

Mahindra Holiday Resorts

*Happy*

*Diwali*

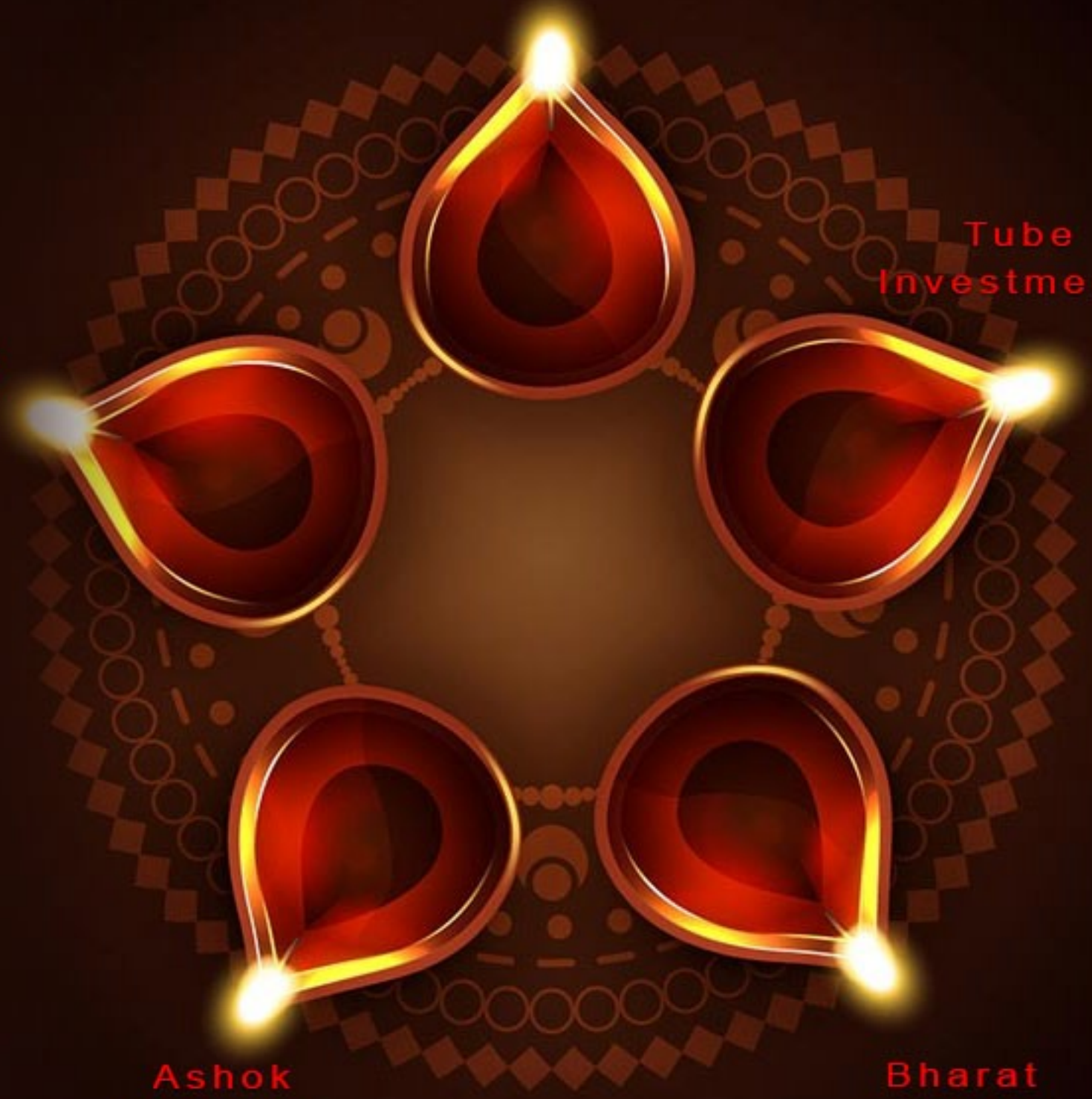
SAMVAT 2072

VA Tech  
Wabag

Tube  
Investments

Ashok  
Leyland

Bharat  
Forge



Dear Patrons,

**Wishing you A Very Happy Diwali & Prosperous Samvat 2072!!!**

Samvat 2071 was a volatile session led by Global and domestic factors. The euphoria seen in the market during the beginning of the year gradually faded away and Nifty settled at 7783 at the close of Samvt 2071. Fear of Greece's exit from Euro zone, slowdown in China and consequent measures of depreciating yuan, global economic slowdown, and fear of increase in US interest rates were some of the global factors that kept markets down. On the domestic front, elevated inflation during the beginning of the year, non-implementation of reforms especially the GST due to logjam of parliament, slower than expected increase in earnings led to decline in the markets. However, India remained the best performer among leading emerging economies as decline in crude oil prices raised hopes of increase in consumption and growth in growth.

During the first couple of months in Samvat 2072, we expect Indian market to consolidate, although volatility cannot be ruled out as US FOMC is likely to raise rates in December 2015 or in their first meeting of 2016. However, decline in crude oil prices, decline in interest rates - may increase investments and consumption in India, which may see earnings upgrades from first quarter of CY16. We expect the core sectors to outperform during Samvat 2072 as the Government's focus to increase spending in Infrastructure developments and power reforms may see higher allocation by equity funds in these sectors.

We expect Nifty to trade between 12-14.50times FY17E earnings of 620, which make a range of 7440-8990 for Nifty during Samvat 2072. We believe market is on the lower range of the target and the lowest may be tested as US Fed raises rates. The higher range is based on expectation of implementation of Goods & Services Tax, increase in consumption and investments due to decline in crude oil prices and interest rates. **We recommend the following five stocks as Diwali Picks for Samvat 2072**

**Samvat 2072 recommendations**

Company's name	CMP	Target Pr	Returns%
Mahindra Holiday Resorts	360	450	25.0
Va Tech Wabag	668	780	16.8
Bharat Forge	880	1032	17.3
Tube Investments	392	505	28.8
Ashok Leyland	89	115	29.2

**Samvat 2071 recommendations and performance**

Companies	Rec price	CMP	Target	Results	Return
Infosys*	966.4	1106.4	1087.5	Target Met	13%
BPCL	666.6	876.25	798.6	Target Met	20%
Tata Chemical	387.6	413.9	516.1	Target Met	33%
State Bank of India*	246.57	241.3	357.75	Target Missed	-2%
Indian Bank	153.6	126.6	249	Target Missed	-18%
Indian Hotels	95.6	97	122	Target Met	28%
Coal India	349	326.4	440	Target Met	26%
Lloyd Electric	155.1	262	205	Target Met	32%
Tata Motors	483.8	408.35	543	Target Met	12%

\* Price Adjusted to bonus/split

16%

<b>Nifty</b>	<b>7780</b>	<b>7783</b>			<b>0.04%</b>
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**Mahindra Holiday resort                      CMP-360                      Target Price-450                      Face Value-10.00**

Mahindra Holidays & Resorts India Ltd is one of the leading leisure hospitality providers in India, offering quality family holidays with a range of services designed to meet the diverse holiday needs and interests of a family. Club Mahindra Holidays, Zest, Club Mahindra Fundays, Mahindra Homestays and clubmahindra.travel are some of the key verticals.

Net profit of Mahindra Holidays & Resorts India rose 17.03% to INR28.93 crore in the quarter ended September 2015 as against INR24.72 crore during the previous quarter ended September 2014. Sales rose 22.03% to INR 217.72 crore in the quarter ended September 2015 as against INR178.42 crore during the previous quarter ended September 2014. Higher spending on sales and marketing is likely to increase branding of the company.

The company's continues to grow its asset base globally. Second Saturdays of the month being set as a holiday for Banks and other sectors is likely to raise demand for MHRL's short duration holiday package. We maintain 'BUY' with a revised target price of INR 450 in a one year time frame, although we strongly believe the company offers significant value to long term investors, beyond 3-5 years.

**Va Tec Wabag    CMP-668    Target Price-780    Face Value-2.00**

Water and Waste Management company, Va Tec Wabag's Q2FY16 revenues increased 18.8% YoY to INR601.4 crore driven by 34.5% YoY increase in domestic revenues and 10.5% YoY increase in international revenues. Order intake during the quarter was boosted to INR1974 crore vs. INR 724.8 crore booked in Q2FY15. The company, at the end of the second quarter of 2016 has an order backlog of INR8,618 crore. EBITDA was up by 34.5% YoY to INR46.5 crore on higher topline growth, and lower proportionate increase across operating expenses during the quarter. Va Tec's PAT was INR15.4 crore vs. PAT of INR 14.2 crore YoY.

The company is laying focus on key growth markets and expects order flows in next few months to pick up. We expect the company to benefit from a revival in industrial capex across Indian and global markets. Revenues are expected to grow at a CAGR of ~17 over FY15-17E while PAT is expected to grow at a CAGR of ~21 % over the same period. ROE is also expected to improve from ~15% in FY15 to ~18% in FY17. We expect a target price of INR780 and recommend BUY with one year perspective.

**Saroj Singh**  
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**Date-10 November 2015**

**Bharat Forge Ltd**

**CMP-880**

**Target Price-1032**

**Face Value-2.00**

Bharat Forge ltd has diversified, de-risked business model across various segments like Automotive, Power, Oil & Gas, Locomotive, Marine, Aerospace and Construction & Mining to cater to the various needs of the population. We are positive on the long term prospects of the company, as the increased focus on non automotive segment over the last 5 years has consistently led to increase in revenue and quality of earnings. Strong ebitda margin is likely to be maintained in near future as decline in input prices may aid margins growth.

Bharat Forge is the leader of domestic MHCV segment. Bharat forge expects MHCV sales volume to rise by 20% in FY16. Sector like Power, Oil & Gas, Locomotive, Marine, Aerospace and Construction & Mining may increase under “Make in India”.

At the CMP of INR880, the stock is trading at a P/E of 26.7x its FY15 EPS of INR32.9 and 24.3 its FY16E EPS of INR36.2. The company has sound business model and ROE is expected to pick up. We assign a P/E multiple of 28.5x to its FY16E EPS to arrive at a Target price of INR1032 for a time period of 12 months The recent correction in the stock price gives investors to BUY the stock with 1 year returns perspectives of ~25%.

**Tube Investment**

**CMP-392**

**Target Price-505**

**Face Value-10**

Tube Investments Ltd is a diversified company with operations in Finance, Metals, bicycles, Chains etc. Tube Investments of India Ltd is setting up a new cycle factory in Punjab. Company has planned an investment outlay of INR65-70 crore. The Greenfield unit in Punjab plant will have a capacity to make 2-2.5 lakh bicycles a month. In this Plant the company will make both standard and special products.

Tube Investments of India ltd is one of the leading bicycle manufacturers in India. Company has signed up with Ridley Bikes Belgium, one of the leading Bicycle brands in Europe, to acquire the brand licensing rights for the brand Ridley for India, Sri Lanka, Bangladesh, Nepal, Bhutan and Myanmar for a period of 33 years. TI Cycles plans to expand its reach of Premium Track and Trail and Ciclo Cafe stores up to 50 outlets by 2017 from its present 12 outlets.

The Company has registered a strong financial growth in FY15. Its Net sales increased by 9.77% to INR9,698 crore and PAT grew by 36.31% to INR424 crore. Its PAT margin, also, improved from 3.52% to 4.38%. ROE of the company arrived at 18.20%. At the CMP of INR392, the stock is trading at a P/E of 17.3x its FY15 EPS of INR22.7 and 12.6 its FY16E EPS of INR31.2. The company has sound business model and ROE is expected to pick up. We assign a P/E multiple of 16.2x to its FY16E EPS to arrive at a Target price of INR505 for a time period of 12 months.

**Saroj Singh**

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**Date-10 November 2015**

Recovery of MHCV may benefit for the Ashok Leyland, in H1FY16 company sales volumes of MHCV stood at 51,337 vs 33,115 in H1FY15. In H1FY16 Company LCV sales volumes stood at 14,198 vs 12,204 in H1FY15. Management expects industry volumes to grow by ~20% in FY16. Lower fuel prices and lower interest rate may boost of CV sector demand in upcoming year.

Ashok Leyland makes INR ~300 crore investment during the current financial year. The company planning to set up three bus assembling facilities in India and overseas each attracts an investment of Rs 20 crore. The company would invest INR ~100-150 crore as capital expenditure and a similar amount would be investments in the joint ventures.

At the CMP of INR89.00, the stock is trading at a P/E of 16.80 FY17E EPS of 5.30. We assign a P/E multiple of 21.70 to its FY17E EPS to arrive at a TP of INR115 for a time frame of one year.