Overall Market View:

At last Indian Equity market has seen some correction after a long run up of 6 months. Reasons being: European market is feared to be again entering deflation, commodity prices are correcting and post re-rating of Indian equity market participants are looking for visible improvement in the corporate earnings. Market has corrected by around 4% from its recent peak. The fear is whether global uncertainty can take the Indian equity market materially down from current level or not.

We feel current correction driven by global uncertainty may continue for some more time. We may see NIFTY correcting to 7600-7700 levels where valuations will become reasonable considering the prospects of improvement in Indian Economy. We feel this correction is giving opportunity to BUY the stocks with long term outlook.

Hence, this Diwali we are recommending following stocks which can be purchased in this correction with long term view.

Sr No	Stock Name	Sector	CMP	Target Price
1	**Ajanta Pharma Ltd**	Pharmaceuticals	Rs 1650	Rs 2121
2	**Dewan Housing Finance Ltd**	Housing Finance	Rs 320	Rs 410
3	**Dishman Pharma Ltd**	Pharmaceuticals	Rs 157	Rs 220
4	**Dolphin Offshore Ltd**	Offshore Services	Rs 157	Rs 269
5	**Escorts Ltd**	Automobiles	Rs 156	Rs 190
6	**Everest Industries Ltd**	Cement Products	Rs.250	Rs 315
7	**Finolex Industries Ltd**	Plastics Products	Rs 318	Rs 400
8	**Indoco Remedies Ltd**	Pharmaceuticals	Rs 278	Rs 332
9	**KPIT Technologies Ltd**	Information Technology	Rs 160	Rs 213
10	**PTC India Financial Ltd**	NBFC	Rs 43	Rs 52
11	**Sharda Cropchem Ltd**	Agri	Rs 237	Rs 328
12	**Yes Bank Ltd**	Banking	Rs 588	Rs 678

Ajanta Pharma Ltd			
CMP: Rs. 1650	Target Price: Rs. 2121	52 week H/L: 1848/713	Mkt Cap: Rs. 5,809 cr

- Ajanta Pharma (APL) is a midcap pharma company with its focus on a few emerging markets in the export space and a few therapies in the domestic space.
- Ajanta focuses primarily on Cardiac, Derma and Ophthalmic therapies and is ranked 38th in the India pharma market.
- Ajanta follows a strategy of its own front-end in emerging markets and has shown good growth in the region.
- For the US generics market the company has done the groundwork and has filed 20+ ANDAs which are awaiting approvals.
- Backed by strong R&D support and differentiated model, the company has created a niche for itself. The company enjoys healthy return ratios (more than 30%) and has low debt levels. It is also undergoing expansion phase to be prepared for future growth.
- At CMP the stock is trading at 20.4x/16.8x FY15E and FY16E EPS respectively.

Dewan Housing Finance Ltd			
CMP: Rs. 320	Target Price: Rs. 410	52 week H/L: 426/126	Mkt Cap: Rs. 4,080 cr

- Dewan Housing Finance (DEWH) is the 3rd largest housing finance company in India with a market share of nearly ~4% and mostly present in Tier II and Tier III cities catering to low income and lower middle class group.
- Post amalgamation of First Blue Housing Finance Ltd; DEWH has been able to increase its market share further with focus on middle and upper middle class income segments in Tier I cities as well.
- CARE has recently upgraded rating on NCD of DHFL from AA+ to AAA which is likely to ease the funding cost for the company and thereby aid in margins. Moreover, increasing proportion of LAP and focus on securitization will also aid in margins.
- DHFL has entered into life insurance business through a JV called DHFL Pramerica Life Insurance, with US based Prudential Financial. As there is no major capital infusion, we believe that this life insurance entity will further add feather to its cap.
- We expect robust loan book growth to continue with healthy asset quality trends. Driven by strong disbursement and focus on asset quality DHFL is well positioned to deliver sustainable and profitable growth. Healthy asset quality and prudent provisioning policy makes DHFL better placed compared to its peers in housing financing space. Going forward with an improvement in the company's operating performance the return ratios are set to improve.
- At CMP, the stock is trading at 1.0x and 0.86x FY15E and FY16E BVPS and 6.41x and 5.15x FY15E and FY16E EPS respectively which we believe is attractive.

Dishman Pharma Ltd			
CMP: Rs. 157	Target Price: Rs. 220	52 week H/L: 197/55	Mkt Cap: Rs. 1,270 cr

- Dishman Pharma & Chemicals Ltd (DPCL) is a leading CRAMS player and operates mainly under two segments – CRAMS and Marketable Molecules. CRAMS is a major contributor with 68% of revenues.
- The company has been in an investment phase for the last five years. Its net assets have doubled in the last six years. With the company unlikely to undertake any large scale capex for the next two years, improvement in utilization levels will lift profits.
- We expect stock to re-rate from here on the basis of various steps taken by the company like slowdown of investment cycle, focus on small clients to fill the capacity, restructuring at its global plants (Carbogen

Amcis and Netherlands), re-start of China facility.

- We are hopeful of new business like Hi-po and disinfectants. Cumulatively all above factors would improve financial health of the company and would trigger the re-rating of the stock.
- At CMP the stock is trading at 8.9x/6.4x PE on FY15E and FY16E EPS respectively.

Dolphin Offshore India Ltd			
CMP: Rs. 157	Target Price: Rs. 269	52 week H/L: 177/66	Mkt Cap: Rs. 265 cr

- Dolphin Offshore Enterprises (India) (DOEL) is an oilfield equipment and services provider.
- Despite the woes faced in its EPC business, we believe the marine business to be the cash cow for the company going forward.
- We expect the marine business to continue its robust performance on the back of an elite fleet of vessels incorporating the latest technologies prevailing in the industry.
- Based on our conservative estimates, while we expect cons. FY16E revenues to de-grow further, as the EPC order book visibility remains poor, owing to the higher margins earned in the marine operations we expect PAT to remain stable.
- We expect the marine business to report an OCF of Rs 113 cr & Rs 111 cr in FY15E & FY16E respectively, against an FY14 cons EV of Rs 358 cr. Prospects on the EPC front are also promising, as the company has bid for new orders in a consortium with other industry players, with its order share at Rs 700 cr.
- While we have not factored any positive outcome from this, the award of these new orders would certainly put DOEL back on its growth path.
- At CMP, DOEL trades at 3.5x and 2.9x its FY15E and FY16E EPS.

Escorts Ltd			
CMP: Rs. 156	Target Price: Rs. 190	52 week H/L: 167/90	Mkt Cap: Rs. 1,934 cr

- Focus on higher HP segment; change in product mix, targeting higher levels of profitability by focusing on cost discipline is likely to result in improvement in performance of the company.
- Agri business is likely to remain subdued in H1FY15 and improve in H2FY15E. Introduction of new products and focus on higher HP will lead to improvement in margins. Escorts is focusing mainly on exports and is targeting to increase export units from ~1000 units in FY14 to 2000 units in FY15E and 4000 units by FY16E.
- The company has completed VRS of 350 employees for Rs.30cr which will help in revival of Auto division of company which is consistently incurring losses.
- With improvement in the macro economic conditions, the company's construction eq business (11% of sales) will witness improvement.
- In the railway division, the company has got clearance from BMBS which is expected to augur growth.
- We believe that the restructuring efforts to save cost & turn other segments profitable will take time and will start yielding results by end of FY15E.
- We expect Escorts to witness CAGR growth of 21.5% in EBITDA and 23.2% in PAT over FY14-FY16E leading to an improvement in its RoE from 9.3% in FY14 to 11.8% in FY16E and RoCE from 8.4% in FY14 to 11.6% in FY16E.
- Near term trigger highly depends on revival in tractor demand and improvement in economic environment for construction equipment. Nevertheless, we are optimistic about the long term prospects of the company as improvement efforts taken by the management will yield results in the long run.
- At CMP, Escorts trades at 11.6x and 7.6x its FY15E and FY16E EPS; 0.27x and 0.39x on EV/Sales of FY15E and FY16E sales respectively.

Everest Industries Ltd			
CMP: Rs. 250	Target Price: Rs. 317	52 week H/L: 294/125	Mkt Cap: Rs. 382 cr

- Everest Industries Ltd (EIL), a pioneer in fiber cement building products (primarily roofing, with over 13% market share) and a five year old player in Pre- Engineered Steel Buildings (PESBs) business, is well placed to benefit from development of rural and industrial / commercial infrastructure.
- We believe the timely expansion in asbestos cement sheet and PESB will drive volume growth over the next two years. Q1FY15 has seen revival of demand for asbestos sheets but the company was not able to get the benefit of price increase. We believe the revival of demand will continue in next season and the company will be able to take advantage of price increase.
- Strong customer equity coupled with deeper market penetration and decent product profile, we believe Everest Industries is positioned to benefit from the growing demand.
- With increasing contribution of PEB business which is a consistent business we feel stock may see re-rating.
- At CMP, EIL is trading at a PE of 8.1x FY15E and 6.7x FY16E.

Finolex Industries Ltd			
CMP: Rs. 318	Target Price: Rs. 400	52 week H/L: 345/112	Mkt Cap: Rs. 3,949 cr

- Finolex Industries Ltd (FIL) is the 2nd largest player in the PVC resin segment and the largest manufacturer of PVC pipes and fittings in India.
- FIL mainly caters to rural markets of India and with rural economy poised for substantial growth; FIL is positioned to reap the benefits.
- PVC being commodity is highly volatile and thus we have seen that the margins of the company have also remained in tandem to the movement of PVC prices. As FIL is focusing on being converted into 100% Pipe Company, business will become more stable and margins will also remain less prone to volatility.
- FIL is also focusing on increasing fittings contribution and column pipes which are margin accretive segment.
- We expect overall sales in the PVC pipe and fitting segment to witness CAGR growth of 23.6% over FY14-FY16E. Other PVC pipe manufacturers like Supreme Industries and Astral Poly enjoy much higher multiple as compared to FIL. In our view, with increasing contribution from PVC pipe, FIL will also start commanding higher multiple as compared to current levels.
- At CMP, the stock is trading at 14.7x FY15E and 12.4x FY16E Adj EPS and 9.4x FY15E and 8.0x FY16E EV/EBITDA; which is lower than the peer group primarily due to comparatively lower return ratios, volatility in margins and considerable proportion of business coming from PVC resins.

Indoco Remedies Ltd			
CMP: Rs. 278	Target Price: Rs. 332	52 week H/L: 321/70	Mkt Cap: Rs. 2,560 cr

- Indoco Remedies is a vertically integrated company.
- We believe that the company has reached a turning point and reached a critical stage.
- Post approvals for ophthalmic products for US markets under the Watson deal and increasing traction in the Aspen deal for emerging markets, we expect a substantial scale up in the company's operations.
- The company has shown impressive improvement in the margins in recent past driven by improving efficiencies in the domestic formulation segment and with the commencement of Wason deal we expect profitability and return ratios to further expand.
- On valuation front, the stock is trading at a PE of 29.1x/18.6x on FY15E and FY16E EPS.

KPIT Technologies Ltd			
CMP: Rs. 160	Target Price: Rs. 213	52 week H/L: 190/138	Mkt Cap: Rs. 3,148 cr

- KPIT Cummins Infosystems Ltd. provides IT and ITES services across the world and continues to expand its business both organically and inorganically.
- The company has made organizational re-structuring by adopting an industry verticalisation and go to market approach to fuel growth in the coming years.
- Company in the past has achieved its guidance and we believe the steps taken currently would make it comfortably achieve its FY15 guidance.
- We are positive about the stock and recommend BUY for long term.

PTC India Financial Ltd			
CMP: Rs. 43	Target Price: Rs. 52	52 week H/L: 49/11	Mkt Cap: Rs. 2,422 cr

- PTC India Financial Services Limited (PFS) is primarily engaged in debt financing to projects across the energy value chain which includes investing in equity or extending debt to power projects in generation, transmission, distribution, fuel resources and fuel related infrastructure like railway sidings, conductors, transformers etc.
- Over the last few years, power sector was plagued by various concerns/issues. With strong government at centre and expectation of reforms being taken to address the power sector issues, overall concerns on this sector seems receding.
- PFS has grown its loan book over 4 times in the last 4 years taking advantage of its lower base as well as healthy capital adequacy. Moreover, the company has timely shifted focus towards low gestation renewable energy sector (3-9 months) and reduced focus on thermal power projects where there were concerns on coal availability and other environmental clearances.
- Despite tough times, PFS has been able to maintain healthy asset quality with zero Net NPAs.
- Management aims to double its balance sheet in the next 12-18 months. PFS has huge sanctions pipeline which is likely to drive disbursement growth. Driven by strong growth in loan book, PFS is all set to deliver strong performance in profitability.
- Moreover, exit from strategic equity investments is likely to further boost profitability.
- We expect PFS' business parameters to improve significantly over the next couple of years led by robust business growth and stable NIMs. Subsequently, return ratios are expected to improve.
- At CMP, PFS trades at 1.6x and 1.4x its FY15E and FY16E BV and 9.7x and 7.2x its FY15E and FY16E EPS respectively.

Sharda Cropchem Ltd			
CMP: Rs. 237	Target Price: Rs. 328	52 week H/L: 274/218	Mkt Cap: Rs. 2,134 cr

- Sharda Cropchem Ltd (SCL) is a crop protection chemical company engaged in the marketing and distribution of a wide range of formulations and generic active ingredients globally.
- It is also involved in order based procurement and supply of Belts, general chemicals, dyes and dye intermediates.
- Between FY10-14 SCL's revenues grew at CAGR of 22% while EBIDTA grew at a CAGR of 23.9% and PAT by 38.6%. For FY15, we expect the company to post 35% sales growth and thereafter to maintain CAGR of 20-25% with marginal improvement in margins.
- At CMP the stock is trading at 15.9x on FY15E P/E which is below peers and gives a good entry point. Considering the healthy balance sheet, strong double digit growth and cushion in valuations we recommend investors to BUY the stock.

Yes Bank Ltd			
CMP: Rs. 588	Target Price: Rs 678	52 week H/L: 634/292	Mkt Cap: Rs. 24,475 cr

- Recent capital raising has eased off concern on the bank's capital position. Post the QIP, tier I stands at ~13.5% vs. 9.8% at FY14.
- Management now expects to grow @ 22-24% for FY15E. With increase in capital, Yes Bank is well positioned for the next growth cycle in the economy.
- Margins are expected to improve further on account of lower funding cost and higher share of retail/SME loans and increasing CASA share.
- Yes bank has been able to maintain healthy asset quality with healthy provision coverage ratio of 85% and even after assuming higher delinquencies in asset quality, GNPA/NNPA ratio would still remain better than most of the peers.
- We continue to remain positive on the bank given its smooth transition as a diversified balance sheet player with stable asset quality, recent capital raising leading to healthy growth, higher non interest income and ability to deliver superior returns.
- We believe that despite dilution in earnings; Yes Bank will be able to sustain RoE of 20%+ and RoA of 1.5% for FY15E. We expect PAT to witness CAGR growth of 21.1% over FY14-FY16E.
- At CMP, the stock is trading at a PE of 12.63x and 10.29x of FY15E and FY16E EPS and at an adjusted P/BV of 2.11x and 1.82x FY15E and FY16E Adj BV.

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