11,499	12,840	2.4	2.3	35.3	42.2	5.7	4.8	0.7	0.6	11.9	12.9	-	-
Yes Bank	Buy	572	734	23,813	5,282	6,490	2.9	3.0	46.0	55.3	12.4	10.3	2.0	1.8	20.3	18.2	-	-

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr) FY15E	Sales (₹ cr) FY16E	OPM (%) FY15E	OPM (%) FY16E	EPS (₹) FY15E	EPS (₹) FY16E	PER (x) FY15E	PER (x) FY16E	P/BV (x) FY15E	P/BV (x) FY16E	RoE (%) FY15E	RoE (%) FY16E	EV/Sales (x) FY15E	EV/Sales (x) FY16E
Capital Goods																		
BHEL	Neutral	221	-	54,055	36,844	36,607	10.8	10.8	11.8	11.4	18.7	19.3	1.8	1.7	10.2	9.0	1.3	1.3
Blue Star	Accumulate	341	388	3,070	3,230	3,705	5.1	6.2	11.2	15.1	30.6	22.6	5.5	4.6	19.4	22.1	1.0	0.9
Crompton Greaves	Buy	203	235	12,707	14,899	16,720	6.6	7.2	7.9	10.0	25.7	20.3	3.2	2.9	12.9	14.8	1.0	0.9
KEC International	Accumulate	103	109	2,647	8,657	9,879	7.2	7.5	7.1	9.9	14.5	10.4	2.0	1.7	22.9	24.7	0.5	0.4
Thermax	Neutral	850	-	10,131	6,091	6,988	9.4	9.7	29.5	35.6	28.8	23.9	4.3	3.8	16.0	17.0	1.6	1.4
Cement																		
ACC	Buy	1,404	1,623	26,359	12,249	13,960	14.9	15.6	56.1	69.1	25.0	20.3	3.1	2.9	13.0	14.9	1.9	1.7
Ambuja Cements	Accumulate	212	234	32,804	10,116	11,296	21.8	22.9	8.5	10.2	25.0	20.8	3.2	3.0	13.3	14.9	2.7	2.4
India Cements	Buy	108	146	3,330	5,086	5,869	10.5	11.3	3.2	6.1	33.4	17.7	1.3	1.3	3.5	7.4	1.2	1.0
J K Lakshmi Cement	Neutral	346	-	4,066	2,318	2,819	15.3	17.2	8.9	13.3	39.0	26.0	2.9	2.6	7.6	10.5	2.4	1.9
Mangalam Cements	Buy	244	337	652	940	1,156	13.5	15.7	20.0	31.0	12.2	7.9	1.2	1.1	9.9	14.6	1.0	0.8
Ramco Cements	Accumulate	310	350	7,378	4,251	5,018	17.3	19.5	9.6	16.4	32.2	19.0	2.7	2.4	8.8	13.6	2.3	2.0
Shree Cement^	Accumulate	8,349	9,013	29,085	6,558	8,056	24.4	25.3	272.3	360.5	30.7	23.2	5.5	4.6	19.4	21.5	4.0	3.2
UltraTech Cement	Neutral	2,482	-	68,115	22,771	26,413	19.5	19.8	79.6	95.8	31.2	25.9	3.6	3.2	12.1	13.1	3.1	2.7
FMCG																		
Asian Paints	Neutral	663	-	63,638	14,498	16,653	16.0	16.0	15.6	17.7	42.6	37.5	12.4	10.0	32.4	29.4	4.3	3.7
Britannia	Neutral	1,334	-	16,003	7,056	8,065	9.7	9.6	40.3	47.2	33.1	28.3	12.7	9.4	45.0	38.3	2.2	1.8
Colgate	Neutral	1,704	-	23,175	4,165	4,836	17.7	18.4	43.5	50.5	39.2	33.7	33.8	25.8	94.1	86.6	5.4	4.6
Dabur India	Neutral	215	-	37,771	8,135	9,370	17.1	17.1	6.4	7.3	33.8	29.3	11.1	8.8	36.9	33.7	4.6	3.9
GlaxoSmith Con*	Neutral	5,273	-	22,176	4,259	4,919	15.7	15.9	143.2	168.3	36.8	31.3	11.0	8.9	33.1	31.4	4.7	4.0
Godrej Consumer	Neutral	978	-	33,297	8,777	10,168	15.4	15.6	26.1	31.1	37.5	31.5	7.4	6.2	19.7	19.7	3.9	3.3
HUL	Neutral	721	-	1,55,920	31,055	34,940	13.7	14.2	18.3	20.1	39.4	35.9	33.0	23.8	99.0	77.0	4.8	4.2
ITC	Buy	353	409	2,81,611	38,185	44,068	37.7	37.8	12.7	14.6	27.7	24.2	9.1	7.8	32.7	32.1	7.1	6.1
Marico	Neutral	303	-	19,507	5,406	6,351	15.7	15.7	8.6	10.4	35.2	29.1	10.8	8.5	30.7	29.0	3.5	3.0
Nestle*	Neutral	5,907	-	56,953	10,356	11,691	21.9	22.2	138.0	160.9	42.8	36.7	18.0	13.7	48.0	55.0	5.4	4.7
Tata Global	Buy	160	186	9,910	8,615	9,562	9.5	9.4	8.1	8.9	19.9	18.0	2.5	2.4	9.1	9.3	1.1	1.0
IT																		
HCL Tech^	Accumulate	1,739	1,968	1,21,938	37,265	41,535	24.7	24.0	97.2	109.3	17.9	15.9	4.7	3.7	26.9	23.9	2.9	2.5
Infosys	Buy	3,889	4,700	2,23,318	55,347	61,546	27.3	27.8	213.4	235.7	18.2	16.5	4.0	3.4	22.0	20.8	3.3	2.9
TCS	Neutral	2,679	-	5,24,773	94,521	1,07,102	29.4	29.8	112.6	125.4	23.8	21.4	8.7	7.7	35.2	36.0	5.3	4.6
Tech Mahindra	Buy	2,339	2,788	55,065	21,636	24,359	22.3	22.8	135.9	164.0	17.2	14.3	4.6	3.3	26.2	23.0	2.2	1.8
Wipro	Buy	585	697	1,44,254	51,807	57,807	23.5	23.7	36.6	41.0	16.0	14.3	3.5	2.9	21.7	20.3	2.4	2.0

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr) FY15E	Sales (₹ cr) FY16E	OPM (%) FY15E	OPM (%) FY16E	EPS (₹) FY15E	EPS (₹) FY16E	PER (x) FY15E	PER (x) FY16E	P/BV (x) FY15E	P/BV (x) FY16E	RoE (%) FY15E	RoE (%) FY16E	EV/Sales (x) FY15E	EV/Sales (x) FY16E
Media																		
D B Corp	Buy	335	386	6,151	2,057	2,313	27.5	28.0	18.8	21.5	17.8	15.6	4.6	3.9	25.7	25.3	2.9	2.6
HT Media	Buy	110	152	2,570	2,357	2,554	12.7	13.4	8.4	9.5	13.1	11.6	1.3	1.2	10.0	10.1	0.6	0.5
Jagran Prakashan	Buy	122	154	3,998	1,824	1,981	22.9	24.2	7.7	9.1	15.9	13.5	2.9	2.5	19.0	20.2	2.2	2.0
Sun TV Network	Neutral	333	-	13,125	2,548	2,879	68.5	68.9	22.8	25.8	14.6	12.9	3.8	3.3	27.1	26.7	4.7	4.0
Hindustan Media	Buy	163	205	1,197	831	941	18.9	18.5	14.8	15.8	11.0	10.3	1.7	1.5	15.3	14.2	1.0	0.9
Metal																		
Coal India	Buy	335	385	2,11,314	73,842	81,735	11.8	12.9	27.1	31.2	12.3	10.7	4.2	3.4	33.9	32.1	2.0	1.6
Hind. Zinc	Buy	155	179	65,408	13,881	15,410	47.0	48.9	17.0	19.0	9.1	8.1	1.5	1.3	16.9	16.4	2.6	2.0
Hindalco	Neutral	150	-	31,015	97,816	1,04,037	11.2	11.4	17.9	19.5	8.4	7.7	0.7	0.6	8.6	8.6	0.8	0.7
JSW Steel	Buy	1,143	1,538	27,618	57,358	60,796	18.8	19.3	117.0	123.0	9.8	9.3	1.1	1.0	12.2	11.4	1.2	1.0
NMDC	Neutral	152	-	60,303	14,551	16,453	67.4	67.7	19.2	21.1	7.9	7.2	1.8	1.5	21.9	20.8	2.7	2.7
SAIL	Buy	73	85	30,335	52,835	56,944	13.3	14.4	7.9	9.8	9.3	7.5	0.7	0.7	7.4	8.8	1.0	0.9
Sesa Sterlite	Buy	250	290	74,043	86,780	89,360	32.2	30.4	19.3	21.2	12.9	11.8	0.9	0.9	7.9	6.5	1.1	0.9
Tata Steel	Buy	448	539	43,530	1,47,705	1,55,401	13.3	14.2	49.0	60.7	9.1	7.4	1.2	1.1	12.4	13.5	0.8	0.7
Oil & Gas																		
Cairn India	Buy	285	332	53,432	17,818	19,412	69.4	68.2	44.3	51.7	6.4	5.5	0.8	0.8	13.0	13.2	1.6	1.4
GAIL	Accumulate	445	471	56,416	59,990	66,199	11.9	12.8	34.2	42.8	13.0	10.4	1.9	1.7	15.3	15.9	0.9	0.8
ONGC	Buy	405	469	3,46,070	1,77,311	2,01,041	31.2	35.4	30.4	44.7	13.3	9.0	1.9	1.7	14.2	17.8	1.9	1.6
Petronet LNG	Accumulate	179	199	13,399	40,481	42,913	4.2	4.9	10.5	13.7	17.0	13.0	2.4	2.1	14.2	15.7	0.4	0.4
Reliance Industries	Buy	960	1,124	3,10,584	3,78,320	3,68,790	9.3	12.8	89.9	112.8	10.7	8.5	1.2	1.1	11.4	12.8	0.7	0.7
Pharmaceuticals																		
Alembic Pharma	Neutral	387	-	7,294	2,188	2,542	19.4	19.3	15.7	18.4	24.6	21.0	7.9	6.0	37.2	32.6	3.4	2.8
Aurobindo Pharma	Neutral	938	-	27,350	11,707	13,463	15.9	16.9	35.8	43.0	26.2	21.8	5.8	4.7	24.7	23.8	2.9	2.5
Aventis*	Neutral	3,297	-	7,594	1,912	2,088	17.3	17.3	114.5	122.3	28.8	27.0	4.4	3.6	19.3	20.6	3.6	3.1
Cadila Healthcare	Neutral	1,323	-	27,084	8,505	10,176	16.7	17.2	49.8	61.9	26.6	21.4	6.4	5.1	26.5	26.5	3.4	2.8
Cipla	Neutral	592	-	47,545	11,400	13,349	18.4	19.9	20.4	25.2	29.0	23.5	4.1	3.6	15.2	16.8	4.1	3.5
Dr Reddy's	Buy	3,000	3,611	51,087	15,627	18,177	23.6	23.6	154.9	180.6	19.4	16.6	4.5	3.6	25.8	24.1	3.3	2.7
Dishman Pharma	Buy	172	221	1,384	1,511	1,662	23.0	23.0	18.7	22.1	9.2	7.8	1.0	0.9	12.0	12.7	1.3	1.0
GSK Pharma*	Neutral	2,719	-	23,029	2,640	2,853	19.7	20.5	54.5	59.4	49.9	45.8	11.8	11.7	23.4	25.7	8.0	7.4
Indoco Remedies	Neutral	275	-	2,534	856	1,112	18.2	18.2	10.4	14.2	26.4	19.4	4.7	3.8	19.2	21.8	3.1	2.4
Ipca labs	Buy	744	986	9,388	3,653	4,513	21.5	22.9	44.0	57.4	16.9	13.0	3.8	3.0	25.2	26.2	2.7	2.2
Lupin	Neutral	1,328	-	59,626	13,444	15,405	27.9	27.9	53.1	60.6	25.0	21.9	6.5	5.1	29.6	26.0	4.4	3.8
Ranbaxy*	Neutral	609	-	25,812	12,024	13,228	8.2	8.8	10.8	13.3	56.4	45.8	6.9	6.0	12.9	13.9	2.8	2.6
Sun Pharma	Neutral	819	-	1,69,582	18,929	38,186	42.0	29.5	29.0	32.1	28.2	25.5	7.0	4.9	28.0	26.2	8.3	4.2
Power																		
Tata Power	Accumulate	83	92	22,394	37,654	38,320	25.0	25.2	5.9	6.5	14.0	12.7	1.6	1.5	11.0	11.6	1.3	1.2
NTPC	Buy	141	163	1,16,426	74,675	80,198	24.9	26.1	10.9	12.7	13.0	11.1	1.3	1.2	9.7	10.6	2.1	2.0

Company Name	Reco	CMP (₹)	Target Price (₹)	Mkt Cap (₹ cr)	Sales (₹ cr)		OPM (%)		EPS (₹)		PER (x)		P/BV (x)		RoE (%)		EV/Sales (x)	
					FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Telecom																		
Bharti Airtel	Accumulate	392	429	1,56,818	95,793	1,03,292	33.6	34.2	12.8	16.4	30.6	23.9	2.4	2.2	8.2	9.3	2.2	2.0
Idea Cellular	Buy	153	192	54,919	30,636	34,560	32.0	32.4	7.5	8.6	20.4	17.8	2.6	2.3	13.9	13.8	2.4	2.1
Others																		
Abbott India*	Neutral	3,196	-	6,791	1,996	2,184	12.3	11.9	80.1	84.7	39.9	37.7	7.7	6.7	20.2	19.0	3.1	2.8
Bajaj Electricals	Neutral	277	-	2,792	4,677	5,458	6.2	6.4	14.4	19.0	19.3	14.6	3.4	2.8	17.4	19.4	0.6	0.5
Cravatex	Neutral	461	-	119	207	239	6.6	6.6	20.2	27.8	22.8	16.5	2.7	2.3	11.7	14.2	0.8	0.7
Finolex Cables	Neutral	219	-	3,350	2,665	3,017	10.7	10.7	14.6	16.9	15.0	12.9	2.6	2.2	17.1	16.7	1.1	0.9
Goodyear India*	Buy	644	756	1,485	1,691	1,842	10.0	11.0	50.5	62.9	12.7	10.2	2.9	2.3	24.8	25.2	0.6	0.5
Hitachi	Neutral	598	-	1,625	1,273	1,474	6.5	8.0	13.7	22.1	43.7	27.0	6.0	4.9	14.5	20.0	1.3	1.1
Jyothy Laboratories	Neutral	264	-	4,776	1,554	1,891	13.3	13.5	8.9	9.4	29.7	28.0	5.0	4.3	17.6	16.5	3.2	2.5
MRF	Neutral	31,651	-	13,424	13,118	14,312	14.3	15.1	1,988.2	2,444.3	15.9	12.9	3.0	2.4	20.8	20.8	1.0	0.9
Page Industries	Neutral	8,978	-	10,014	1,428	1,755	20.2	20.6	171.4	216.5	52.4	41.5	24.9	17.7	55.3	49.8	7.1	5.8
Relaxo Footwears	Neutral	489	-	2,935	1,439	1,707	12.6	12.7	15.8	20.4	31.0	24.0	8.0	6.1	29.4	28.9	2.1	1.7
Siyaram Silk Mills	Buy	713	952	668	1,536	1,810	10.8	11.1	85.7	119.0	8.3	6.0	1.5	1.2	19.9	22.8	0.6	0.5
Styrolution ABS India*	Neutral	570	-	1,002	1,172	1,288	7.0	7.0	29.7	33.3	19.2	17.1	1.9	1.8	10.5	10.7	0.9	0.8
Tree House	Neutral	504	-	1,873	206	246	54.7	54.7	15.9	19.2	31.7	26.2	4.5	3.9	14.1	15.1	8.8	7.3
TVS Srichakra	Neutral	1,006	-	770	1,892	2,131	8.3	8.6	91.1	115.6	11.0	8.7	3.0	2.3	26.9	26.7	0.5	0.5
Vesuvius India*	Accumulate	702	756	1,424	688	758	17.8	18.0	35.4	39.8	19.8	17.6	3.1	2.7	16.8	16.4	1.8	1.6
HSIL	Neutral	402	-	2,652	1,814	2,132	15.0	15.1	10.6	15.3	37.9	26.2	2.3	2.2	6.1	8.3	1.9	1.6
Heritage Foods	Neutral	351	-	813	1,910	2,153	5.2	6.2	21.4	31.8	16.4	11.0	3.7	2.8	22.5	25.8	0.5	0.4
Kirloskar Engines India	Buy	251	290	3,632	2,421	2,651	12.4	12.6	14.1	16.1	17.8	15.6	2.6	2.3	15.3	15.8	1.2	1.0
M M Forgings	Neutral	505	-	609	493	581	22.5	22.9	44.2	55.0	11.4	9.2	2.5	2.0	24.2	24.0	1.5	1.2
ITD Cementation India	Neutral	457	-	709	1,386	1,636	11.1	11.3	9.4	28.2	48.8	16.2	1.3	1.2	2.6	7.3	1.0	0.8
Banco Products (India)	Buy	139	182	991	1,313	1,536	13.3	13.7	14.3	18.2	9.7	7.6	1.6	1.3	16.8	19.0	0.8	0.7
Tide Water Oil India	Neutral	15,174	-	1,322	1,089	1,196	9.4	9.4	828.6	919.0	18.3	16.5	2.9	2.6	16.1	15.9	1.1	1.0

*Source: Company, Angel Research, Note: *December year end; #September year end; &October year end; ^June year end; Price as on October 10, 2014; Sesa Goa's numbers reflect the standalone Sesa Goa business only. We will revise our numbers once the consolidated entity Sesa- Sterlite is formed*

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