



**MUHURAT
PICKS
2015**



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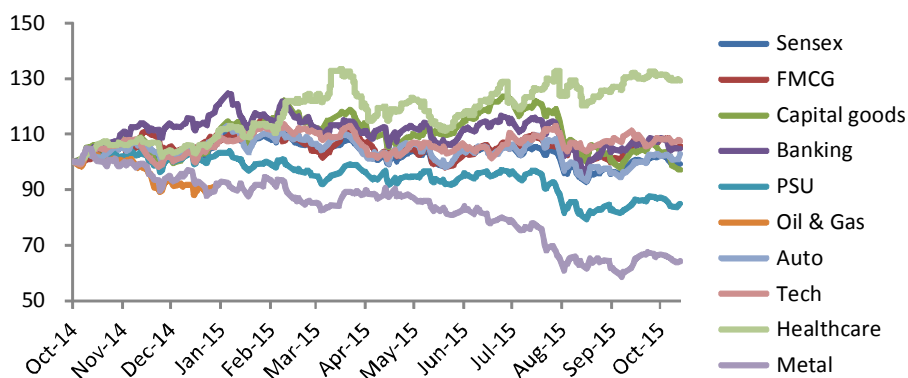
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Belying expectations, Samvat 2071 turned out to be a disappointing year for the markets with benchmarks remaining flat YoY, after a 25% return in the previous year. BSE mid-cap and small-cap indices gained 5% each and outperformed the benchmarks. Several stocks performed even better than the mid and small cap indices.

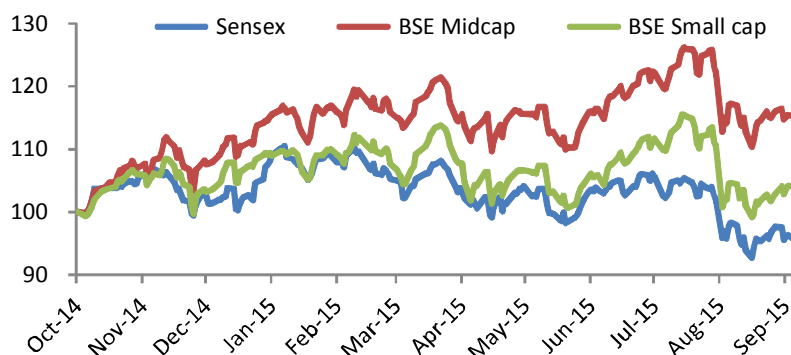
On the domestic front, the clear mandate in favour of a single party in the elections had raised hopes of decisive action from the Government on reforms. The Government has taken several executive and administrative initiatives to increase the ease of doing business and support growth. Government spending has increased by 61% YoY in 1HFY16. There is a strong focus on infrastructure creation and on bringing in funds for the same. However, delay in passage of important legislations like GST have negatively impacted sentiments. The RBI has reduced rates by 125bps, a part of which has been transmitted by the banks.

Sectoral performance



Source: Bloomberg

Sensex, BSE Smallcap/Midcap performance



Source: Bloomberg

On the other hand, the capex spends from the private sector are largely missing. The private sector capex has been hamstrung by a falling exports, weak commodity markets, subdued real estate sector and still low capacity utilization levels. The weak monsoons for a second consecutive year have negatively impacted the rural demand.

The global economy witnessed significant volatility during the year. The slowdown in Chinese economy has had a severe impact on commodity prices, which impacted several other Emerging Markets. Commodity prices slumped on weak demand and increased exports from China hurt several Emerging Markets. On the other hand, a potential rate hike in US have also kept markets on tenterhooks. The uptick in the US economy should support India's exports which have been falling in recent months, though growth in EU remains patchy. We expect the rupee to remain ranged around the 65 / USD level, in the foreseeable future.

On the positive side, crude price fell to a multi-year low of \$42/ barrel (Brent) and are currently trading at about \$50 / barrel, a 45% drop YoY. This is a big positive from the fiscal deficit as well as the inflation perspectives. The reduced subsidy burden, along with the expected buoyancy in tax collections, has allowed the Government to spend more to support the economy, and also achieve the FD targets.

A defining factor of the year has been the strong domestic flows into the markets, apart from continuing FII flows. Domestic institutions invested Rs.505 bn in equity markets. It is clear that, savings are finally moving to financial assets v/s physical assets earlier.

Going ahead, in Samvat 2072, we expect fiscal reforms to pick up speed. Important legislations, especially GST, are expected to be passed, even if in a diluted form. Inflation has come off over the past few months and, we believe it will continue to trend lower. This opens up the window for more rate cuts in FY17.

We also expect continuation of the trend of domestic savings flowing into financial assets, including equities. Globally, growth rates in China are not expected to fall further, though recovery may be slow. The US economy will likely continue to grow and EU should stabilise. We hope that, the monsoons will be better next year, after two successive years of lower-than-average rainfall.

Given this backdrop, we maintain our positive bias towards domestic infrastructure and cyclical sectors over the medium-to-long term. We recommend sticking to quality and advise selectively investing in stocks having strong balance sheets and ethical managements. We are also positive on the consumption theme but will be buyers in most names, at declines. On the other hand, we are positive on select export-oriented stocks based on improving demand scenario in developed economies like USA. Key risks are geo-political concerns globally, decline in foreign inflows, sharp currency movements and spike in oil prices.

No doubt, there will be periods of uncertainty and anguish and concerns. There may be further correction in markets. However, we are hopeful of a rewarding Samvat 2072, after a flattish previous year.

Nifty - Top 5 Stocks (23 Oct 14 - 3 Nov 15)

| Company Name | Price on 23/10/14 | Price on 3/11/15 | % Chg |
|------------------------------|-------------------|------------------|-------|
| Dr. Reddys Laboratories Ltd. | 3,058 | 4,335 | 41.8 |
| Maruti Suzuki India Ltd. | 3,166 | 4,483 | 41.6 |
| Bosch Ltd. | 15,003 | 20,700 | 38.0 |
| Lupin Ltd. | 1,391 | 1,875 | 34.8 |
| IndusInd Bank Ltd. | 684 | 912 | 33.4 |

Source: Bloomberg

Nifty - Bottom 5 Stocks (23 Oct 14 - 3 Nov 15)

| Company Name | Price on 20/10/14 | Price on 5/11/13 | % Chg |
|------------------------------------|-------------------|------------------|--------|
| Vedanta Ltd. | 249 | 98 | (60.5) |
| Tata Steel Ltd. | 459 | 236 | (48.7) |
| Cairn India Ltd. | 289 | 155 | (46.4) |
| Hindalco Industries Ltd. | 149 | 82 | (44.8) |
| Oil & Natural Gas Corporation Ltd. | 403 | 251 | (37.9) |

Source: Bloomberg

We have selected some stocks which look attractive to us from an investment perspective.

The stocks are :

Top picks

| Company | Current Mkt Price (Rs) | Target Price (Rs) |
|--------------------|---------------------------|----------------------|
| Maruti Suzuki | 4505 | 4934 |
| Sun Pharma | 870 | 1055 |
| Infosys | 1141 | 1230 |
| ICICI Bank | 278 | 400 |
| Dabur India | 271 | 308 |
| Praj Industries | 88 | 105 |
| PNC Infrastructure | 523 | 609 |
| Century Plyboard | 184 | 230 |
| Engineers India | 196 | 250 |
| Allcargo | 327 | 395 |
| Supreme Industries | 629 | 775 |

Source: Kotak Securities - Private Client Research; Bloomberg

MARUTI SUZUKI INDIA LTD

Analyst: arun.agarwal@kotak.com

ACCUMULATE

Last report at Rs.4497 on 28 October 2015

| | | | | |
|--|----------------------------------|-------------------------------------|--|-----------------------------------|
| Current Market Price (Rs) 4505 | Target Price (Rs) 4934 | Potential Upside (%) 9.5% | 52 Week H/L (Rs) 4763 / 3249 | Mkt Cap (Rs mn) 1360992 |
|--|----------------------------------|-------------------------------------|--|-----------------------------------|

INVESTMENT ARGUMENT

- MSIL is expected to benefit from multiple earnings growth lever in the next 2-3 years.
- On the back of expected recovery in the economy, the domestic passenger car industry is likely to grow on a strong note. MSIL, being the market leader will be the key beneficiary of this expected revival in car demand.
- Factors such as expected recovery in small car demand, preference shift towards petrol cars due to fall in fuel prices and strong urban centric new product pipeline should lead to healthy market share for the company.
- MSIL's operating margins is likely to stay healthy on the back of favorable currency, reduction in discounts on demand recovery and benefits of operating leverage from expected strong volume growth outlook.

RISKS & CONCERNS

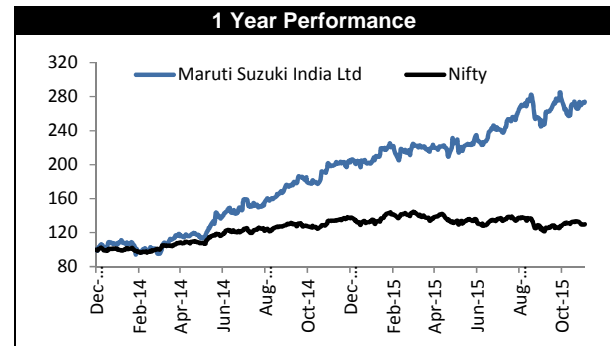
- Lower than anticipated growth will jeopardize our revenue and profit estimates.
- MSIL benefits from yen depreciation. Any unfavorable movement of yen can have significant impact on the company's profitability.

COMPANY BACKGROUND

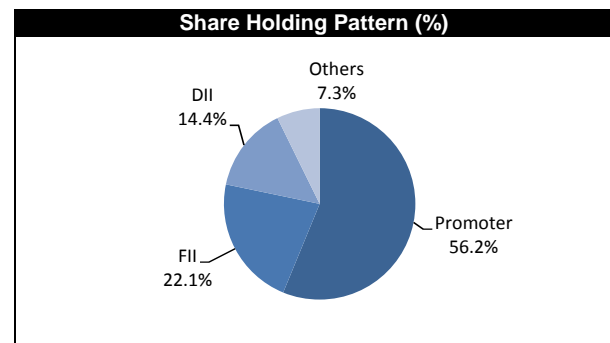
- MSIL, India's largest passenger car company, is a subsidiary of Suzuki Motor Corporation of Japan. Formed as a government owned company (Maruti Udyog Limited), it entered into a JV with Suzuki Motor Corporation. Over the years the company has been one of the most successful players in the Indian car market.

SECTOR BACKGROUND

- India's passenger vehicle industry sold ~3mn vehicles in FY14. While 80% of sales happened in the domestic market, balance 20% were exported. Top five players account for ~80% of industry sales volumes.

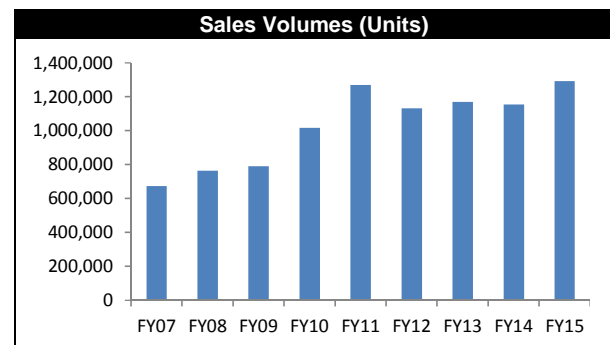


Source: Bloomberg



Source: Bloomberg

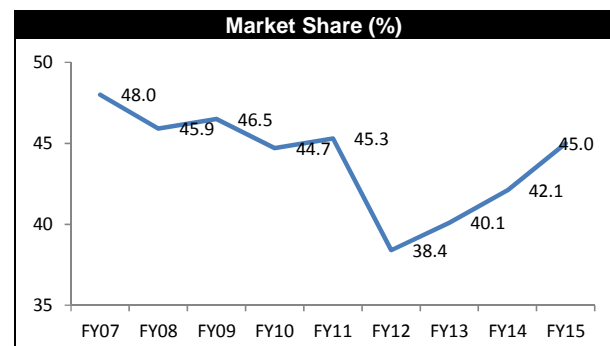
| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|----------------------------|-------------|--------------|--------------|
| Sales | 499,706 | 591,484 | 711,413 |
| Growth (%) | 14.3 | 18.4 | 20.3 |
| EBITDA | 67,129 | 96,663 | 113,542 |
| EBITDA margin (%) | 13.4 | 16.3 | 16.0 |
| PBT | 48,639 | 74,900 | 92,811 |
| Net profit | 37,069 | 54,677 | 67,752 |
| EPS (Rs) | 122.7 | 181.0 | 224.3 |
| Growth (%) | 34.0 | 47.5 | 23.9 |
| CEPS (Rs) | 180.0 | 245.0 | 291.7 |
| Book value (Rs/share) | 784.7 | 924.8 | 1,096.4 |
| Dividend per share (Rs) | 25.0 | 35.0 | 45.0 |
| ROE (%) | 16.6 | 21.2 | 22.2 |
| ROCE (%) | 21.3 | 28.0 | 28.7 |
| Net cash (debt) | 121,469 | 149,638 | 207,666 |
| Net Working Capital (Days) | (7.2) | (7.9) | (10.2) |



Source: Company, Kotak Securities - Private Client Research

| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|-----------------------------|-------------|--------------|--------------|
| P/E (x) | 36.7 | 24.9 | 20.1 |
| P/BV (x) | 5.7 | 4.9 | 4.1 |
| EV/Sales (x) | 2.5 | 2.0 | 1.6 |
| EV/EBITDA (x) | 18.5 | 12.5 | 10.2 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|------------------------------|-----------|-----------|-----------|
| | (1.6) | 1.5 | 19.9 |



Source: Company

Source: Bloomberg, Company, Kotak Securities - Private Client Research

SUN PHARMACEUTICALS LTD

Analyst: meeta.shetty@kotak.com

Last report at Rs.842 on 12 August 2015

BUY

| | | | | |
|---|----------------------------------|--------------------------------------|---------------------------------------|-----------------------------------|
| Current Market Price (Rs) 870 | Target Price (Rs) 1055 | Potential Upside (%) 21.3% | 52 Week H/L (Rs) 1201 / 795 | Mkt Cap (Rs mn) 2093652 |
|---|----------------------------------|--------------------------------------|---------------------------------------|-----------------------------------|

INVESTMENT ARGUMENT

- Sun has been under pressure for the past two quarters due to one-time charges led by Ranbaxy merger as well as compliance issues at its largest USFDA approved plant at Halol. However, some indications of revival in supplies from Halol as well as guiding for lower to nil one time expenses related to Ranbaxy merger highlights that the worst is over.
- Additionally, SUNP expects to get the phase 3 trial data for its novel molecule – MK3222, which was licensed from Merck. Data is expected by end of this calendar year or early next year. Looking at the data from similar molecule as well as data points publicly available for MK3222, molecule is showing high probability of getting approved. We believe this will be a critical data for SUNP as this will be the first NCE molecule to be commercialized (if approved).
- On valuation front too Sun is trading at an attractive 22.1x FY17E EPS, leaving little room for downside. Though FY16E will be a challenging year for SUNP, we believe with better outlook for FY17E coupled with lower valuations (at current valuations SUNP trades at 22.1x FY17E EPS) Sun looks poised for good run up over the next 9-12 months. We have a Buy rating on the stock with a target price of Rs. 1055, 25x FY17E EPS and an NPV of Rs. 70 (for MK-3222, a novel molecule).

RISKS & CONCERNS

- Sun's largest USFDA approved plant, Halol, is currently under compliance issues. Though management remains confident is resolving the same, in adverse events, it can significantly impact our assumptions.
- Sun expects Ranbaxy integration benefits to be ~US\$ 350mn by FY18E, any issues in integration can impact the valuations of the company.

COMPANY BACKGROUND

- Sun Pharma was established in 1983 with a portfolio of five products to treat psychiatry ailments and a manufacturing facility in Vapi, Gujarat. Over the last 30 years, Sun Pharma has become one of the most profitable pharmaceuticals manufacturers. Sun Pharma's growth has been driven by both organic as well inorganic expansion

SECTOR BACKGROUND

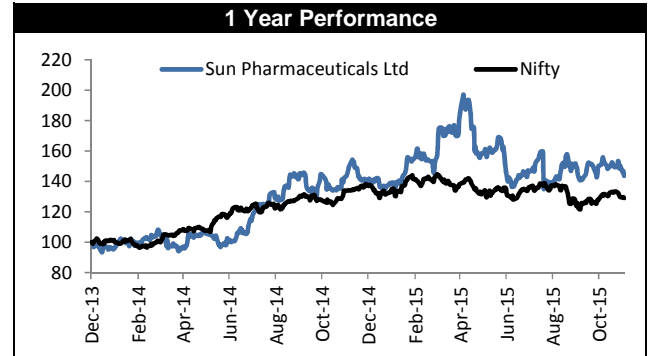
- The Indian Pharma Market (IPM) stood at ~US\$ 14.0 bn and is expected to post 13-15% CAGR over the next 4-5 years. Moreover, US, is the largest pharma market at ~US\$390 bn, is expected to witness US\$ 44bn worth drugs going off patent which will provide further fillip to Indian companies.

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|---------------------------|----------|----------|-----------|
| Sales | 274,334 | 275,789 | 358,127 |
| Growth (%) | 70.6 | 0.5 | 29.9 |
| EBITDA | 80,636 | 77,166 | 123,661 |
| EBITDA margin (%) | 29.6 | 28.3 | 34.5 |
| PBT | 64,041 | 63,824 | 116,526 |
| Net profit | 47,909 | 51,442 | 94,710 |
| EPS(Rs) | 18.9 | 21.4 | 39.4 |
| Growth(%) | (26.0) | 13.3 | 84.1 |
| CEPS(Rs) | 24.3 | 21.8 | 42.8 |
| BVPS(Rs) | 110.2 | 130.6 | 172.1 |
| DPS (Rs) | - | 2.0 | 2.2 |
| ROE (%) | 20.2 | 15.4 | 26.0 |
| ROCE (%) | 33.3 | 23.8 | 29.6 |
| Net debt | (18,817) | (64,572) | (135,398) |
| Net working capital(Days) | 110.4 | 118.0 | 122.0 |

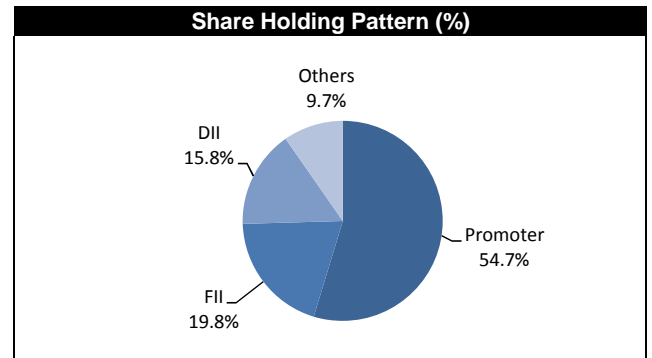
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|----------------------|------|-------|-------|
| P/E (x) | 46.1 | 40.7 | 22.1 |
| P/BV (x) | 7.9 | 6.7 | 5.1 |
| EV/Sales (x) | 7.2 | 7.0 | 5.2 |
| EV/EBITDA (x) | 24.5 | 24.9 | 15.0 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|-----------------------|-------|-----|--------|
| | (4.5) | 2.5 | (10.2) |

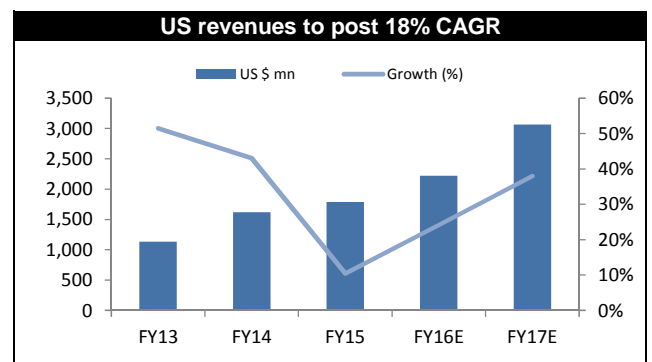
Source: Bloomberg, Company, Kotak Securities - Private Client Research



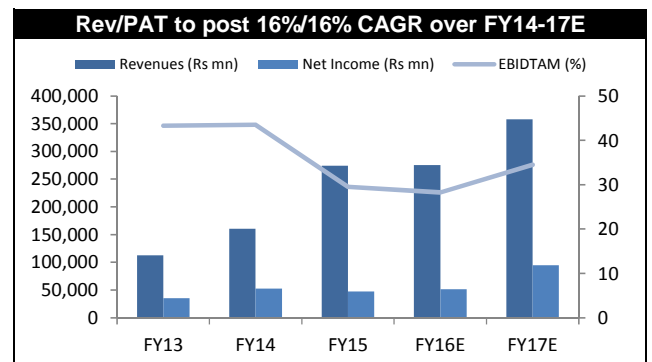
Source: Bloomberg



Source: Bloomberg



Source: Company, Kotak Securities - Private Client Research



Source: Company

INFOSYS TECHNOLOGIES LTD

Analyst: dipen.shah@kotak.com

ACCUMULATE

Last report at Rs.1125 on 13 October 2015

| | | | | |
|--|----------------------------------|-------------------------------------|---------------------------------------|-----------------------------------|
| Current Market Price (Rs) 1141 | Target Price (Rs) 1230 | Potential Upside (%) 7.8% | 52 Week H/L (Rs) 1220 / 933 | Mkt Cap (Rs mn) 2620929 |
|--|----------------------------------|-------------------------------------|---------------------------------------|-----------------------------------|

INVESTMENT ARGUMENT

- 2QFY16 results were encouraging. The 5.9% CC growth and \$983mn TCV from large deals were the positive takeaways.
- We believe that, the new strategy should allow Infosys to improve growth rates over the long term with sustained margins.
- The long-term strategic plan reflects Infosys' focus on next-generation services and delivery models. Infosys has already made significant progress towards next-generation services and delivery mechanisms.

RISKS & CONCERNS

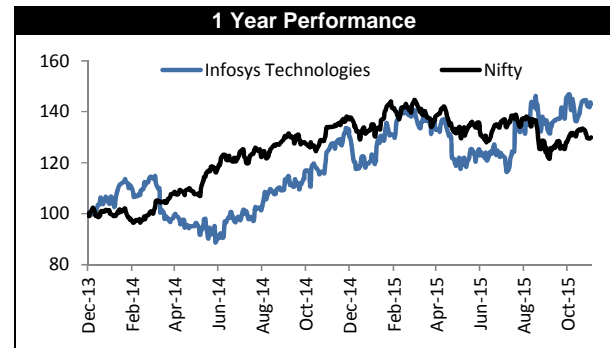
- A slower-than-expected recovery in major user economies may impact our projections.
- A sharp appreciation of rupee beyond our assumed levels may impact our earnings estimates for the company.

COMPANY BACKGROUND

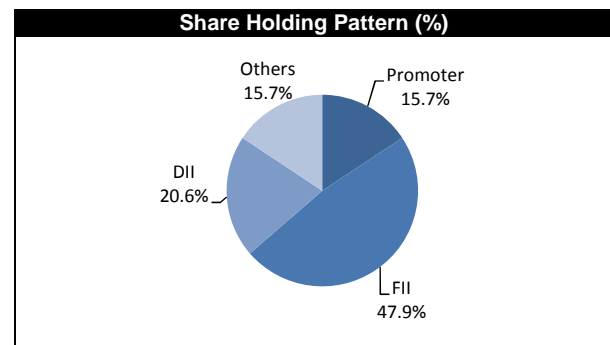
- Infosys was incorporated in 1981 by 7 engineers, led by Mr. Narayana Murthy. Infosys had been the proxy for the Indian IT sector since its inception.
- The company has been an outstanding corporate citizen in terms of corporate governance in India. Infosys services clients in over 30 countries.

SECTOR BACKGROUND

- IT services exports are expected to amount to nearly \$110bn in FY16.
- Indian companies provide services to several Fortune 500 companies.
- Banking & Financial services sector accounts for the largest revenues and USA is the largest geography for the industry



Source: Bloomberg



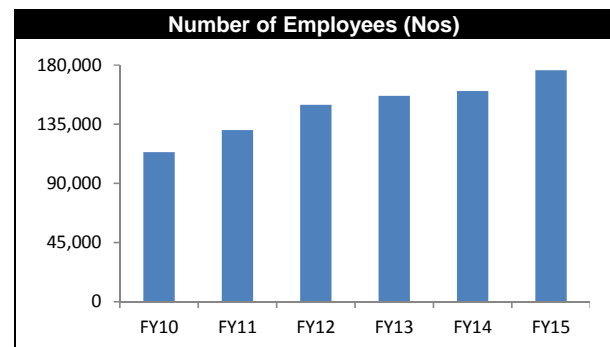
Source: Bloomberg

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|----------------------------|---------|---------|---------|
| Sales | 533,190 | 613,658 | 684,681 |
| Growth % | 6.4 | 15.1 | 11.6 |
| EBITDA | 138,320 | 153,341 | 174,869 |
| EBITDA margin % | 25.9 | 25.0 | 25.5 |
| PBT | 172,590 | 186,101 | 214,119 |
| Net profit | 123,290 | 132,105 | 153,095 |
| EPS (Rs) | 53.9 | 57.2 | 65.7 |
| Growth % | 13.4 | 6.1 | 14.8 |
| CEPS | 63.3 | 67.9 | 77.4 |
| Book Value (Rs / Share) | 239.6 | 261.7 | 286.9 |
| Dividend per Share (Rs) | 85.0 | 40.0 | 45.0 |
| ROE % | 24.1 | 22.9 | 24.1 |
| ROCE % | 33.7 | 32.3 | 33.6 |
| Net cash (debt) | 303,715 | 334,561 | 377,813 |
| Net working capital (Days) | 66.5 | 64.5 | 63.4 |

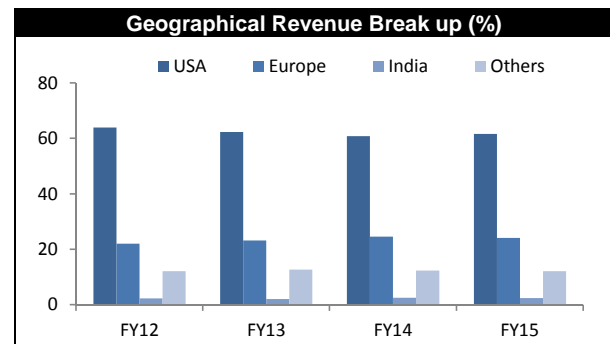
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|----------------------|------|-------|-------|
| P/E (x) | 21.2 | 19.9 | 17.4 |
| P/BV (x) | 4.8 | 4.4 | 4.0 |
| EV/Sales (x) | 4.3 | 3.7 | 3.3 |
| EV/EBITDA (x) | 16.7 | 14.9 | 12.8 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|-----------------------|-------|-----|------|
| | (2.7) | 7.9 | 14.5 |

Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company, Kotak Securities - Private Client Research



Source: Company

ICICI BANK LTD

Analyst: saday.sinha@kotak.com

BUY

Last report at Rs.277 on 2 November 2015

| | | | | |
|---|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|
| Current Market Price (Rs) 278 | Target Price (Rs) 400 | Potential Upside (%) 44.1% | 52 Week H/L (Rs) 393 / 248 | Mkt Cap (Rs mn) 1611631 |
|---|---------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|

INVESTMENT ARGUMENT

- We like the quality of liability franchise - CASA mix at 45.1% (Q2FY16), one of the best in the industry.
- NIM has been strong on back of strong accretion to low cost deposits as well as better ALM.
- Lower risk on SME portfolio (~5% of total portfolio). While retail piece has witnessed insignificant net slippage, corporate segment continues to perform well.
- RoA is likely to remain stronger at 1.8% (FY16/17), driving up the RoE to 15%+ (FY17). Management focus on stable growth with improving structural profitability reinforces our existing positive outlook on the stock.
- Incremental stress build-up is front-loaded and likely to be lower in FY16 as compared to the same seen during FY15.
- We have used SOTP method to value the stock, where standalone business comes to Rs.323 (2.0x FY17E ABV) and subsidiaries are valued at Rs.77 (holding co discount: 20%).

RISKS & CONCERNS

- Retail book stands at ~44% of total book, highly vulnerable to system-wide deterioration in retail asset quality.
- Deregulation of interest rates on saving deposits (~32% of deposits) might increase the funding costs and in turn impacting its NIM.

COMPANY BACKGROUND

- Largest private sector banks (4054 branches in Q2FY16) with 4.2% market share in domestic loans.
- After conscious strategy of de-growing their B/S post Lehman collapse, bank has started focusing on profitable growth

SECTOR BACKGROUND

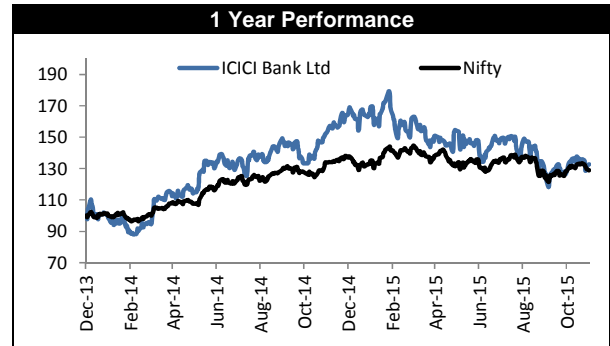
- Easing bond yield is positive for wholesale funded entities and is likely to result into higher trading gains for banks.
- Retail segment continues to drive loan growth. Prefer private sector banks and remain cautious on PSU banks.

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|---------------------------|-------------|--------------|--------------|
| Interest income | 491 | 540 | 610 |
| Interest expense | 300.5 | 324.4 | 363.4 |
| Net interest income | 190 | 215 | 246 |
| Growth (%) | 15.6% | 13.0% | 14.4% |
| Other income | 122 | 129 | 146 |
| Gross profit | 197 | 216 | 248 |
| Net profit | 111.8 | 123.4 | 143.5 |
| Growth (%) | 13.9% | 10.4% | 16.3% |
| Gross NPA (%) | 3.9 | 3.8 | 3.2 |
| Net NPA (%) | 1.6 | 1.6 | 1.1 |
| Net interest margin (%) | 3.4 | 3.4 | 3.4 |
| CAR (%) | 17.0 | 17.3 | 16.9 |
| RoE (%) | 14.5 | 14.6 | 15.2 |
| RoAA (%) | 1.8 | 1.8 | 1.9 |
| Dividend per share (Rs) | 5.0 | 5.5 | 6.0 |
| EPS (Rs) | 19.3 | 21.3 | 24.7 |
| Adjusted BVPS (Rs) | 127.9 | 141.4 | 161.6 |

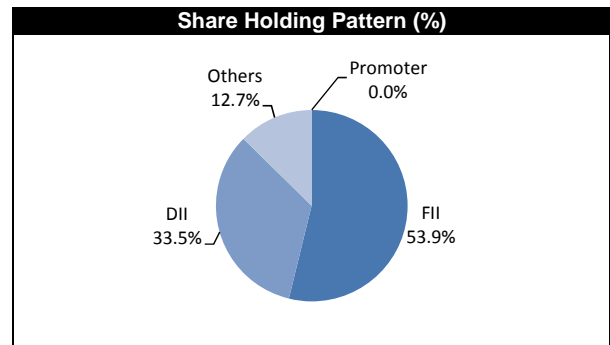
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|-----------------------------|-------------|--------------|--------------|
| P/E (x) | 14.4 | 13.0 | 11.2 |
| P/BV (x) | 2.2 | 2.0 | 1.7 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|------------------------------|-----------|-----------|-----------|
| | 3.9 | (11.6) | (15.7) |

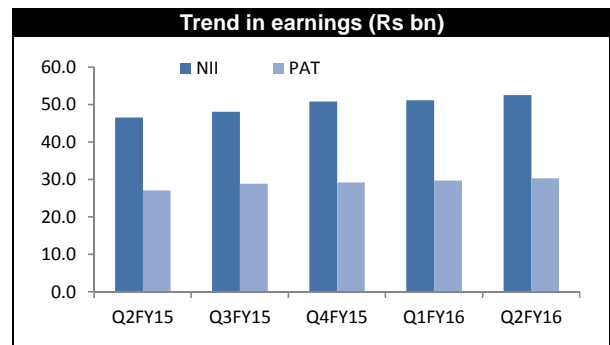
Source: Bloomberg, Company, Kotak Securities - Private Client Research



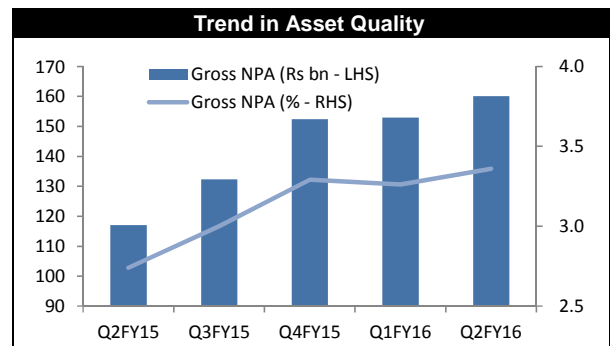
Source: Bloomberg



Source: Bloomberg



Source: Company, Kotak Securities - Private Client Research



Source: Company

DABUR INDIA LTD

Analyst: ritwik.rai@kotak.com

ACCUMULATE

Last report at Rs.272 on 29 October 2015

| | | | | |
|---|---------------------------------|--------------------------------------|--------------------------------------|----------------------------------|
| Current Market Price (Rs) 271 | Target Price (Rs) 308 | Potential Upside (%) 13.9% | 52 Week H/L (Rs) 317 / 218 | Mkt Cap (Rs mn) 475848 |
|---|---------------------------------|--------------------------------------|--------------------------------------|----------------------------------|

INVESTMENT ARGUMENT

- Diversified, competitive portfolio gives the company an edge: A substantial part of Dabur's portfolio is positioned in niche spaces with little competitive pressures. We think Dabur's product portfolio is likely to weather weak industry growth/ economic environment better than peers.
- Pricing, Expense levers to enable earnings delivery available: Dabur has, in our opinion, some headroom to raise prices, and/ or reduce advertising and promotion spends in the coming quarters, if volume growth is unable to deliver the estimates built into consensus.
- Valuations reasonable relative to peers, re-rating likely to sustain on meeting estimates: Dabur trades at 30XFY17E PER, which is reasonable when compared with peers. We believe valuations are conducive to capital preservation, and appreciation in the medium-term.

RISKS & CONCERNS

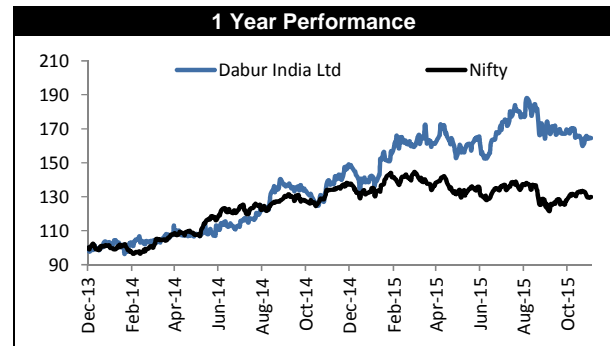
- Competitive Intensity, especially in the hair oils and oral care segment, is a significant risk for Dabur. Also, forex risks/ supply risks relating with fruit juice (domestic operations) and translation risks arising from the company's international operations. De-rating in FMCG stocks is a further (valuation) risk to the price target.

COMPANY BACKGROUND

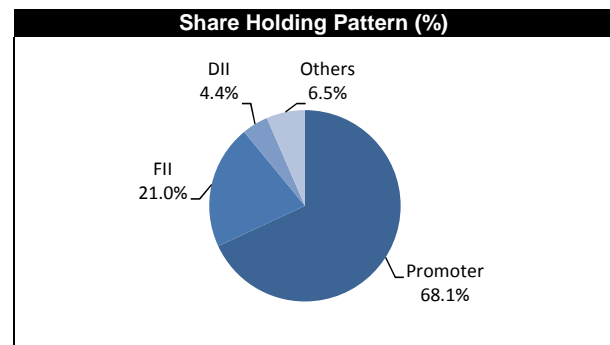
- Dabur started out with pharmaceutical sales in Calcutta in 1884. It was established as a public limited company in 1986.
- Dabur has a strong track record of growth. Over the past decade, the company has delivered 19% CAGR revenue growth and 23% CAGR growth in PAT.

SECTOR BACKGROUND

- Indian FMCG sector's size is pegged at Rs 2 Trillion with rural India contributing to about a third of the revenues.



Source: Bloomberg



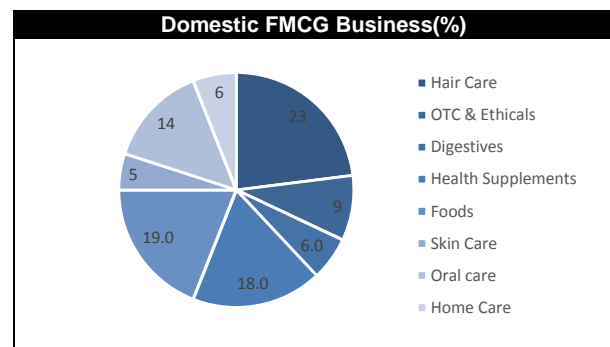
Source: Bloomberg

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|----------------------------|---------|--------|---------|
| Sales | 78,064 | 89,385 | 101,940 |
| Growth (%) | 10 | 15 | 14 |
| EBITDA | 13,164 | 16,330 | 20,157 |
| EBITDA margin (%) | 17 | 18 | 20 |
| PBT | 13,194 | 16,896 | 20,676 |
| Net profit | 10,658 | 13,232 | 15,677 |
| EPS (Rs) | 6 | 8 | 9 |
| Growth (%) | 17 | 24 | 18 |
| CEPS (Rs) | 7 | 8 | 10 |
| Book value (Rs/share) | 19 | 24 | 32 |
| Dividend per share (Rs) | 5 | 7 | 8 |
| ROE (%) | 32 | 32 | 28 |
| ROCE (%) | 33 | 34 | 32 |
| Net cash (debt) | (4,575) | 3,228 | 16,273 |
| Net Working Capital (Days) | (16) | (9) | (2) |

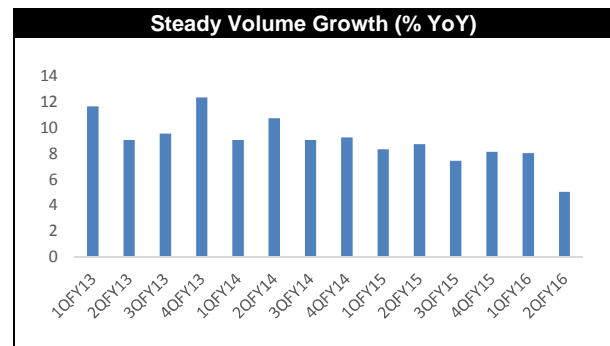
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|----------------------|------|-------|-------|
| P/E (x) | 44.2 | 35.6 | 30.1 |
| P/BV (x) | 14.1 | 11.3 | 8.5 |
| EV/Sales (x) | 6.1 | 5.4 | 4.6 |
| EV/EBITDA (x) | 36.3 | 29.4 | 23.4 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|-----------------------|-------|-------|-----|
| | (2.9) | (7.4) | 3.5 |

Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company, Kotak Securities - Private Client Research



Source: Company

PRAJ INDUSTRIES LTD

Analyst: sanjeev.zharbade@kotak.com

Last report at Rs.86 on 2 November 2015

BUY

| Current Market Price (Rs) | Target Price (Rs) | Potential Upside (%) | 52 Week H/L (Rs) | Mkt Cap (Rs mn) |
|---------------------------|-------------------|----------------------|------------------|-----------------|
| 88 | 105 | 18.7% | 117 / 55 | 15735 |

INVESTMENT ARGUMENT

- Praj continues to enjoy leading position in the ethanol business with 600 references across globe. The company gets 25% of business from repeat customers.
- Order backlog is up 57% y-o-y at end of Q2FY16.
- It is also a potential beneficiary from the "Clean Ganga" initiative.
- The company is debt free and has Rs 2.21 bn in cash in balance sheet

RISKS & CONCERNS

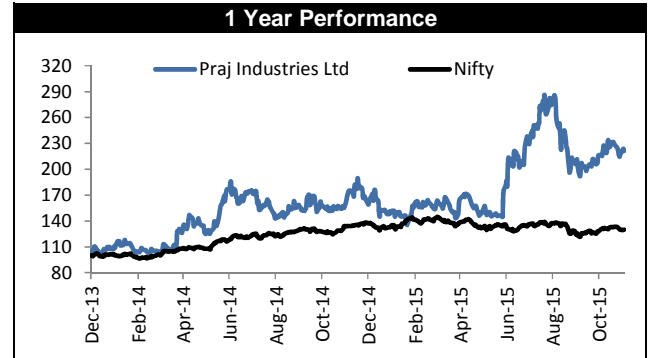
- Regulatory risk** - Any rollback of ethanol blending mandate
- Technology risk** - Inability to keep up with latest technology developments in ethanol plant industry.

COMPANY BACKGROUND

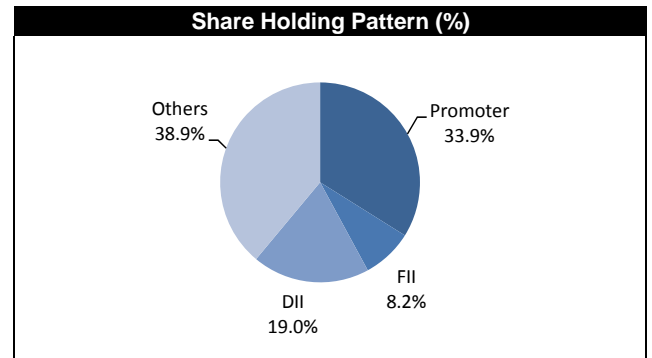
- Praj is in the business of process design, engineering, fabrication, and commissioning of bio-fuels plants, brewery plants, waste water treatment plants, bio-consumables and process equipment and systems.

SECTOR BACKGROUND

- The company is part of the capital goods industry which is seen emerging from multi-year period of downturn. Issues such as delay in land acquisition and environment clearance and coupled with high interest rates had impacted order inflow for the sector. With improving business sentiment and promise of faster clearances by the new government, the capital goods sector is expected to recover.



Source: Bloomberg



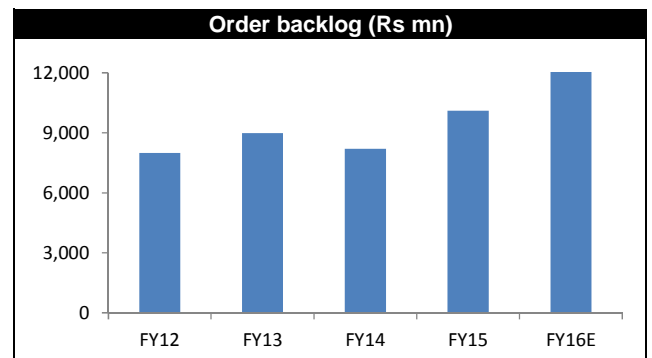
Source: Bloomberg

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|-----------------------|--------|--------|--------|
| Sales | 10,118 | 10,382 | 12,074 |
| Growth (%) | 2.6 | 2.6 | 16.3 |
| EBITDA | 843 | 988 | 1,412 |
| EBITDA margin (%) | 8.3 | 9.5 | 11.7 |
| PBT | 745 | 794 | 1,237 |
| PAT | 663 | 592 | 940 |
| EPS (Rs) | 3.2 | 3.3 | 5.3 |
| Growth (%) | (0.8) | 5.4 | 58.8 |
| CEPS | 5.9 | 5.3 | 7.3 |
| BV (Rs/share) | 35.9 | 36.8 | 38.6 |
| Dividend / share (Rs) | 1.6 | 2.0 | 3.0 |
| ROE (%) | 10.4 | 9.0 | 13.9 |
| ROCE (%) | 10.3 | 9.1 | 13.9 |
| Net cash (debt) | 2,408 | 2,575 | 3,065 |
| NW Capital (Days) | 45.6 | 48.9 | 50.7 |

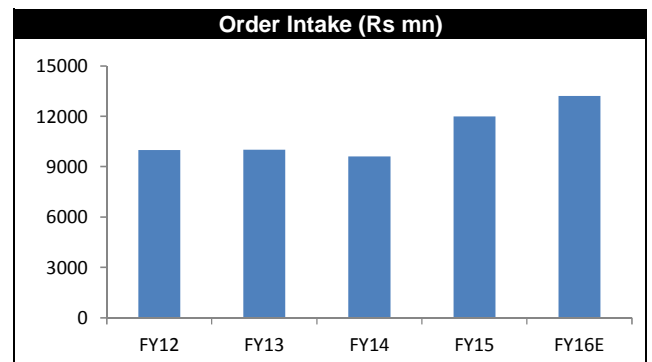
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|----------------------|------|-------|-------|
| P/E (x) | 28.0 | 26.5 | 16.7 |
| P/BV (x) | 2.5 | 2.4 | 2.3 |
| EV/Sales (x) | 1.3 | 1.3 | 1.0 |
| EV/EBITDA (x) | 15.9 | 13.3 | 8.9 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|-----------------------|-----|--------|------|
| | 2.6 | (22.6) | 38.7 |

Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company, Kotak Securities - Private Client Research



Source: Company

PNC INFRA TECH LTD (PNC)

Analyst: pankajr.kumar@kotak.com

Last report at Rs.460 on 18 September 2015

BUY

| | | | | |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| Current Market Price (Rs) 523 | Target Price (Rs) 609 | Potential Upside (%) 16.4% | 52 Week H/L (Rs) 543 / 346 | Mkt Cap (Rs mn) 26834 |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|

INVESTMENT ARGUMENT

- PNC has long history in the roads sector with over 15 years of experience in executing NHAI projects. PNC has track record of timely and before schedule completion of projects and received early completion bonus.
- PNC has an order book of Rs 41 bn including L1 order of Rs 11 bn at the end of Q1FY16. Further, It has bid pipeline of Rs 200 bn of projects and is targeting to add Rs 25-30 bn of new orders per annum in the next two years, which gives high revenue growth visibility.
- PNC has already infused Rs 4.9 bn of its equity in BOT projects and does not have any further equity commitment. It has negligible debt at standalone level and maintains high core RoCE of 25% plus.

RISKS & CONCERNS

- Slowdown in road sector
- Aggressive bidding of projects
- Inflows of large size BOT projects

COMPANY BACKGROUND

- PNC Infratech Ltd (PNC) is a north India based construction company with track record of more than 15 years in developing road projects, which contribute 99% of its current order book. PNC is currently executing 21 projects on an EPC contract basis and is developing/operating 7 BOT projects and 1 OMT project. It reported decent CAGR of 16% in its sales and 17% in PAT in FY10-15, despite highly competitive and challenging business environment.

SECTOR BACKGROUND

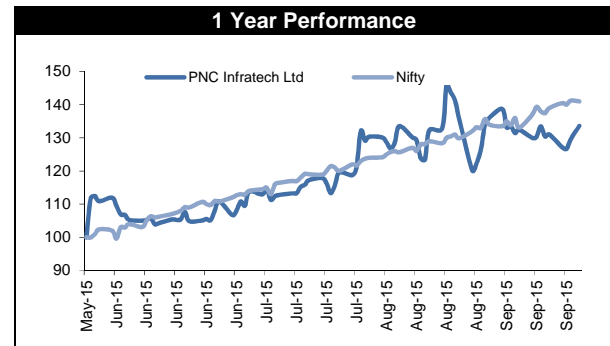
- Awarding activity in road sector has picked up pace in the past one year and is expected to remain firm in the next 2-3 years. Ministry of Road Transport & Highways (MORTH) targets to award 273 road projects of total 12900 km length and tentative cost worth Rs 1.27 trillion (including NHAI) during FY16. This trend is expected to continue in the next three years.

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|----------------------------|---------|--------|--------|
| Sales | 15,610 | 18,724 | 23,368 |
| Growth (%) | 36.3 | 19.9 | 24.8 |
| EBITDA | 2,166 | 2,405 | 2,971 |
| EBITDA margin (%) | 13.9 | 12.8 | 12.7 |
| PBT | 1,478 | 1,825 | 2,293 |
| Net profit | 1,004 | 1,223 | 1,537 |
| EPS (Rs) | 19.6 | 23.8 | 29.9 |
| Growth (%) | 49.9 | 21.8 | 25.7 |
| CEPS (Rs) | 34.3 | 33.0 | 41.0 |
| Book value (Rs/share) | 180.5 | 246.4 | 272.8 |
| Dividend per share (Rs) | 1.7 | 2.2 | 3.5 |
| ROE (%) | 14.9 | 12.3 | 11.5 |
| Core ROCE (%) | 34.2 | 28.1 | 28.0 |
| Net cash (debt) | (3,029) | (22) | (275) |
| Net Working Capital (Days) | 95 | 105 | 106 |

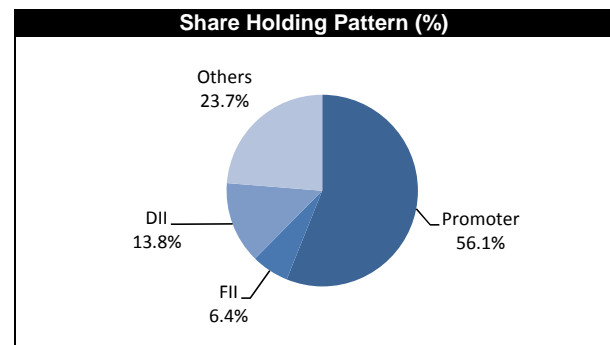
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|----------------------|------|-------|-------|
| P/E (x) | 26.7 | 21.9 | 17.5 |
| P/BV (x) | 2.9 | 2.1 | 1.9 |
| EV/Sales (x) | 1.9 | 1.4 | 1.2 |
| EV/EBITDA (x) | 13.8 | 11.2 | 9.1 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|-----------------------|-----|------|----------|
| | 5.6 | 14.0 | #N/A N/A |

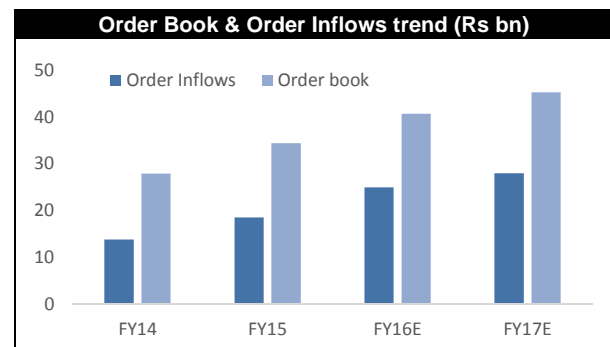
Source: Bloomberg, Company, Kotak Securities - Private Client Research



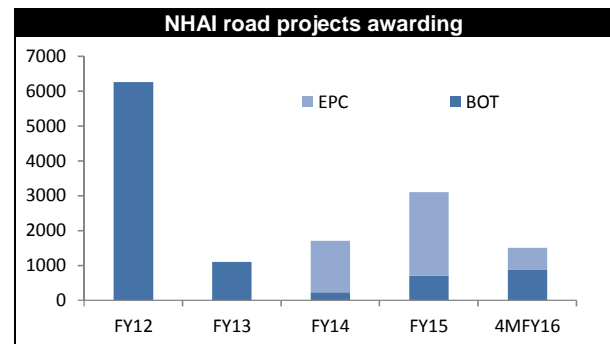
Source: Bloomberg



Source: Bloomberg



Source: Company, Kotak Securities - Private Client Research



Source: Industry

CENTURY PLYBOARDS (INDIA) LTD

Analyst: teena.virmani@kotak.com

Last report at Rs.170 on 7 October 2015

BUY

| | | | | |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| Current Market Price (Rs) 184 | Target Price (Rs) 230 | Potential Upside (%) 25.3% | 52 Week H/L (Rs) 262 / 135 | Mkt Cap (Rs mn) 40769 |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|

INVESTMENT ARGUMENT

- **Demand environment likely to revive in medium term** - We expect the demand to recover at 10-12% every year going forward in medium to long term.
- **GST implementation to be a game changer for the sector** - With GST implementation, organized players would be able to tap the low cost segment captured by unorganized segment as it would bring both the segments on a level playing field
- **Strong distribution network and branding to help in improving market share** - Company has a strong dealer network of nearly 1500 dealers, 35 branch offices, 6 regional distribution centres and 7 manufacturing locations
- **Volume expansion and strong margin to drive PAT growth going ahead** - We expect revenues and net profits to grow at a CAGR of 19% and 27% respectively between FY15-FY17
- **Attractive valuations** - We expect the stock to trade at higher multiples going forward also as the company is ideally positioned to capture the upcoming demand as well as increased consumption with its leadership position and strong branding.

RISKS & CONCERNS

- Demand slowdown
- Forex volatility
- Delay in GST implementation
- Higher raw material prices

COMPANY BACKGROUND

- Century Plyboards is the largest plywood manufacturer with more than 30% share in the India's organized plywood sector with an annual capacity of 209420 CBM in plywood and 4.8 mn sheets in laminates.

SECTOR BACKGROUND

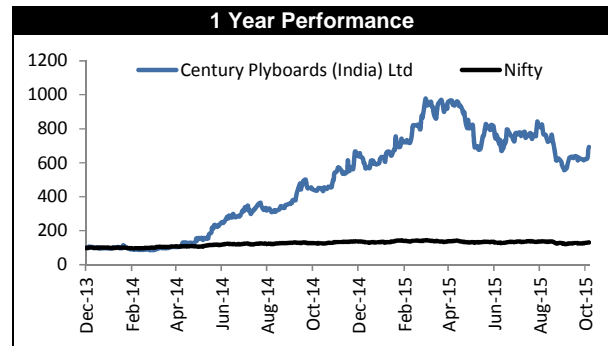
- Indian panel products and laminate industry is estimated at nearly Rs 285 bn - of which plywood accounts for Rs 180 bn, laminates account for Rs 66 bn while rest is constituted by MDF.

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|----------------------------|-------------|--------------|--------------|
| Sales | 15,525 | 18,618 | 21,909 |
| Growth (%) | 21% | 20% | 18% |
| EBITDA | 2,519 | 3,165 | 3,834 |
| EBITDA margin (%) | 16.2% | 17.0% | 17.5% |
| PBT | 1,798 | 2,276 | 2,863 |
| Net profit | 1,508 | 1,935 | 2,433 |
| EPS (Rs) | 6.8 | 8.7 | 10.9 |
| Growth (%) | 125% | 28% | 26% |
| CEPS (Rs) | 8.8 | 10.7 | 13.2 |
| Book value (Rs/share) | 17.4 | 24.6 | 34.0 |
| Dividend per share (Rs) | 1.2 | 1.2 | 1.2 |
| ROE (%) | 44.4 | 41.4 | 37.3 |
| ROCE (%) | 26.7 | 29.4 | 30.7 |
| Net debt | 4,848 | 4,426 | 3,940 |
| Net Working Capital (Days) | 140.1 | 147.0 | 147.0 |

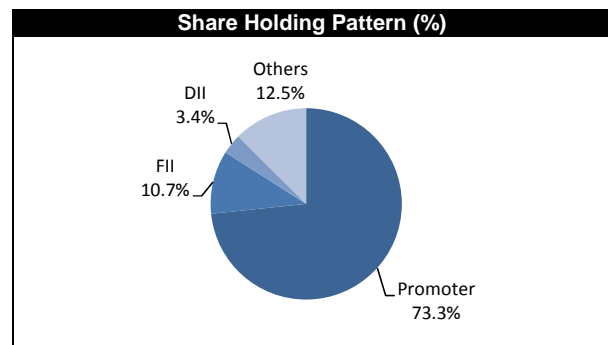
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|-----------------------------|-------------|--------------|--------------|
| P/E (x) | 27.1 | 21.1 | 16.8 |
| P/BV (x) | 10.5 | 7.5 | 5.4 |
| EV/Sales (x) | 2.9 | 2.4 | 2.0 |
| EV/EBITDA (x) | 17.9 | 14.1 | 11.5 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|------------------------------|-----------|-----------|-----------|
| | 17.1 | (11.6) | (12.5) |

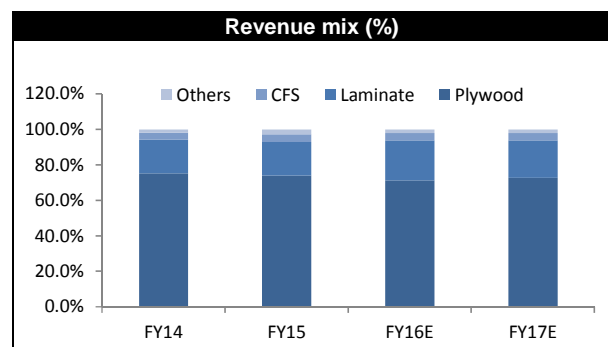
Source: Bloomberg, Company, Kotak Securities - Private Client Research



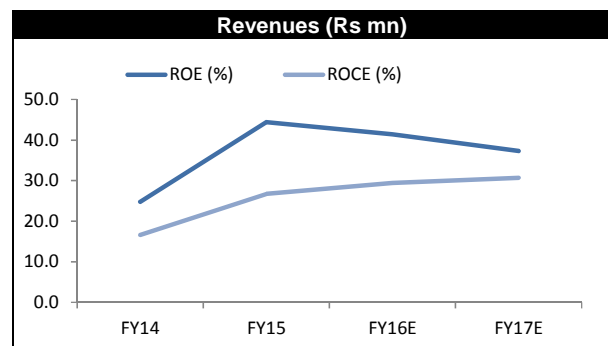
Source: Bloomberg



Source: Bloomberg



Source: Company, Kotak Securities - Private Client Research



Source: Company

ENGINEERS INDIA LTD

Analyst: ruchir.khare@kotak.com

BUY

Last report at Rs.187 on 30 September 2015

| | | | | |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| Current Market Price (Rs) 196 | Target Price (Rs) 250 | Potential Upside (%) 27.3% | 52 Week H/L (Rs) 283 / 157 | Mkt Cap (Rs mn) 66191 |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|

INVESTMENT ARGUMENT

- Engineers India enjoys healthy market share in the Hydrocarbon consultancy segment. It enjoys prolific relationship with few of the major oil & gas companies like HPCL, BPCL, ONGC and IOC.
- Company is well poised to benefit from recovery in the infrastructure spending in the hydrocarbon sector.
- We believe that in future, company shall inevitably benefit from MoPNG huge target of nearly Rs 1.2 trillion envisaged for various projects in XII five year plan.
- Company has been observing pick up in order inflows/revenue booking in consultancy business space which enjoys healthy margins.

RISKS & CONCERNS

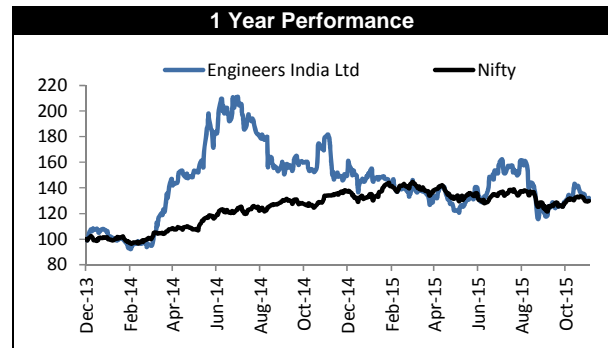
- Slowdown in domestic Hydrocarbon industry.

COMPANY BACKGROUND

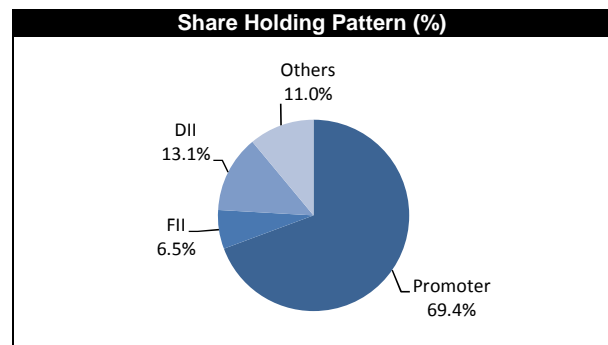
- A Public sector undertaking.
- Leading player in domestic market

SECTOR BACKGROUND

- Hydrocarbon consulting business is a direct leverage on Hydrocarbon sector. MPoNG has envisaged investments at Rs 1.2 trillion for various projects in 12th five year plan.
- Indian Hydrocarbon sector has witnessed substantial capacity addition over the last decade. Refining capacity currently stands at 215 MMT against 62 MMT in 1998.



Source: Bloomberg



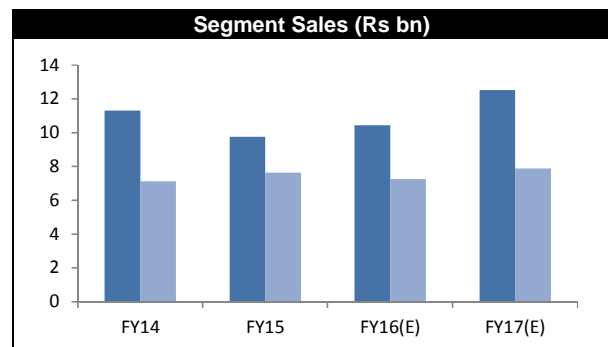
Source: Bloomberg

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|---------------------------|-------------|--------------|--------------|
| Sales | 17,412 | 17,713 | 20,529 |
| Growth (%) | (5.7) | 1.7 | 15.9 |
| EBITDA | 2,239 | 3,011 | 4,311 |
| EBITDA margin (%) | 12.9 | 17.0 | 21.0 |
| PBT | 4,766 | 5,811 | 7,202 |
| Net profit | 3,124 | 3,893 | 4,825 |
| EPS (Rs) | 9.3 | 11.6 | 14.3 |
| Growth (%) | (35.3) | 24.6 | 23.9 |
| CEPS (Rs) | 9.9 | 12.1 | 14.9 |
| BV (Rs/share) | 78.1 | 83.1 | 90.8 |
| DPS (Rs) | 5.6 | 5.6 | 5.7 |
| ROE (%) | 12.1 | 14.3 | 16.5 |
| ROCE (%) | 12.0 | 14.2 | 16.4 |
| Net cash (debt) | 24,198 | 19,096 | 21,612 |
| NW Capital (Days) | (100.1) | (109.1) | (95.3) |

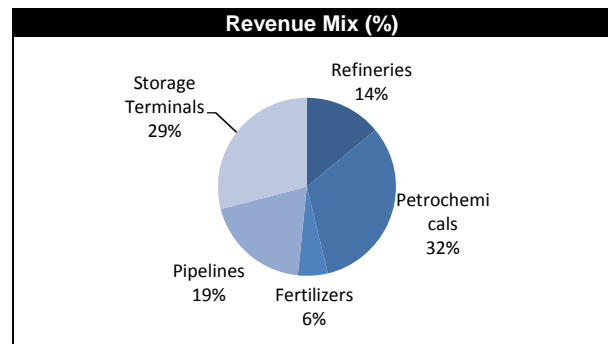
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|-----------------------------|-------------|--------------|--------------|
| P/E (x) | 21.2 | 17.0 | 13.7 |
| P/BV (x) | 2.5 | 2.4 | 2.2 |
| EV/Sales (x) | 2.3 | 2.2 | 1.7 |
| EV/EBITDA (x) | 18.1 | 12.7 | 8.3 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|------------------------------|-----------|-----------|-----------|
| | 2.2 | (18.4) | 6.8 |

Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company, Kotak Securities - Private Client Research



Source: Company

ALLCARGO LOGISTICS

Analyst: agarwal.amit@kotak.com

BUY

Last report at Rs.338 on 12 August 2015

| | | | | |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| Current Market Price (Rs) 327 | Target Price (Rs) 395 | Potential Upside (%) 20.8% | 52 Week H/L (Rs) 379 / 246 | Mkt Cap (Rs mn) 41218 |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|

INVESTMENT ARGUMENT

- Allcargo has a strong presence in the MTO business through wide network of ECU Line.
- It also has a strong hold on domestic MTO business and continues to perform strongly in the MTO segment despite sluggish container shipping market
- We estimate the MTO segment to grow at ~24% in FY16 and ~7% in FY17
- Strong relationships will help the company to report stable volumes in the CFS segment in FY15E and FY16E. at around 200,000 TEUs per annum
- We estimate PES division to continue to report volatility in revenue and profitability
- Allcargo is well-placed to derive maximum benefits from any potential recovery in global trade.

RISKS & CONCERNS

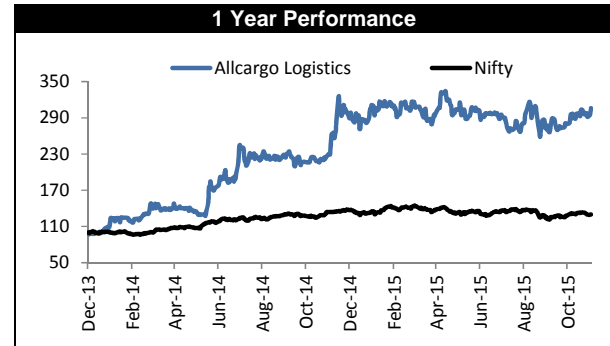
- Deterioration in Exim trade
- Competition in the CFS segment

COMPANY BACKGROUND

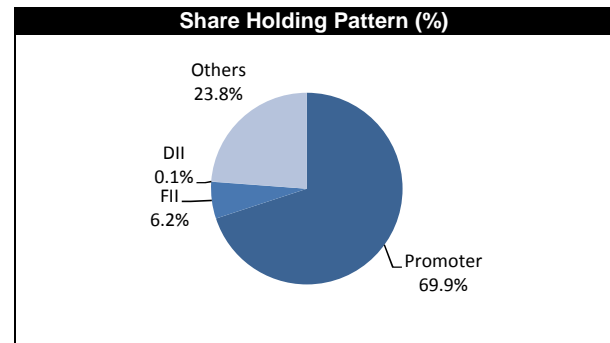
- Allcargo is the 2nd largest global player in LCL (less than container load) consolidation business.
- The company operates primarily in three segments, viz. MTO, CFS/ICDs operation and Project & Engineering Solution segment.

SECTOR BACKGROUND

- Multimodal transport operations (MTO) is a chain that interconnects different modes of transport -air, sea, and land into one complete process that ensures an efficient and cost-effective door-to-door movement of goods under the responsibility of a single transport operator



Source: Bloomberg



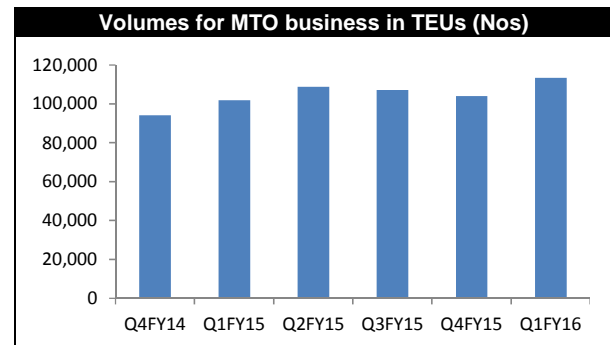
Source: Bloomberg

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|-----------------------|---------|---------|---------|
| Sales | 56,291 | 60,810 | 67,290 |
| Growth (%) | 16.0 | 8.0 | 10.7 |
| EBITDA | 4,756 | 5,294 | 5,956 |
| EBITDA margin (%) | 8.4 | 8.7 | 8.9 |
| PBT | 3,186 | 3,504 | 4,106 |
| Net profit | 2,406 | 2,643 | 3,109 |
| EPS (Rs) | 19.1 | 21.0 | 24.7 |
| EPS Growth (%) | 61.4 | 9.9 | 17.6 |
| CEPS (Rs) | 31.6 | 34.1 | 38.2 |
| Book value (Rs/share) | 151.3 | 170.8 | 194.0 |
| Dividend /share (Rs) | 2.5 | 2.5 | 2.5 |
| ROE (%) | 12.6 | 12.3 | 12.7 |
| ROCE (%) | 12.4 | 12.3 | 12.6 |
| Net cash (debt) | (3,251) | (3,291) | (3,400) |
| Net WC (Days) | 24.0 | 25.0 | 26.0 |

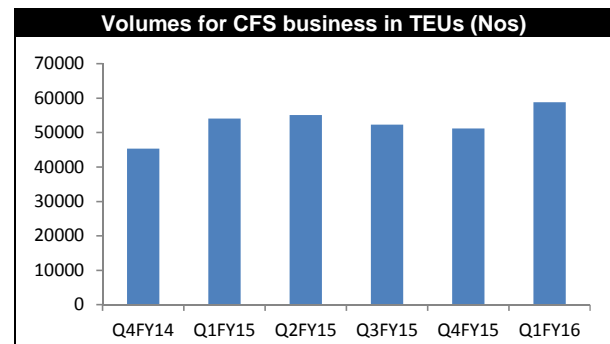
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|----------------------|------|-------|-------|
| P/E (x) | 17.1 | 15.6 | 13.3 |
| P/BV (x) | 2.2 | 1.9 | 1.7 |
| EV/Sales (x) | 0.8 | 0.7 | 0.7 |
| EV/EBITDA (x) | 9.4 | 8.4 | 7.5 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|-----------------------|-----|-----|-----|
| | 9.7 | 4.5 | 0.5 |

Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company, Kotak Securities - Private Client Research



Source: Company

SUPREME INDUSTRIES LTD

Analyst: pankajr.kumar@kotak.com

Last report at Rs.638 on 30 October 2015

BUY

| | | | | |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| Current Market Price (Rs) 629 | Target Price (Rs) 775 | Potential Upside (%) 23.2% | 52 Week H/L (Rs) 747 / 540 | Mkt Cap (Rs mn) 79906 |
|---|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|

INVESTMENT ARGUMENT

- SIL has track record of generating high ROCE of ~35% with strong positive operating cash flows driven by 1) efficiently utilizing assets 2) diverse products mix with increasing share of high margins value added products 3) better working capital management v/s its peers.
- We believe that the recent correction in the raw material prices will have positive impact on demand and margins across segments
- We estimate 17% Revenue CAGR and 19% PAT CAGR in FY15-17E. The stock is trading at FY16E and FY17E PE of 21.9x and 17.8x respectively. We recommend with Buy rating on the stock, with target price of Rs.775

RISKS & CONCERNS

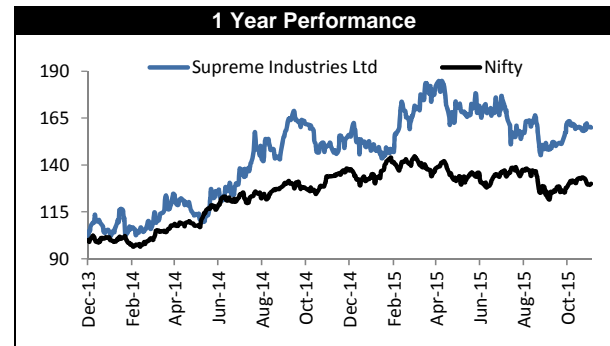
- High volatility in raw material prices
- Slowdown in building and real estate sector

COMPANY BACKGROUND

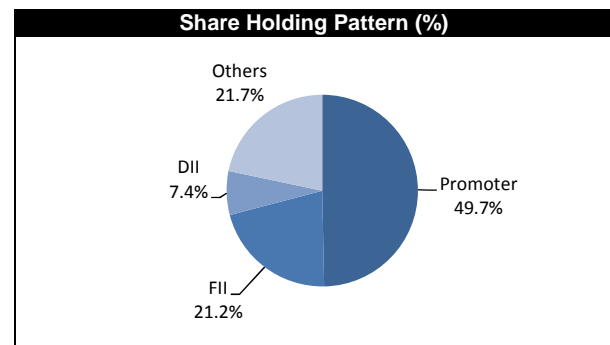
- Supreme Industries Ltd (SIL) is one of the major players in the plastic pipes business with established brand equity. The company manufactures and sells diverse range of plastic products broadly categorized across 5 different verticals, plastic piping system, consumer products, industrial products, packaging products and composite products

SECTOR BACKGROUND

- The demand of plastics in India has grown at a CAGR of 13% in volume terms from 6 MTPA in FY08 to 11 MTPA in FY13. The demand is expected to grow at a CAGR of 10% from FY13 to FY18 to reach 18 MTPA.



Source: Bloomberg



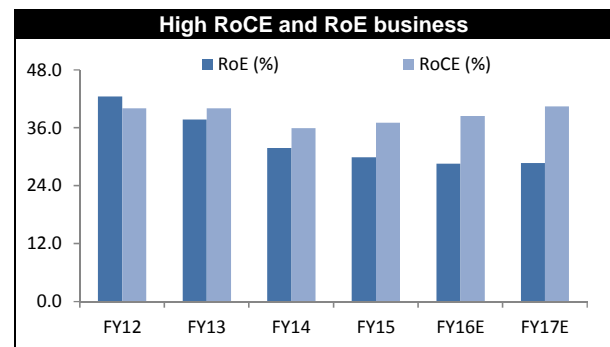
Source: Bloomberg

| FINANCIALS (RS MN) | FY15 | FY16E | FY17E |
|----------------------------|--------|---------|--------|
| Sales | 42,547 | 48,961 | 58,400 |
| Growth (%) | 7.4 | 15.1 | 19.3 |
| EBITDA | 6,659 | 7,317 | 8,650 |
| EBITDA margin (%) | 15.7 | 14.9 | 14.8 |
| PBT | 4,758 | 5,470 | 6,740 |
| Net profit | 3,157 | 3,630 | 4,472 |
| EPS (Rs) | 24.9 | 28.6 | 35.2 |
| Growth (%) | 12.2 | 15.0 | 23.2 |
| CEPS (Rs) | 35.8 | 40.7 | 48.8 |
| Book value (Rs/share) | 90.3 | 109.5 | 135.4 |
| Dividend per share (Rs) | 9.0 | 9.0 | 9.0 |
| ROE (%) | 29.9 | 28.6 | 28.8 |
| ROCE (%) | 37.1 | 38.5 | 40.5 |
| Net cash (debt) | (791) | (1,678) | (669) |
| Net Working Capital (Days) | 32.8 | 31.6 | 34.1 |

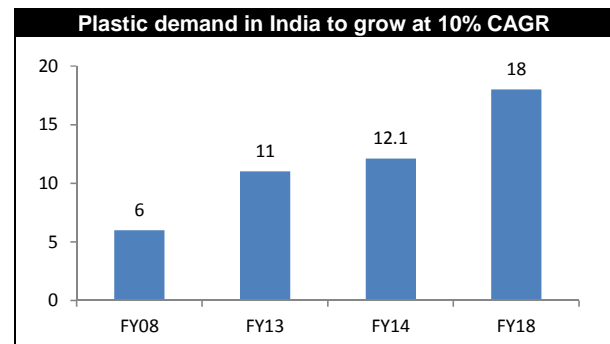
| VALUATION PARAMETERS | FY15 | FY16E | FY17E |
|----------------------|------|-------|-------|
| P/E (x) | 25.3 | 22.0 | 17.9 |
| P/BV (x) | 7.0 | 5.7 | 4.6 |
| EV/Sales (x) | 1.9 | 1.7 | 1.4 |
| EV/EBITDA (x) | 12.1 | 11.1 | 9.3 |

| PRICE PERFORMANCE (%) | 1M | 3M | 6M |
|-----------------------|-------|-------|-------|
| | (1.2) | (0.9) | (7.3) |

Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company, Kotak Securities - Private Client Research



Source: Industry, Kotak Securities - Private Client Research

RATING SCALE

Definitions of ratings

- BUY** – We expect the stock to deliver more than 12% returns over the next 9 months
- ACCUMULATE** – We expect the stock to deliver 5% - 12% returns over the next 9 months
- REDUCE** – We expect the stock to deliver 0% - 5% returns over the next 9 months
- SELL** – We expect the stock to deliver negative returns over the next 9 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- RS** – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.
-

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