

Happy Diwali

1. Infosys
2. BPCL
3. Tata Chemical
4. State Bank of India
5. Indian Bank
6. Indian Hotels
7. Coal India
8. Lloyd Electric & Eng
9. Tata Motors





Dear Patrons,

Wishing you A Very Happy Diwali & Prosperous Samvat 2071!

Samvat 2070 had a stellar performance with Nifty gaining 25% during the period to date, and keeping to its tradition of outperformance, Microsec Research recommended stocks have returned 37.4% average returns during the same period. We held the view that cyclical sectors would outperform because of their compelling valuations a year back and we have seen significant returns from quality cyclical stocks in past one year.

Samvat 2071 is a beginning with India being in a sweet spot. India has a stable Government with mandate to take bold decisions to prop up the economy, decline in crude oil price (Brent ~85/barrel against %101/barrel a year back) as India imports ~80% of crude oil, the targeted increase in diesel prices have come to an end, easing inflationary trends arising, visibility of gradual decline in CPI and WPI, low trade deficit, stable INR and strong GDP growth revival visibility.

Microsec Research believes that Samvat 2071 has surprises in store as India's inflation is likely to decline sharply giving room to Monetary Policy makers to cut interest rates and propel India's growth. Our expectations on inflation underpin from the fact that the targeted diesel price hikes put into effect in Sep 2012 has finally ended. The sharp increase in diesel prices over last two years had vicious impact and increased prices across the board. Hence higher base affect, decline in crude oil and commodity prices may sharply bring down inflation, triggering a rate cuts and boosting demand across sectors.

Never-the-less, Samvat 2071 will also see extreme volatilities across asset classes, a signal of which is already visible in anticipation of rate hikes in US and the projected tapering of global economic growth.

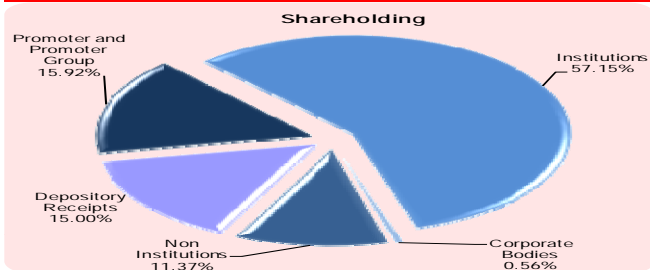
Nifty is trading FY16E EPS of 572, at 13.70 times. We believe Nifty is likely to trade 15times FY16E earnings and on that basis target Nifty to trade 8580 levels in next one year. We select the following 9 stocks for investment during Samvat 2071 along with returns highlights of previous recommendations.

Samvat 2071 recommendations and Target				Samvat 2070 recommendations and Returns			
	Pr (16/10/14)	Target Price	change %		Pr (29/10/13)	CMP (16/10/14)	change %
Infosys	3865.6	4350.0	12.5	Axis Bank	250.2	401.6	60.5
BPCL	666.6	798.6	19.8	Cairn India	315.9	276.3	-12.6
Tata Chemical	387.6	516.1	33.2	Exide Ind	124.0	164.5	32.7
SBI	2465.7	3577.5	45.1	GMDC	105.0	151.1	43.9
Indian Bank	153.6	249.0	62.1	ICICI Bank	1075.0	1505.2	40.0
Indian Hotel	95.6	122.0	27.6	Pidilite	265.0	388.8	46.7
Coal India	349.0	440.0	26.1	Rallis India	153.0	212.0	38.6
Lloyd Electric	155.1	205.0	32.2	Tata Steel	326.0	447.6	37.3
Tata Motors	483.8	543.0	12.2	Tech Mahindra	1523.3	2273.0	49.2
Samvat 2071 exp %			30.1	Samvat 2070 %			37.4
Nifty	7780.0	8580.0	10.3	Nifty	6220.9	7780.0	25.1

BUY

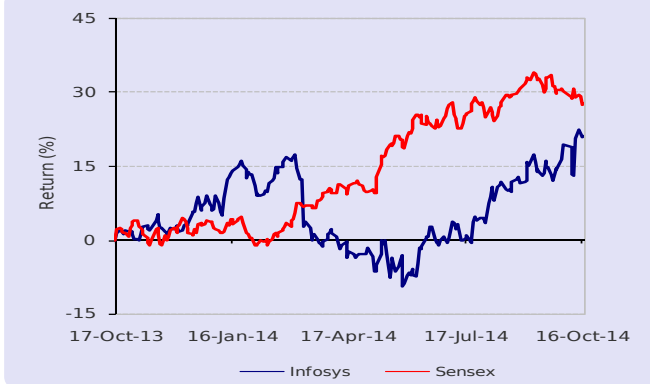
Market Data & Target Price

Current Market Price (₹)	3,865.60
Target Price (₹)	4,350.00
Return (%)	12.5%
52 Week High / Low (₹)	3,986.0 / 2,894.00
Market Capitalization (In ₹ Crs.)	221,976.73



STOCK SCAN

BSE Code	500209
NSE Code	INFY
Bloomberg Ticker	INFO IB Equity
Face Value (₹)	5.00
Diluted EPS FY14 (₹)	186.35
Current P/E (on FY2014 EPS)	20.7x
Average P/E	17.1x
Beta vs Sensex	0.51
PEG Ratio	1.26
Average Daily Volmes	1,235,539



Analyst: Nitin Prakash Daga

October 17, 2014

Infosys Ltd.

Sector- Technology

We rate Infosys Ltd (INFY) a BUY. Our rating underpins the company's healthy performance in last couple of quarters together with appointment of Mr. Vishal Sikka at its top deck, and improvement in operating metrics. However, INFY's high employee attrition levels impede our optimism a bit.

Investment Rationale

Healthy performance in last couple of quarters bode well. INFY outperformed most of its peers, except TCS, in last two quarters. While the company reported better volume growth than rest of its peers, its margins started turning north during Q2 FY2015. In addition, INFY started reporting healthy improvement in employee utilization levels during the quarter. We believe that the company's transformed top deck and focus on renewal of offerings will keep its performance healthy in the upcoming quarters as well.

Inclusion of Mr. Vishal Sikka is likely to remain constructive. INFY appointed Mr. Vishal Sikka as its CEO and MD on 01 August 2014. Mr. Sikka, with his entrepreneurial approach and proven success in IT products space, brings in wealthy experience of working on a global stage. Furthermore, we expect him to make INFY's turn around more meaningful to all its stakeholders, providing better shareholder value. The company, while announcing its Q2 FY2015 Results also declared a Bonus share for each of its existing share. Moreover, INFY announced an interim dividend of INR30 per share with the quarterly results.

Particulars	FY2012	FY2013	FY2014	FY2015E	FY2016E
Net Sales	33,734.00	40,352.00	50,133.00	53,751.23	60,935.67
Growth (%)	22.70%	19.62%	24.24%	7.22%	13.37%
EBITDA	10,716.00	11,558.00	13,415.00	14,351.58	16,757.31
EBITDA Margins (%)	31.77%	28.64%	26.76%	26.70%	27.50%
Net Profit	8,316.00	9,421.00	10,648.00	12,074.27	14,552.70
Net Profit Margins (%)	24.65%	23.35%	21.24%	22.46%	23.88%
Net Profit Growth (%)	21.88%	13.29%	13.02%	13.39%	20.53%
EPS	145.54	164.87	186.35	211.31	254.69
BVPS	548.35	664.91	779.32	920.73	1,175.41
P/E	22.89	17.11	18.58	18.29	15.18
P/BV	6.02	4.73	4.93	4.20	3.29
EV/EBITDA	13.36	12.37	12.01	13.66	11.70
RoE (Closing)	26.5%	24.8%	23.9%	23.0%	21.7%

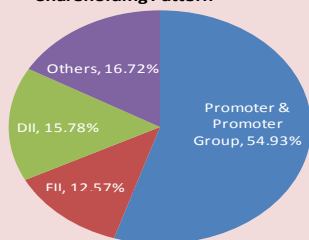
Source: Company Data, Microsec Research, Bloomberg

BUY

Market Data

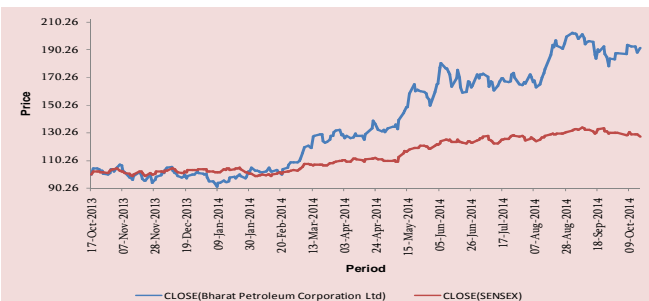
Current Market Price (INR)	666.60
Price Objective(INR)	798.55
Upside Potential(%)	20%
52 Week High (INR)	722.00
52 Week Low (INR)	315.00
Market Capitalization (In INR Mn)	48,200.79

Shareholding Pattern



STOCK SCAN

BSE Code	500547
NSE Code	BPCL
Bloomberg Ticker	BPCL IN
Reuters Ticker	BPCL.BO
Face Value (INR)	10.00
Equity Share Capital (In INR Mn)	7,230.80
Average P/E	11.95x
Beta vs Sensex	1.61
Average Daily Volume	1,634,957
Dividend Yield	2.55%
PEG Ratio	1.33



Analyst- Soumyadip Raha

October 17, 2014

Bharat Petroleum Corporation Ltd.

Sector- Oil & Gas

Bharat Petroleum corporation Ltd. (BPCL) is one of the largest Oil Marketing and Refining company. We rate BPCL a **BUY** rating. Our rating underpins the deregulation of petroleum products coupled with its Exploration & Production (E&P) portfolio and its inexpensive valuation.

Investment Principle

De-regulation is the Key: India is the fourth largest oil consumer in the world and as per the forecasts this trend is going to increase multifold. The Indian Oil & Gas sector happened to be the most regulated sector which as a result holding the company to perform. However the measures undertaken by the GoI to de-regulate diesel, kerosene, cooking gas and align at market rates has already started to show colors as the company is having over-recovery on sale of diesel on the back of softening of crude oil prices. With deregulation, the realizations per product is going to improve and the inherent issue of under recoveries eventually get resolved. This trigger is resultant in better working capital management and being in a capital intensive industry the finance costs also would be taken care of.

E&P Portfolio: BPCL's acquired 10% stake in Rovuma basin of Mozambique recently attracting some big investments which envisages the significant production potential from the block. Lately BPCL was in the news because of the recent oil recovery estimated at around billion barrels of oil in the Brazil coast where BPCL has 20% stake. Amongst others its Mozambique block seems pretty promising as its reserves potential are getting upwardly revised on couple of occasions. The 6 million tonne Bina refinery may get profitable sooner than expected as the company are in the process of addressing issues that hinders the refinery performance would aid the BPCL's margins going forward.

Outlook & Valuation: At the CMP of INR666.60 the stock is trading at a P/Bv multiple of FY16e2.26x. Considering the de-regulation of the diesel coupled with favorable E&P portfolio we assign a P/Bv multiple of 2.71x to its FY16e BVPS of INR294.67 to arrive a price target of INR798.55having an upside potential of ~20%.

BPCL Financial Performance (In INR cr except per share d)					
Particulars	FY12A	FY13A	FY14A	FY15E	FY16E
Net Sales	212,139.56	242,180.98	264,406.60	274,877.97	276,381.95
Growth (%)		14.16%	9.18%	3.96%	0.55%
EBITDA	6,466.38	7,543.01	10,104.93	8,030.90	8,591.90
EBITDA Margins (%)	3.05%	3.11%	3.82%	2.92%	3.11%
Net Profit	780.83	1,880.83	3,910.68	3,114.70	3,498.60
Net Profit Margins (%)	0.37%	0.78%	1.48%	1.13%	1.27%
EPS	10.08	26.01	54.08	42.71	48.09
BVPS	219.61	232.00	268.84	294.68	327.10
P/E(x)	32.42	14.52	8.51	15.61	13.86
P/BV(x)	1.59	1.63	1.71	2.26	2.04
EV/EBITDA(x)	7.60	7.09	5.99	9.40	8.79
RoE(%)	5.00%	11.52%	21.60%	15.54%	15.62%

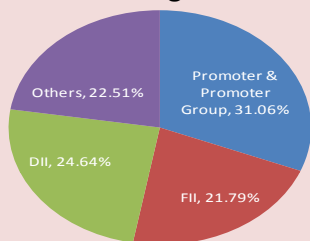
Source :Bloomberg, Microsec Research

Strong BUY

Market Data

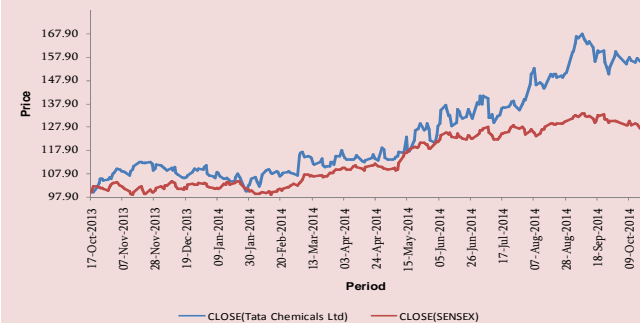
Current Market Price (INR)	387.55
Price Objective(INR)	516.05
Upside Potential(%)	33%
52 Week High (INR)	421.30
52 Week Low (INR)	244.40
Market Capitalization (In INR Mn)	98,781.70

Shareholding Pattern



STOCK SCAN

BSE Code	500770
NSE Code	TATACHEM
Bloomberg Ticker	TTCH IN
Reuters Ticker	TTCH.BO
Face Value (INR)	10.00
Equity Share Capital (In INR Mn)	2,548.20
Average P/E	672.86x
Beta vs Sensex	0.93
Average Daily Volume	644,067
Dividend Yield	2.58%
PEG Ratio	N.A.



Analyst- Soumyadip Raha

October 17, 2014

Tata Chemicals Ltd.

Sector- Agro-Chemicals

Tata Chemicals Limited is a global company with interests in businesses that focus on LIFE: Living, Industry and Farm Essentials. The story of the company is about harnessing the fruits of science for goals that go beyond business. We rate Tata Chemicals Ltd. a **Strong BUY** rating. Our rating underpins robust product portfolio which is aptly complimented with its strong presence across geographies.

Investment Rationale

Robust Portfolio of Products: Soda ash is extensively applied across glass industry, soaps and detergent, water treatment, paper manufacture, drugs etc. Tata Chemicals is the second largest producer of soda ash in the world with manufacturing facilities stationed across India, UK, the US and Kenya with a total capacity of 5.5 mln tonnes of soda ash per annum. Furthermore the company owns 35percent of the global low –cost sustainable natural soda ash capacity. The company also holds a strong foothold in the living essentials segment of which it is the market leader in the packaged salts and its brand Tata Salt is still become a household name. Moreover the company diversified its foray into packaged pulses as well as innovative consumer friendly water purifier systems .

Strong Global Presence: Tata Chemicals Ltd. not only confided into Asian operations but also expanded across geographies. Its business operations are well placed in Africa, Europe and North America . Tata Chemicals Magadi is Africa's largest soda ash manufacturer & one of Kenya's leading exporters. Tata Chemicals Europe is one of Europe's leading producers of sodium carbonate & bicarbonate, salt while in North America it is one of the leading producers of high-quality soda ash.

Outlook & Valuation: At the CMP of INR387.55 the stock is trading at a P/E multiple of FY16e13.3x. Considering company's robust product base, strong global presence and reliable management enable the company to grow in the times ahead we assign a P/E multiple of 14.5x to its FY16e EPS of INR35.59 to arrive a price target of INR516.05 having an upside potential of ~33%.

Tata Chemicals's Financial Performance (In INR cr except)					
Particulars	FY12A	FY13A	FY14A	FY15E	FY16E
Net Sales	13,658.98	14,711.02	15,895.43	16,202.89	16,874.81
Growth (%)		7.70%	8.05%	1.93%	4.15%
EBITDA	2,375.78	2,349.36	1,918.39	2,203.40	2,436.20
EBITDA Margins (%)	17.39%	15.97%	12.07%	13.60%	14.44%
Net Profit	837.59	400.40	(1,032.00)	750.40	914.30
Net Profit Margins (%)	6.13%	2.72%	-6.49%	4.63%	5.42%
EPS	32.88	15.72	N/A	29.26	35.59
BVPS	248.72	251.75	218.46	232.58	250.79
P/E(x)	10.54	20.46	N/A	13.37	11.00
P/BV(x)	1.39	1.28	1.31	1.68	1.56
EV/EBITDA(x)	6.58	6.50	7.61	7.83	7.08
RoE(%)	14.21%	6.28%	N/A	12.54%	14.55%

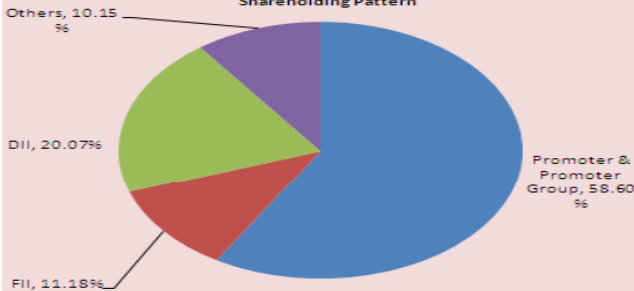
Source :Bloomberg, Microsec Research

Strong BUY

Market Data

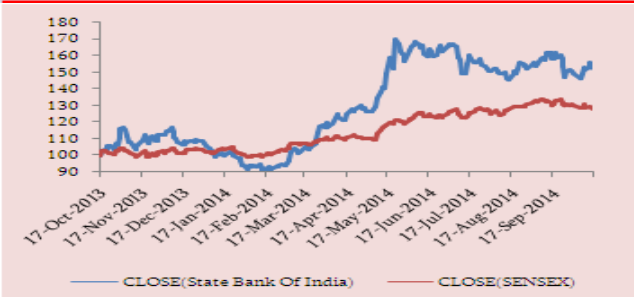
Current Market Price (INR)	2,465.65
Price Objective(INR)	3,577.50
Upside Potential(%)	45.09%
52 Week High (INR)	2,833.85
52 Week Low (INR)	1,455.95
Market Capitalization (In INR Mn)	1,840,787.72

Shareholding Pattern



STOCK SCAN

BSE Code	500112
NSE Code	SBIN
Bloomberg Ticker	SBIN IN
Reuters Ticker	SBI.BO
Face Value (INR)	10.00
Equity Share Capital (In INR Mn)	7,465.73
Average P/E	10.01x
Beta vs Sensex	1.46
Average Daily Volume	2,246,397
Dividend Yield	0.59%
PEG Ratio	1.12



Analyst- Sanjeev Jain

October 17, 2014

State Bank of India Ltd.

Sector- Banking

We rate State Bank of India (SBI) a **Strong BUY**. SBI is the largest Indian commercial Bank in terms of profits, asset, deposits, branches and employees. Presently, SBI provides a range of banking product through its vast network of branches in India and overseas, including products aimed at non-resident Indians (NRI). As on 30th June 2014, the Bank has 15946 branches with 53107 ATMs and 218994 employees. With a high asset base and deposits, SBI is a regional banking behemoth and is amongst the largest financial institutions in the world. It has a market share among Indian commercial banks of 20%+ in term of deposits and loans.

Investment Rationale

Brent down, Inflation eases - Rate cut likely:- India's wholesale price index has come at 2.38%YoY in September 2014, slowest since October 2009. Whereas, Consumer Price Index (CPI) came at 6.46% YoY in September 2014 which was much lower than August's 7.73% YoY. Moreover, Brent crude fell to a fresh 47-month low to \$83.78 per barrel in 15th October 2014. We believe, falling Brent Crude price along with the continued effort by the Government to revive the economy may bring down inflation below the RBI's projected level and also solve the nation's structural problem going forward. As a result it may give room to RBI to cut the key rates which may be positive for the rate sensitive sector specially, Banking. We also believe, the Government effort to solve the supply side bottleneck may improve the Banks' asset quality problem and also, boost their advances growth rate and margin.

Strong CASA, Stable NIM and improvement in Asset Quality:- SBI's ubiquitous branches couple with hassle free services and strong trust of Indian citizen helped it to maintain its CASA ratio above the industry which has helped the Bank to improve its Net Interest Margin (NIM). As on 30th June 2014, SBI CASA ratio stood at 43.51% which has boosted its NIM by 5bps QoQ and 10bps YoY to 3.54%. Moreover, SBI has started improving its asset quality since last couple of quarters. Its GNPA improved by 5bps QoQ and 66bps YoY to 4.90%. We believe, its asset quality may continue to improve with the revival in the economy going forward.

Particulars	FY2012A	FY2013A	FY2014A	FY2015E	FY2016E
Net Interest Income (NII)	57880.12	61158.23	67583.40	77720.91	90544.86
Growth (%)	27.06%	5.66%	10.51%	15.12%	16.50%
Total Income	87616.43	94719.71	104633.20	120300.00	138200.00
Growth (%)	9.82%	8.11%	10.47%	14.97%	14.88%
Pre Tax Profit	24515.97	25922.36	21371.78	26190.10	31847.00
Growth (%)	22.95%	5.74%	-17.55%	22.55%	21.60%
Net Profit	15343.10	17916.23	14173.78	17733.00	21874.00
Growth (%)	43.60%	16.77%	-20.89%	25.11%	23.35%
EPS	241.55	267.23	204.49	239.01	290.59
BVPS	1583.05	1827.88	1973.96	2137.00	2385.00
P/E	8.68	7.77	9.40	10.57	8.69
P/BV	1.32	1.13	0.97	1.18	1.06
RoE	16.18	15.49	10.41	11.72	12.70

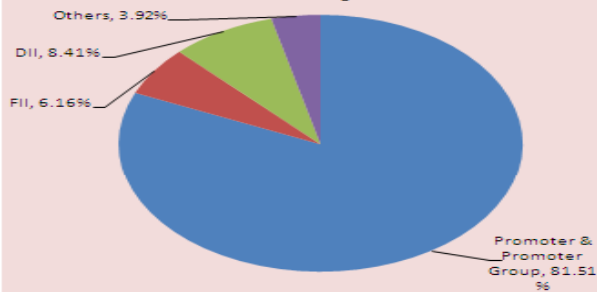
Source: Company, Ace Equity, Bloomberg, Microsec Research

Strong BUY

Market Data

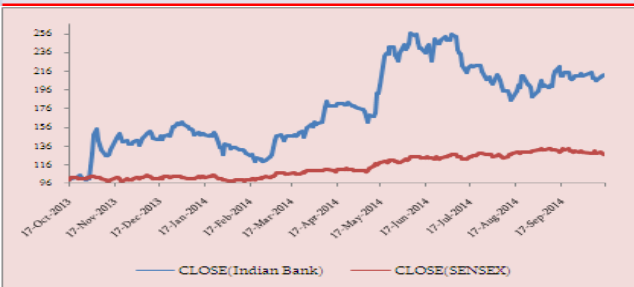
Current Market Price (INR)	153.60
Price Objective(INR)	249.00
Upside Potential(%)	62%
52 Week High (INR)	198.90
52 Week Low (INR)	71.60
Market Capitalization (In INR Mn)	71,400.65

Shareholding Pattern



STOCK SCAN

BSE Code	532814
NSE Code	INDIANB
Bloomberg Ticker	INBK IN
Reuters Ticker	INBA.BO
Face Value (INR)	10.00
Equity Share Capital (In INR Mn)	4,648.48
Average P/E	4.28x
Beta vs Sensex	1.78
Average Daily Volume	671,760
Dividend Yield	1.10%
PEG Ratio	N.A.



Indian Bank Ltd.

Sector- Banking

We rate Indian Bank a **Strong BUY**. Indian Bank was established as a part of Swadeshi movement on 15 August 1907. The Bank provides a wide spectrum of banking products and services. As on 30th June 2014, it has a network of around 2270 branches and 2123 ATMs across India. It also has a branches in Singapore, Colombo including a Foreign Currency Banking Unit at Colombo and Jaffna. The Bank diversified its banking activities through its 2 subsidiaries companies - Indbank Merchant Banking Services Ltd and IndBank Housing Ltd.

Investment Rationale

Brent down, Inflation eases - Rate cut likely:- India's wholesale price index has come at 2.38%YoY in September 2014 which was slowest since October 2009. Whereas, Consumer Price Index (CPI) came at 6.46% YoY in September 2014 which was much lower than August's 7.73% YoY. Moreover, Brent crude fell to a fresh 47-month low to \$83.78 per barrel in 15th October 2014. We believe, falling Brent Crude price along with the continue effort by the Government to revive the economy may bring down the inflation below the RBI's projected level and also solve the nation's structural problem going forward. As a result it may give room to RBI to cut the key rates which may be positive for the rate sensitive sector specially, Banking. We also believe, the Government effort to solve the supply side bottleneck may improve the Banks' asset quality problem and may also, boost their advance growth rate and margin.

Rising foothold in retail may improve fundamentals:- Indian Bank has reduced its exposure from riskier segment and increased focus towards secured retail business and MSME lending. As on 30th June 2014, Bank's Retail and MSME loan contribution to total loan book stood at ~27%. We believe focus on retail segment may improve its asset quality and also boost its non-interest income due to processing and fees charges on retail products. Moreover, Indian Bank has a healthy deposits franchise with strong low cost deposits base (CASA ratio). As on 30th June 2014, the total deposits of the bank stood at INR155336 crores out of which CASA deposits contributes ~29%. The bank's CASA ratio is one of the best among its peers.

Particulars	FY2012A	FY2013A	FY2014A	FY2015E	FY2016E
Net Interest Income (NII)	4418.01	4524.16	4360.42	5008.88	5958.88
Growth (%)	9.46%	2.40%	-3.62%	14.87%	18.97%
Total Income	5,650.10	5,812.19	5,732.10	6,469.76	7,505.16
Growth (%)	8.28%	2.87%	-1.38%	12.87%	16.00%
Pre Provision Profit	3,463.10	3,061.33	2,900.60	3,471.49	4,083.73
Growth (%)	5.21%	-11.60%	-5.25%	19.68%	17.64%
Net Profit	1,746.90	1,581.14	1,158.95	1,362.63	1,882.97
Growth (%)	1.91%	-9.49%	-26.70%	17.57%	38.19%
EPS	40.64	36.79	24.93	29.31	40.51
BVPS	242.07	269.31	298.43	321.93	355.47
P/E	5.90	4.71	4.62	5.68	4.11
P/BV	0.99	0.64	0.39	0.52	0.47
RoE (%)	19.45	15.75	10.00	10.21	12.77

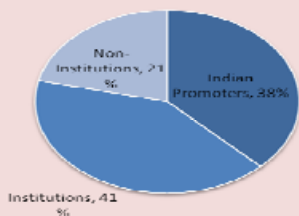
Source: Company, Ace Equity, Bloomberg, Microsec Research

STRONG BUY

Market Data

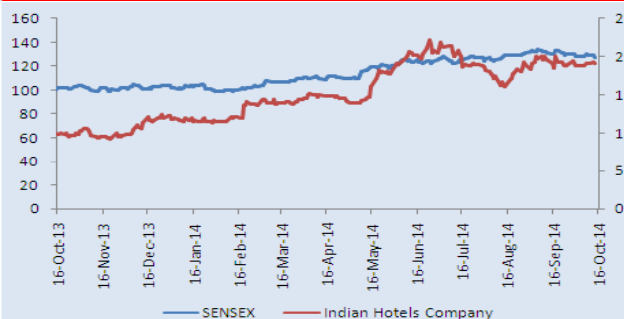
Current Market Price (CMP)	96
Target Price	122
Upside Potential	28%
52 Week High Low	111/46
Market Cap (INR in Cr)	7720

Shareholding



Stock Scan

Scrip ID	Indian Hotels Company Ltd
Scrip Code (NSE)	INDHOTEL
Scrip Code (BSE)	500850
Bloomberg Ticker	IH IN
Reuters Ticker	IHTL.BO
Industry	Hospitality
Face Value (INR per share)	1.00
Equity Share Capital (INR in Cr)	80.75
Avg 3 years P/E	NA
Avg daily volume (Last 1 Year in '000)	196
Beta Vs Sensex	0.50
Dividend Yield	1.50%



Indian Hotels Company Ltd

Sector- Hospitality

Indian Hotel (IHCL) is the largest organized hotel player in India with a total room portfolio of 15,489 rooms. The company has added nearly 3800 rooms over the last five years with CAGR of 6.1% during the same period. During FY09-14, consolidated revenues grew at a CAGR of 8.6% to INR 4066 crore. The company plans to focus on management contracts going forward, thereby reducing the need for large capex. Currently IHCL has 2464 rooms under management contract. In the coming period too, out of 16 hotels planned 14 would be under management contract. We rate IHCL a **“STRONG BUY”** rating.

Investment Rationale

Expected economy recovery would fuel room demand—Growth in room demand has consistently remained sluggish in the past four years due to challenging macroeconomic conditions. Indian Hotel has reported a low margin of 14% in FY14 Vs 31% margin in FY08. However, government of India has outlined economic revival would be the key focus area and if that happens, it will boost overall growth of hotel industry. We expect the sector to get back on the growth trajectory with average annual revenue growth of 8-10% in next two years.

Debt Reduction- Key focus area for the management—Currently, IHCL's debt stands at INR 3323 crore for FY14 of which debt worth INR 553 crore is maturing in FY15. The company has raised INR 1000 Cr through right issue to repay its existing debt. Apart from reducing debt, IHCL has also aggressively hiving off assets which doesn't fit into the management's vision. IHCL adding 1497 room mostly through management contract only over the next 12-18 months.

Outlook and Valuations— At the CMP of INR 95, the stock is trading at 18.3x and 14.4x its FY15E and FY16E EV/EBITDA, respectively. With no further major investment, we expect the balance sheet strength to improve coupled with pick-up in demand, going forward. We expect sales CAGR of 9.0% during FY14-16E with improved margins. We have valued the stock at 11.5x FY16E EBITDA and arrived at target price of INR 122 per share with **“STRONG BUY”** rating on the stock.

Exhibit 1. Indian Hotels Company Ltd- Financial Performance (All Data in INR Crores except per share and %)

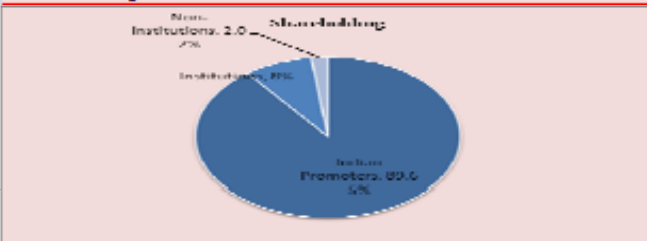
Particulars	FY2011A	FY2012A	FY2013A	FY2014A	FY2015E	FY2016E
Net Sales	2862	3444	3743	4066	4424	4913
Growth	16.52%	20.30%	8.71%	8.62%	8.80%	11.05%
EBITDA	451	545	538	560	678	863
EBITDA Margin	15.75%	15.83%	14.36%	13.76%	15.33%	17.57%
Net Profit	-87	3	-430	-554	106	216
Net Profit Margin	-3.05%	0.09%	-11.49%	-13.62%	2.40%	4.40%
EPS	-1.15	0.04	-5.33	-6.86	1.09	2.02
P/E(x)	0.00	1577.68	0.00	0.00	87.64	47.55
P/BV(x)	2.44	1.65	1.48	2.27	2.88	2.44
EV/EBITDA	19.87	12.98	12.55	15.25	18.35	14.42
ROE	-2.75%	0.93%	-13.36%	-19.01%	3.43%	6.07%

Source: Company, ACE Equity, Bloomberg, Company data, Microsec research

STRONG BUY

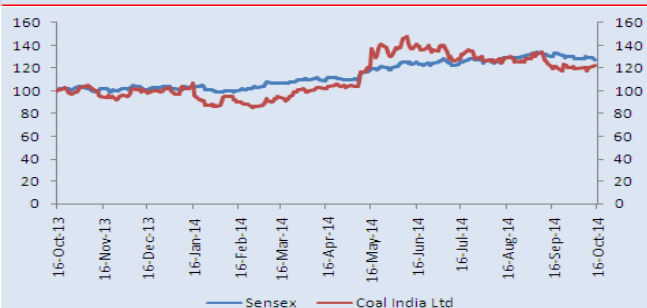
Market Data

Current Market Price (CMP)	349
Target Price	440
Upside Potential	26%
52 Week High Low	423/236
Market Cap (INR in Cr)	220346



Stock Scan

Scrip ID	Coal India Ltd
Scrip Code (NSE)	COALINDIA
Scrip Code (BSE)	533278
Bloomberg Ticker	COAL IN
Reuters Ticker	COAL.BO
Industry	Mining & Minerals
Face Value (INR per share)	10.00
Equity Share Capital (INR in Cr)	6,316.36
Avg 3 years P/E	12.65
Avg daily volume (Last 1 Year in '000)	389
Beta Vs Sensex	1.19
Dividend Yield	10.07%



Coal India Ltd.

Sector- Mining & Minerals

Coal India (CIL) is the largest coal producer in India. CIL incorporates 11 direct and indirect subsidiaries, of which seven are involved in coal production in India. It operates across 80 mining areas spread over eight provincial states of India. The Company has underground, opencast and mixed mines as well as coal washeries. The company's major consumers are power plants, which accounted for 74% of its offtake in FY14. Its other consumers include steel, cement, and fertilizer companies, brick kilns, and a host of other industries. We rate CIL a **"STRONG BUY"** rating.

Investment Rationale

Volume growth - A silver lining-CIL's production volume has been sluggish for the last 2 years but we believe going forward CIL to clock production CAGR of 7.0% in FY14-16E to 530 MT. The government has given a high priority to three rail lines (in Jharkhand, Odisha and Chhattisgarh) and we expect projects to be fast-tracked. This could ease evacuation constraints significantly.

Dividend yield and dividend payout to remain healthy-CIL has gradually increased the dividend payout from 23% in FY11 to 121% in FY14. We believe the dividend payout will remain robust, going forward, as the company possesses surplus cash on its books with modest capex requirements.

Stable realizations-Despite 50% fall in global coal prices, average realization for CIL is INR 1900 per tone. Majority of its total coal sales is being sold at a price that is 50% lower than global prices, on an energy adjusted basis. Hence, CIL's realizations are largely insulated from a swing in global coal prices.

Outlook & Valuation-CIL has a strong balance sheet with robust cash flows and the company has maintain a good payout ratio. In the near term government's proposed OFS could be an overhang on the stock but for the medium to longer term prospective, fundamentals of the company augurs well. In FY14-16E, we expect the topline, EBITDA and PAT to grow at a CAGR of 8.3%, 16.1% and 11.6%, respectively. The stock is currently trading at FY16E adjusted EV/EBITDA of 7.8x. We have valued the stock at 10x FY16E EV/EBITDA and arrived at a target price of INR 440 with a **"STRONG BUY"** rating.

Exhibit 1. Coal India Ltd- Financial Performance (All Data in INR Crores except per share and %)

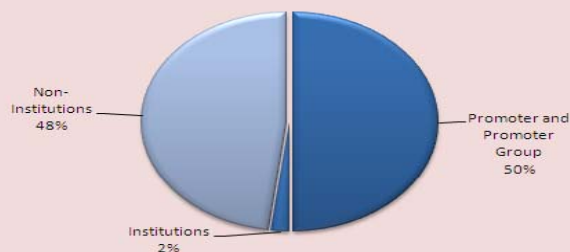
Particulars	FY2011A	FY2012A	FY2013A	FY2014A	FY2015E	FY2016E
Net Sales	50229	62415	68303	68810	74012	80841
Growth	12.58%	24.26%	9.43%	0.74%	7.56%	9.23%
EBITDA	13478	15668	18084	15963	18661	21443
EBITDA Margin	26.83%	25.10%	26.48%	23.20%	25.21%	26.52%
Net Profit	10867	14788	17356	15112	16539	18836
Net Profit Margin	21.64%	23.69%	25.41%	21.96%	22.35%	23.30%
Net Profit Growth	12.94%	36.08%	17.37%	-12.93%	9.45%	13.89%
EPS	17.21	23.41	27.48	23.92	26.31	29.72
P/E(x)	20.17	14.65	11.25	12.03	13.25	11.73
P/BV(x)	6.58	5.36	4.03	4.29	4.60	4.04
EV/EBITDA	9.57	6.87	5.01	5.20	8.99	7.82
ROE	35.87%	40.09%	39.04%	33.26%	35.63%	36.22%

Source: Company, ACE Equity, Bloomberg, Company data, Microsec research

Strong BUY

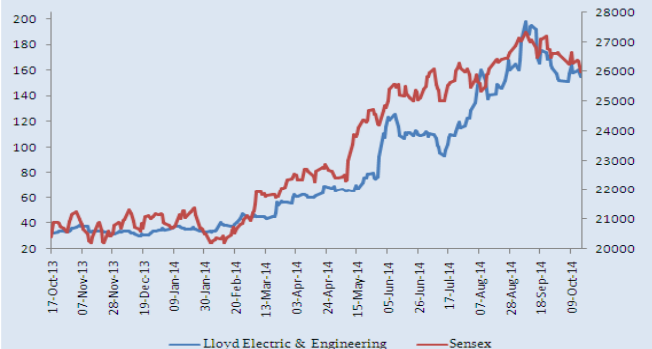
Market Data

Current Market Price (CMP)	155
Target Price	205
Upside Potential	32%
52 Week High/Low	203/30
Market Cap (INR in Cr)	155



Stock Scan

Script ID	Lloyd Electric & Engineering Ltd.
Script Code (BSE)	517518
Script Code (NSE)	LLOYDELENG
Bloomberg Ticker	LEE IN
Reuters Ticker	LEEG.B0
Face Value (INR)	10.00
Equity Share Capital (INR in Cr)	35.33
Avg 5 Yrs P/E	4.58
Avg daily volume (Last 1 Year)	148038
Beta Vs Sensex	1.24
Dividend Yield	0.81%



October 17, 2014

Lloyd Electric & Engineering Ltd.

Sector- Consumer Durables

Lloyd Electric & Engineering Limited, incorporated in 1988, is a manufacturer of heat exchanger and evaporator coils catering to heating, ventilation, air-conditioning and refrigeration industry. It also provides customized AC solutions for institutional clients, such as railways, defense and metro rails. Lloyd is perfectly positioned in the mobile HVAC systems space and heat transfer industry. **We rate Strong BUY on the company.**

Market leader in the Heat exchangers & coil business: Lloyd is the leading player with largest market share in non-industrial heat exchangers. It is a dominant manufacturer of coils serving the heating, ventilation, AC and refrigeration industry, with almost 40% market share. It has a wide range of products, comprising Industrial heat exchangers, rail coach air conditioning units, split and window ACs, Precision air-conditioners and automobile air-conditioners.

OEM supplier to Air-conditioning manufacturing companies: Lloyd is an OEM supplier to various multi-national companies in India. It has a state of the art assembly line for assembly and testing for window and split Air Conditioners and also has backward integration facility for manufacturing heat exchanger coils, tubing, capillary etc. It has successfully diversified into contract manufacturing of ACs for clients such as Samsung, LG Electronics, Carrier, Haier, Voltas and Blue Star. Lloyd is further expanding into the transport AC segment.

Valuation: At the CMP of INR 155.10, the stock is trading at a forward P/E of 5.38x its FY15E EPS of 28.82 and P/E of 3.75x its FY16E EPS of 41.31. Hence we have assigned a P/E multiple of 5x to FY16E EPS and arrived at a target price of INR 205 per share; an upside of 32%.

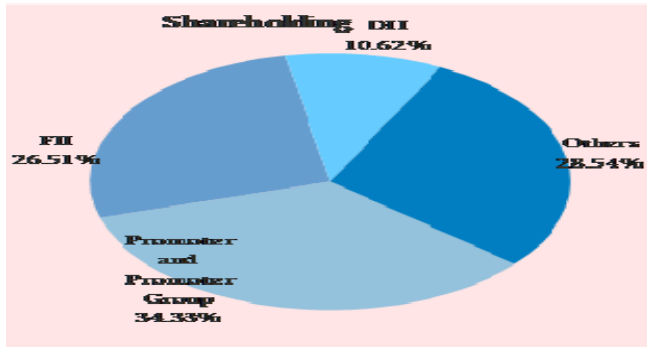
Particulars (INR in Crores)	FY12	FY13	FY14	FY15E	FY16E
Net Sales	1196.12	1474.31	1775.97	2166.68	2686.69
Growth	17.9%	23.3%	20.5%	22.0%	24.0%
EBITDA	104.82	155.88	214.29	256.26	320.43
EBITDA Margin	8.7%	10.5%	11.7%	11.8%	11.9%
Net Profit	29.39	52.80	89.12	101.81	145.96
Net Profit Margin	2.4%	3.6%	4.9%	4.7%	5.4%
Net Profit Growth	-21.8%	79.7%	68.8%	14.2%	43.4%
EPS	9.48	14.94	25.23	28.82	41.31
BVPS	132.82	155.96	181.12	208.74	248.55
P/E(x)	5.26	2.63	2.21	5.38	3.75
P/BV(x)	0.33	0.25	0.31	0.74	0.62
ROE	6.27%	9.58%	13.93%	13.81%	16.62%
EV/EBITDA(x)	4.50	3.62	3.68	3.85	2.95

Source: Microsec Research, Company Data

BUY

Market Data

Current Market Price (INR)	484
Target Price	543.00
Upside Potential	12%
52 Week High/Low (INR)	543/332
Market Capitalization (In INR Cr.)	132,402



STOCK SCAN

BSE Code	500570
NSE Code	TATAMOTORS
Bloomberg Ticker	TTMT IN
Reuters Ticker	TAMO.BO
Face Value (INR)	2.00
Equity Share Capital (In INR Cr.)	273.67
Beta vs Sensex	1.10
Average Daily Volume	427,729



Tata Motors Ltd.

Sector- Automobile

We rate Tata Motors Limited (Tata) with a **“BUY”** rating. Our rating underpins the company’s distribution network, after sales service, usage of product in different sectors and its R&D and technological framework. However, slowdown in global automobile industry impedes our optimism bit.

Investment Rationale

Revival in commercial vehicle demand: Going forward revival in GDP growth is anticipated led by fall in inflation which may propel interest rate cuts and revival in demand for commercial vehicles. Also Government’s focus in road and highways development will lead to increased demand of commercial and mass movement vehicles and pick up vehicles. Also, diesel prices is likely to have peaked and unlikely to be raised further in near future, which gives transporters reason to add more to their fleet.

Strong performance by Jaguar Land Rover to continue :Jaguar Land Rover sales volume has been growing in all markets for last 5 years at a CAGR of 20.8%. The contribution from China, which was merely 5% in FY09, is now a whopping 24%, hence, growing at a CAGR of 67.4% in last 5 years. JLR retails sales of the company for the period April- September of FY2014-15 was increased by 14.7% to 226,377 units against 197,363 units, during the same period of last year.

Expansion to aid growth in Future: Tata Motors Ltd has increased FY15E capital expenditure for Jaguar Land Rover (JLR) to £3.5-3.7 billion (from £2.75 billion earlier). Company plans capex of 10%-12% of revenue in the near and medium term. We believe that the company’s capacity expansion drive for Research & Development, new products development is good for Jaguar Land Rover as it is expected to help the company maintain its strong growth.

Strong Financial growth with sound ratios: The Company has registered a strong financial growth in FY14. Net sales increased by 23.33% to INR232,834 crore. Profit after tax (PAT excl excl items) increased by 41.43% to INR13,991 crore. ROE of the company arrived at 27.1%. The company’s total D/E ratio came down from 1.43 to 0.92. Tata Motors Ltd financial ratios are strong and are very much in line with its nearest competitor Daimler, BMW and Audi.

Exhibit: Tata Motors Consolidated financial performance (In INR Cr. except per share data and %)

Particulars	FY12	FY13	FY14	FY15E	FY16E
Net Sales (post Excise Duty)	165,654	188,793	232,834	279,400	332,486
Growth (%)	35.64%	13.97%	23.33%	20.00%	19.00%
EBITDA	22,311	24,600	34,838	42,795	50,926
EBITDA Margins (%)	13.47%	13.03%	14.96%	15.32%	15.32%
Net Profit (before excl items)	13,517	9,893	13,991	19,540	23,192
Net Profit Margins (%)	8.16%	5.24%	6.01%	6.99%	6.98%
Net Profit Growth (%)	45.75%	-26.81%	41.43%	39.66%	18.69%
EPS	45.2	32.9	46.9	71.4	84.7
BVPS	103	118	206	311	396
P/E	6.1	8.2	8.5	6.8	5.7
P/BV	2.7	2.3	1.9	1.6	1.2
RoE	52.4%	28.2%	27.1%	25.9%	24.0%

Source: Ace Equity, Microsec Research

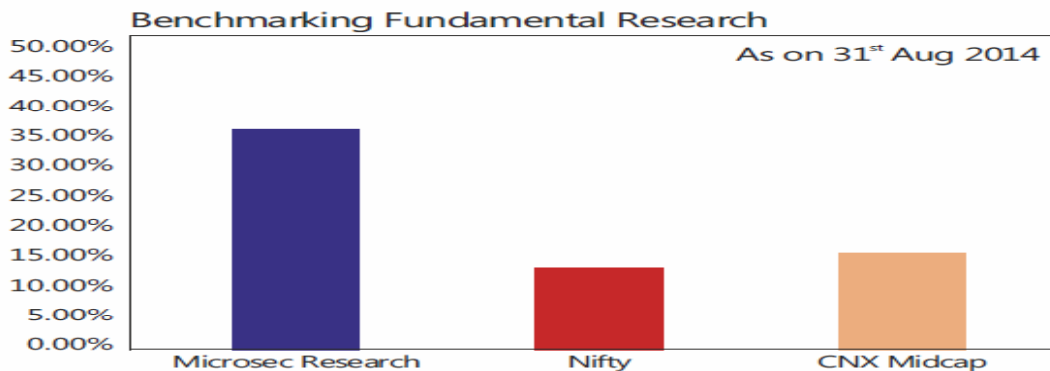
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Research?

Microsec Benchmark its Research



An amount of ₹ 1,00,000 invested individually in all 309 stocks ie, ₹ 3,09,00,000 investment as and when recommended has appreciated to ₹ 4,19,31,911 giving a return of 35.7 percent. On the same basis Nifty has given a return of 13.3 percent and CNXMID CAP has given a return of 15.2 percent.

Microsec benchmark its Research and the same is updated on our website at www.microsec.in. Come, strike the right balance through Benchmarking Research.

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