UNION BUDGET 2015-16

Nirmal Bang Retail Research

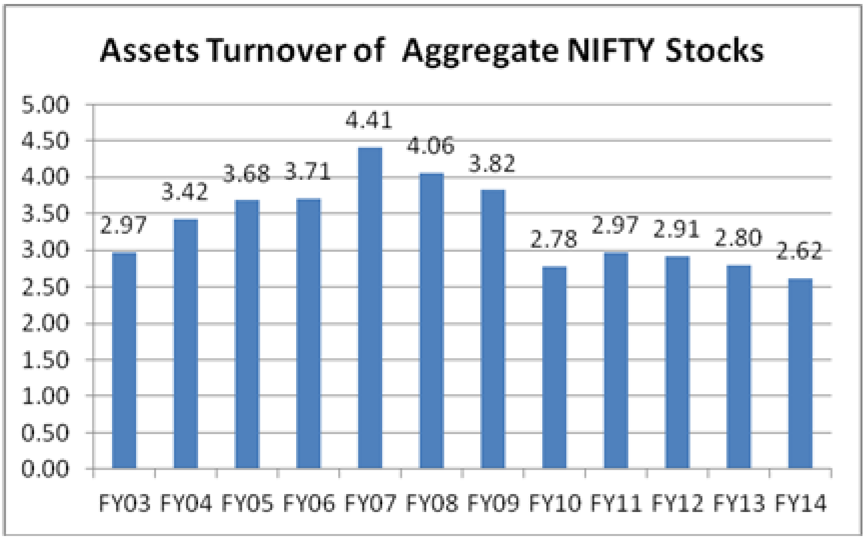
Budget 2015-16: Missed on giving an Investment boost to the economy

We were expecting increasing emphasis on Investment in the 2015-16 Budget but we feel the focus on the same was comparatively lower.

Budget proposal for Investment

- Conversion of existing excise duty on petrol and diesel to the extent of Rs.4 per litre into Road Cess to fund investment. An additional sum of Rs.40,000 cr will be made available through this measure for these sectors.
- Target of renewable energy capacity revised to 175,000 MW till 2022, comprising 100,000 MW Solar, 60,000 MW Wind, 10,000 MW Biomass and 5,000 MW Small Hydro. – **Long term Plan**
- Increase in outlays of Rs.14,031 cr for roads and Rs.10,050 cr for railways.
- Capital expenditure of public sector units to be increased by Rs 80,844 cr to Rs.317,889 cr
- PPP mode of infrastructure development to be revisited and revitalized.
- 5 new Ultra Mega Power Projects, each of 4,000 MW, in the Plug-and-Play mode. **– But past experience in Bad**
- Additional investment allowance (@ 15%) and additional depreciation (@ 35%) to new manufacturing units set up during the period 01-04-2015 to 31-03-2020 in notified backward areas of Andhra Pradesh and Telangana.

Budget has not focused on revival of Private investment. On the other hand consumption is discouraged by increasing service tax. Considering the scenario of health of Public sector Banks, under utilization of existing capacity by corporates and various other regulatory constraints not yet clear, the revival of investment in near term will be limited.



Now the hope is on reduction of interest rates by RBI which has to be more aggressive to revive the Investment cycle.

While the Budget cleared most of the issues related to FII, it failed to meet few of the general expectations about reduction of MAT on SEZ, reduction of custom duty on gold, reduction in STT and CTT.

We do not see much change brought in by the Budget and impact on most of the sectors is very limited. We feel FM has missed the opportunity of giving a big boost to economy.

Key Highlights of the Budget

- Journey for fiscal deficit target of 3% will be achieved in 3 years rather than 2 years. The fiscal deficit targets are 3.9%, 3.5% and 3.0% in FY 2015-16, 2016-17 & 2017-18 respectively.
- The Govt. has already included most provisions of Direct Taxes Code in the Income-tax Act and therefore there is no great merit in going ahead with the Direct Taxes Code in its existing form.
- Government of India will borrow Rs 6 lakh cr, as against Rs 5.63 lakh cr last fiscal. However, the net borrowings will be Rs 461,204 cr, after considering repayments of past loans and interests. This is nearly Rs 7,700 cr lower than Rs 468,901 cr in 2013-14.
- Non-Plan expenditure for FY16 is estimated at Rs 13,12,200 crore.
- Plan expenditure is estimated to be Rs 4,65,277 crore, which is very near to the revised estimates of 2014-15.
- Service-tax increased from 12.36% to 14% to facilitate transition into GST.
- Clean energy cess increased from Rs 100/MT to Rs 200/MT of coal & lignite to finance clean environment initiatives.
- SOPS for FIIs:
    - MAT rationalized for FIIs and members of an AOP.
    - Permanent Establishment (PE) norms to be modified to encourage fund managers to relocate to India.
    - General Anti Avoidance Rule (GAAR) to be deferred by two years.
    - GAAR to apply to investments made on or after 01.04.2017, when implemented.
- Gold incentives:
    - Introduction of gold monetization scheme to allow the depositors of gold to earn interest on their metal accounts and the jewelers to obtain loans on their metal accounts.
    - Sovereign Gold Bond, as an alternative to purchasing metal gold scheme to be developed.
    - Indian gold coin to be developed.

- Personal Income Tax
    - Additional deduction of Rs.50,000 for contribution to the new pension scheme u/s 80CCD.
    - Limit of deduction of health insurance premium increased from Rs.15,000 to Rs.25,000
    - Wealth-tax replaced with additional surcharge of 2% on super rich with a taxable income of over Rs.1 crore annually.
    - PAN being made mandatory for any purchase or sale exceeding Rs 1 lakh.

Industry Analysis

Agrochemicals

Announcements

- Proposed allocation of Rs. 5,300 crore to support micro-irrigation, watershed development and the Pradhan Mantri Krishi Sinchai Yojana. Last year it was Rs 1,000 cr.
- In order to support the agriculture sector with the help of effective agriculture credit and focus on small and marginal farmers, the Finance Minister proposed to allocate Rs. 25,000 crore to the corpus of Rural Infrastructure Development fund (RIDF) set up in NABARD, Rs. 15,000 crore for Long Term Rural Credit Fund; Rs. 45,000 crore for Short Term Cooperative Rural Credit Refinance Fund; and Rs. 15,000 crore for Short Term RRB Refinance Fund.
- The Budget proposed an initial allocation of Rs. 34,699 crore for the MGNREGA programme.
- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year i.e. FY17
- Surcharge on domestic companies increased by 2% – *hence the effective tax rate for FY16 would marginal increase in the range of 0.4-0.6% for example in case the company is paying full tax it would increase from 33.9% to 34.5%*

Companies	**CMP Rs.**	**Target Price Rs.**	Impact
Dhanuka Agritech	576	Under Review	Sentimentally positive however nothing specific for companies
PI Industries	608	Rs 716 - Hold	

AUTO

Announcement:

- Custom on Commercial Vehicles has been increased from 10% to 40%.
- The concessions from customs and excise duties currently available on specified parts for manufacture of electrically operated vehicles and hybrid vehicles are being extended by one more year i.e. up to 31.3.2016.
- Proposed an initial outlay of Rs 75 cr for faster adoption and manufacturing of Electric Vehicles.
- Excise duty on chassis for ambulances is being reduced from 24% to 12.5%.
- Rate of Income-tax on royalty and fees for technical services reduced from 25% to 10% to facilitate technology inflow.
- Budgeted allocation of defence expenditure of Rs 94,588 cr against Rs 81,965 cr last year.
- Corporate tax reduced from 30% to 25% in a phased manner over 4 years. Most of the companies in our coverage are below 25% tax rate except for CEAT.
- Service tax increased from 12.36% to 14%.
- Surcharge on domestic companies increased by 2% – *hence the effective tax rate for FY16 would marginal increase in the range of 0.4-0.6% for example in case the company is paying full tax it would increase from 33.9% to 34.5%.*

Companies	CMP Rs.	Target Price Rs.	Impact
CEAT	Rs 750	Under Review	Overall efforts have been made to revive the demand for automobile sector; though nothing specific has been announced. An increase in disposable income, lower corporate tax rate and focus on sectors like defense and promoting electric cars will lead to pick up in demand.
Eicher Motors	Rs 16226	Rs 18,347- HOLD	
Escorts	Rs 134	Rs 186- BUY	
Greaves Cotton	Rs 148	Rs 176 - BUY	
Munjal Showa	Rs 201	Rs 245- BUY	
Phillips Carbon Black	Rs 121	Booked profits at Rs 139	

BANKING

Announcement:

- Higher than expected fiscal deficit (FY16 target of 3.9% of GDP versus market expectation of 3.6%)
- In order to improve the Governance of Public Sector banks, the Government intends to set up an autonomous bank Board Bureau. This Bureau will search and select heads of Public Sector banks and helps them in developing differentiated strategies and capital raising plans through innovative financial methods and instruments. This would be an interim step towards establishing a holding and investment Company for Banks.
- A stronger bankruptcy code to enforce better borrower discipline. Overall positive for banking sector, especially PSU Banks.
- Housing for all- 2 cr houses in Urban areas and 4 cr houses in Rural areas by 2022.
- Target of Agricultural credit has been increased from Rs 8 lakh cr in FY15 to Rs 8.5 lakh cr in FY16E.
- In a major step to regulate the commodity markets, Forward Markets commission will be merged with SEBI.
- It has been proposed to create a Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of Rs 20,000 cr, and credit guarantee corpus of Rs 3,000 cr which will be a step towards promoting micro and small enterprises.
- NBFCs having asset size of Rs 500 cr and above will be considered as 'Financial Institution' in terms of the SARFAESI Act, 2002. This will enhance recovery mechanism for NBFCs and enable the NBFCs to be at parity with Banks.
- To infuse Rs 7940 cr capital to PSU banks against expectations of Rs 18000 cr. In FY15 Rs 6990 cr was allocated vs. budget estimated Rs 11200 cr.
- Distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments to be done away with and will be replaced with composite caps. This is big positive for banks like Axis Bank and Yes bank where foreign limit is lower as compared to other banks.
- Reduction in corporate tax rate from 30% to 25% over four years will be positive for banks/ NBFCs as most of the banks are under maximum tax rate now and don't have any exemptions.
- The government has also come up with the gold monetization scheme and sovereign gold bonds. These schemes infuse confidence in the overall gold loan industry.

Companies	CMP Rs.	Target Price Rs.	Impact
Bajaj Finance	Rs 4363	Rs 4095 - HOLD	Overall budget has been positive for the banking sector with focus on PSU banks. Though capital allocated is lower than expectations, steps like autonomous bank bureau Board, stronger bankruptcy norms, and considering SARFAESI act for NBFCs are directionally positive for the financial sector. In addition lower tax rate will be positive for the finance sector as a whole as they don't have any exemption.
Cholamandalam Finance	Rs 572	Rs 646- BUY	
DCB Bank	Rs 114	Rs 141- HOLD	
Dewan Housing Finance	Rs 493	Rs 603- BUY	
Federal Bank	Rs 143	Rs 166- HOLD	
ING Vysya Bank	Rs 1005	Under Review	
LIC Housing Finance	Rs 479	Rs 556 - HOLD	
M&M Financial Services Ltd	Rs 249	Rs 309- HOLD	
Muthoot Finance	Rs 238	Rs 292 - BUY	
Manappuram Finance	Rs 35	Rs 40- BUY	
PTC India Finance	Rs 60	Under review	
South Indian Bank	Rs 28	Rs 34- BUY	
Yes Bank	Rs 863	Rs 972 - BUY	

Capital goods/Engineering/Infra

Announcements

- Increased outlays on both the roads and railways, by Rs 14031 cr, and Rs 10050 cr respectively. Capex of the PSUs increased by approximately Rs 80,844 cr to Rs 317,889 cr over FY15 (RE).
- Establishing a National Investment and Infrastructure Fund (NIIF) – ensure an annual flow of Rs 20,000 cr, along with tax-free infrastructure bonds for the projects in the rail and road should reduce funding constraints to some extent.
- Proposal to set up 5 new UMPP, each of 4000 MWs can generate investments to the extent of Rs 1 lakh crore.
- Renewable energy capacity target of 175,000 MW till 2022, comprising 100,000 MW Solar, 60,000 MW Wind, 10,000 MW Biomass and 5000 MW Small Hydro should prove positive for investments in the renewable sector
- Clean energy cess increased from Rs.100 to Rs.200 per metric tonne of coal, etc. to finance clean environment initiatives.
- Service-tax exemption to construction, erection, commissioning or installation of original works pertaining to an airport or port withdrawn.
- Additional investment allowance (@ 15%) and additional depreciation (@ 35%) to new manufacturing units set up during the period 01-04-2015 to 31-03-2020 in notified backward areas of Andhra Pradesh and Telangana.
- Rationalization of capital gains regime for the sponsors exiting at the time of listing of the units of InvITs.
- Corporate Tax reduced from 30% to 25% over the next 4 years, starting from FY17.

- Increased impetus to the Swachh Bharat Kosh and Clean Ganga Fund along with deductions on contributions made should prove to be beneficial for companies operating in clean energy and equipments space.

Companies	CMP Rs.	Target Price Rs.	Impact
Dolphin Offshore	142	296 – BUY	No Impact
Praj Industries	62	80 – BUY	New Order Intake from Swachh Bharat Kosh & Clean Ganga Fund would prove to be positive

Chemicals

Announcements

- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year i.e. FY17.
- Basic Customs Duty on sulphuric acid for the manufacture of fertilizers is being reduced from 7.5% to 5%.
- Surcharge on domestic companies increased by 2% – *hence the effective tax rate for FY16 would marginal increase in the range of 0.4-0.6% for example in case the company is paying full tax it would increase from 33.9% to 34.5%*

Companies	CMP Rs.	Target Price Rs.	Impact
Adi FineChem	331	388- HOLD	It is expected to pay full tax in FY17; hence reduction in corporate tax rate would marginally benefit the company. Since reduction in rates is not specified, we are not yet changing our estimates.

FMCG

Announcements

- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit is being levied on condensed milk put up in unit containers. It is also being notified under section 4A of the Central Excise Act for the purpose of valuation with reference to the Retail Sale Price with an abatement of 30%.
- Excise duty of 2% without CENVAT credit or 6% with CENVAT credit is being levied on peanut butter.
- Excise duty on cigarettes is being increased by 25% for cigarettes of length not exceeding 65 mm and by 15% for cigarettes of other lengths. Similar increases are proposed on cigars, cheroots and cigarillos.
- Rate of Income-tax on royalty and fees for technical services reduced from 25% to 10% to facilitate technology inflow
- Excise duty on footwear with leather uppers and having retail price of more than Rs.1000 per pair reduced to 6%.
- Inputs for use in the manufacture of LED drivers and MCPCB for LED lights, fixtures and LED lamps from 12% to 6%.
- Basic Customs Duty on magnetron of upto 1 KW for use in the manufacture of domestic microwave ovens is being reduced from 5% to Nil, subject to actual user condition.
- Basic Customs Duty on C- Block for Compressor, Over Load Protector (OLP) & Positive thermal co-efficient and Crank Shaft for compressor for use in the manufacture of Refrigerator compressors is being reduced from 7.5% to 5%.
- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year i.e. FY17
- Surcharge on domestic companies increased by 2% – *hence the effective tax rate for FY16 would marginal increase in the range of 0.4-0.6% for example in case the company is paying full tax it would increase from 33.9% to 34.5%.*

Companies	CMP Rs.	Target Price Rs.	Impact
Vaibhav Global	815	928 - HOLD	No Impact
Zydus Wellness	847	Under Review	No Impact

Cement

Announcements

- The Basic Excise Duty is being increased from 12.36% to 12.5%.
- Clean energy cess increased from Rs 100/MT to Rs 200/MT on coal & lignite to finance clean environment initiatives.

Companies	CMP Rs.	Target Price Rs.	Impact
Managlam Cement	270	Rs. 321-BUY	Increase in excise duty can be passed on with improvement in demand.

Information Technology

Announcements

- Service tax increased from 12.36% to 14%.
- Surcharge on domestic companies increased by 2% – *hence the effective tax rate for FY16 would marginal increase in the range of 0.4-0.6% for example in case the company is paying full tax it would increase from 33.9% to 34.5%.*

Co Name	CMP Rs.	Target Price Rs.	Impact
Blue Star Infotech	212	264 - BUY	Increase in surcharge from 10% to 12% would increase tax rate by 0.5% in FY16.
KPIT Cummins Infosystems	211	245 – HOLD	Increase in surcharge from 10% to 12% would increase tax rate by 0.5% in FY16.

Plastics

Announcements

- Basic custom duty on ethane, propane, ethylene, propylene, butadiene and ortho-xylene has been reduced from 5% to 2.5%.
- Corporate tax reduced from 30% to 25% in a phased manner over 4 years.

Co Name	CMP Rs.	Target Price Rs.	Impact
Astral Poly Technik Ltd	445	Under Review	Lower raw material costs will be beneficial for the company. In addition, lower corporate tax rate will be EPS accretive.
Finolex Industries Ltd	272	278- HOLD	

Pharmaceuticals

Announcements

- Custom duty on certain specified inputs for use in the manufacture of flexible medical video endoscopes has been reduced from 5% to 2.5%.
- Service Tax has increased from 12.36% to 14% - *Would impact on the services outsourced by pharmaceutical companies like R&D*
- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year i.e. FY17
- Surcharge on domestic companies increased by 2% – *hence the effective tax rate for FY16 would marginal increase in the range of 0.4-0.6% for example in case the company is paying full tax it would increase from 33.9% to 34.5%.*

Co Name	CMP Rs.	Target Price Rs.	Impact
Ajanta Pharma	2802	2870- HOLD	It is expected to pay full tax in FY17; hence reduction in corporate tax rate would marginally benefit the company. Since reduction in rates is not specified, we are not yet changing our estimates.
Alembic Pharma	404	493- HOLD	No Impact
Dishman Pharma	152	201 - HOLD	It is expected to pay full tax in FY17; hence reduction in corporate tax rate would marginally benefit the company. Since reduction in rates is not specified, we are not yet changing our estimates.
Granules India	765	1128 - BUY	It is expected to pay full tax in FY17; hence reduction in corporate tax rate would marginally benefit the company. Since reduction in rates is not specified, we are not yet changing our estimates.
Indoco Remedies	297	389 - BUY	No Impact
Marksans Pharma	59	Under Review	No Impact

Hotel & Tourism

- Visas on arrival to be increased from 43 countries to 150 countries in stages. This is likely to increase the tourism In India and can benefit companies in Tourism and Hotel Industry

Real Estate

- Rationalisation of capital gains regime for the sponsors exiting at the time of listing of the units of REITs.
- Rental income of REITs from their own assets to have pass through facility
- Acceptance or re-payment of an advance of Rs.20,000 or more in cash for purchase of immovable property to be prohibited.

Steel

- Custom Duty on Metallergical coke increased from 2.5 % to 5%.
- Custom Duty on iron and steel and articles of iron and steel increased from 10% to 15%. This has come positive for Steel Industry to protect against increasing Import of Steel in Recent time
- Clean energy cess increased from Rs.100 to Rs.200 per metric tonne of coal, etc. to finance clean environment initiatives.

General

- Excise duty on sacks and bags of polymers of ethylene other than for industrial use increased from 12% to 15%.
- Time limit for taking CENVAT credit on inputs and input services increased from 6 months to 1 year.
- Provision of indirect transfers in the Income-tax Act suitably cleaned up
- Domestic transfer pricing threshold limit increased from Rs.5 crore to Rs.20 crore.
- Forward Markets commission to be merged with SEBI.
- Proposal to reduce corporate tax from 30% to 25% over the next four years, starting from next financial year.

TOP PICKS

Blue Star Infotech Ltd
CMP –Rs 212
Target Price – Rs 264

Blue Star Infotech is a small sized IT firm, which develops software's and supports its clients in the manufacturing, Hi Tech, Retail, Travel and Hospitality, Logistics and Healthcare sectors. Under the leadership of Mr. Sunil Bhatia, the company has changed its strategy towards focusing on social, mobility, analytics and cloud business rather than generic business. In FY13 and FY14 the company sales grew by 48.5% and 44.4% respectively, with EBITDA margins coming in at 4.9% and 9.2% respectively. At the start of FY15, the company had disinvested from JV with Triscept and some of the clients orders came to an end (together contributed ~25% of sales in FY14). Despite this, the company is showing flat growth, which means that the company is growing at 25-30% on back of new orders. We expect the growth to come back post this year and we maintain positive outlook for long term. *At CMP, the stock trades at 11.2x FY15E & 8.0x FY16E EPS and 5.8x FY15E & 3.9x FY16E EV/EBITDA.*

Year (Cons.)	**Revenue (Rs. Cr)**	**Growth %**	**EBIDTA (Rs. Cr)**	**Margin%**	**PAT (Rs. Cr)**	**EPS Rs.**	**P/E**
FY13A	187.1	48.5%	9.2	4.9%	5.0	4.8	44.1
FY14A	270.2	44.4%	25.3	9.2%	15.9	14.3	14.8
FY15E	269.8	-0.2%	25.7	9.5%	19.6	18.9	11.2
FY16E	321.8	19.3%	35.6	11.0%	27.5	26.5	8.0

Finolex Industries
CMP Rs.288
Target Price: Rs.378

FIL is the 2nd largest player in the PVC resin segment and the largest manufacturer of PVC pipes and fittings in India. It is the only PVC pipe manufacturer with its own PVC resin plant which gives it complete control on the quality of pipes. FIL mainly caters to rural markets of India and with rural economy poised for substantial growth; FIL is positioned to reap the benefits. Q3FY15 performance was impacted by sharp contraction in PVC-EDC spread, closure of power plant, higher branding expenses and lower demand as dealers postponed the purchases due to sharp decline in crude prices. As the crude prices have stabilized, the demand has shown signs of pick up. We believe that in the long term, FIL will be perceived as a PVC pipe company as compared to PVC (Commodity) company as it is consistently increasing share of PVC pipe in total revenues. *At CMP, the stock is trading at 15.9x FY16E and 12.0x FY17E Adj EPS and 9.5x FY16E and 6.9x FY17E 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.*

Year	Revenues (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	Adj PAT (Rs cr)	Adj Margin (%)	EPS (Rs)	PE (x)	EV/EBITDA
FY14A	2453.0	14.4%	396.6	16.2%	219.2	8.9%	17.4	16.3	10.6
FY15E	2469.4	0.7%	239.1	9.7%	94.9	3.8%	7.6	37.7	17.7
FY16E	2872.4	16.3%	442.6	15.4%	225.1	7.8%	18.1	15.9	9.5
FY17E	3257.9	13.4%	546.2	16.8%	298.2	9.2%	24.0	12.0	6.9

Granules India Ltd
CMP: Rs 765
Target Price: Rs 1128

Granules India Limited (GIL) is among the large manufacturers of Paracetamol and Iboprofen in the world. GIL has successfully transformed its business model from low-margin APIs to medium-margin PFIs to high margin formulations. GIL has acquired an API company – Auctus Pharma Limited. The acquisition fits into Granules' scheme of business and provides a ready platform for expanding its base as APL has USFDA approved plan which reduces the time-to-market by around four years compared with a greenfield project. In the past five years from FY09-14, the company's sales have grown at a CAGR of 23.2% with 67.8% PAT growth. For the next three years we expect the company's sales to grow by 28% and PAT by 44%. We expect the company's EBITDA margins to improve 14.4% (consol in FY14) to 18% in FY17E, due to operational efficiency, turnaround of Auctus Pharma and change in business mix (higher contribution from formulations and Omnichem's CRAMS). *The stock is trading at attractive valuations 14.9x/10.9x/8.5x of our FY15E/FY16E/F17E expected earnings.*

Year Consolidated	Net Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	EPS (Rs)	PE (x)
FY14A	1095.9	43.4%	158.3	14.4%	75.2	6.9%	37.5	20.4
FY15E	1335.4	21.9%	229.7	17.2%	102.8	7.7%	51.2	14.9
FY16E	1617.0	21.1%	291.1	18.0%	141.2	8.7%	70.4	10.9
FY17E	1930.0	19.4%	353.2	18.3%	181.1	9.4%	90.3	8.5

Indoco Remedies Ltd
CMP: Rs 297
Target Price: Rs 389

Indoco Remedies is a vertically integrated company. We believe that the company has reached a turning point and a critical stage. Post commencement of sales from Watson for ophthalmic products 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 Watson deal we expect profitability and return ratios to further expand. The company has strong footing in its legacy domestic market. On valuation front, the stock is trading at a PE of 27.1x/17.2x/13.7x on FY15E/FY16E/FY17E EPS.

Year Consolidated	Net Sales (Rs cr)	Growth (%)	EBITDA (Rs cr)	Margin (%)	PAT (Rs cr)	Margin (%)	EPS (Rs)	PE (x)
FY14A	732.6	16.1%	120.4	16.4%	58.1	7.9%	6.3	47.1
FY15E	885.9	20.9%	181.8	20.5%	101.0	11.4%	11.0	27.1
FY16E	1142.6	29.0%	248.7	21.8%	159.5	14.0%	17.3	17.2
FY17E	1332.6	16.6%	294.7	22.1%	199.2	15.0%	21.6	13.7

Muthoot Finance
CMP: Rs 238
Target Price: Rs 292

Muthoot Finance Ltd (MFL) saw consolidation period for past couple of years, marked by de-growth in AUM (from Rs 26,000cr in FY13 to 21,500 levels in Q1FY15), on account off to & fro shifts in regulatory stance and sharp correction in gold prices. Combination of the above factors led to volatility in the earnings (FY14 RoA at 3.2% from avg. of 4.2% over FY06-13). We believe that MFL is now all set to embark on growth momentum (Q2/Q3FY15 saw growth coming back, albeit at lower pace) given better macro-economic conditions and restoration of LTV back to 75% from 60% earlier. Further, lower volatility trend in gold prices has also led to renewed enthusiasm within the industry. With better conditions for gold financing NBFCs and MFL being the undisputed leader of the industry, we expect MFL's AUM growth to pick up pace in near term and substantially gain momentum in medium to long term. At CMP, MFL trades at 1.85x and 1.63x its FY16E and FY17E BV and 11.13x and 8.95x its FY16E and FY17E EPS respectively. We believe that Muthoot being the market leader is best positioned to benefit from improving business sentiment in the gold loan industry as asset quality concerns are likely to abate.

Year (Rs in cr)	NII	Growth %	Profit before prov	PAT	EPS	P/E	Adj BVPS	P/ABV	RoE (%)
FY 14A	2,302	-9.4%	1,248	780	20.99	11.34	105.5	2.26	19.5%
FY 15E	2,247	-2.8%	1,094	685	17.26	13.79	114.7	2.07	14.9%
FY 16E	2,635	17.5%	1,329	849	21.38	11.13	128.4	1.85	16.3%
FY 17E	3,068	16.3%	1,640	1055	26.58	8.95	145.8	1.63	18.1%

Praj Industries Ltd
CMP: Rs 62
Target Price: Rs 80

Praj Industries is a project and process engineering company providing solutions predominately to the ethanol/brewery segments. The company has forayed ambitiously into emerging segments like (1) industrial waste water, (2) high purity water applications for Pharma, biotech and cosmetics and (3) Critical Equipment Manufacturing. After witnessing a declining order book position over the past 5 quarters, PIL's order book has surged as company witnessed good traction of Rs 937 cr in order inflow in 9MFY15. The increasing mix of emerging business, which now contributes ~40% of the order intake is viewed as positive and is expected to lead to margin accretion.
Going forward, the recent traction seen in order intake activity provides better revenues visibility and we believe PIL has enough growth levers to propel forward. Developments in international markets w.r.t to crude oil would be closely watched. Given the faster execution period for its margin accretive EM business, coupled with its higher proportion in the order book has led to an upward revision in our estimates. At the CMP, the stock trades at 12.5x and 1.6x its FY17E PE and P/BV respectively. We recommend a BUY on the stock with a revised target price to Rs 80/sh (i.e. 16x FY17E EPS).

Year (Cons.)	Revenue (Rs. Cr)	Growth %	EBIDTA (Rs. Cr)	Margin%	PAT (Rs. Cr)	EPS Rs.	P/E
FY14	985.8	-8.4%	78.5	8.0%	54.7	3.1	20.3
FY15E	1037.0	7.3%	86.1	8.3%	50.1	2.8	22.1
FY16E	1251.6	5.2%	118.9	9.5%	73.1	4.1	15.1
FY17E	1426.2	20.7%	142.6	10.0%	88.7	5.0	12.5

Time Technoplast Ltd
CMP Rs.51
Target Price: Rs.75

Time Technoplast Ltd (TTL) is a leading industrial packaging player with presence in 12 countries and catering to almost all the growing industry segments. The company reported decline in profitability and margins in the last 3 years leading to lower return ratios as TTL had significantly expanded its capacity in overseas operations. Investment in new products, entry in new regions and at the same time demand slow down in the key demand segments impacted the performance of the company and it could not reap the benefits of the expansion. As the demand scenario now looks encouraging with most of the end user segment expected to perform well; growth avenues for the company looks good in the medium term. FY16 looks better on account of healthy traction in overseas packaging facilities, pick up in domestic demand and improving utilization rates. We believe that the investments done will start yielding results and therefore we are positive on the medium term prospects of the company. At CMP, TTL trades at 10.3x its FY15E and 7.5x FY16E EPS respectively.

Year	Net Sales	Growth	EBITDA	Margin	APAT	Margin	Adj. EPS	PE	ROE
FY13	1797.4	17.6%	291.6	16.2%	103.5	5.8%	4.9	10.4	12.5%
FY14	2186.3	21.6%	308.3	14.1%	95.4	4.4%	4.5	11.2	10.3%
FY15E	2449.7	12.0%	340.1	13.9%	104.4	4.3%	5.0	10.3	10.1%
FY16E	2768.2	13.0%	391.2	14.1%	142.0	5.1%	6.8	7.5	12.1%

Yes Bank
CMP: Rs 863
Target Price: Rs 972

Yes bank has been able to maintain healthy asset quality and even if we assume higher delinquencies in asset quality, it would still remain better than most of the peers. We continue to remain positive on the bank owing to healthy growth in loan book, control over asset quality, traction in CASA ratio, strong foothold on non interest income, sustainable cost to income ratio and comparatively higher return ratios. We believe that Yes Bank will benefit from the declining interest rate cycle coupled with strong growth momentum. We expect PAT to witness CAGR growth of 23.6% over FY14-FY17E. At CMP, the stock is trading at a PE of 13.22x and 10.94x of FY16E and FY17E EPS and at an adjusted P/BV of 2.45x and 2.07x FY16E and FY17E Adj BV.

Year (Rs in cr)	NII	Growth %	Profit before prov	PAT	EPS	P/E	Adj BVPS	P/ABV	RoE (%)
FY14A	2,716	22.4%	2,688	1,618	44.86	19.24	196.8	4.39	25.0%
FY15E	3,457	27.3%	3,232	2,044	49.13	17.57	280.1	3.08	21.7%
FY16E	4,227	22.3%	3,975	2,527	60.74	13.22	328.3	2.45	19.8%
FY17E	5,005	18.4%	4,750	3,053	73.37	10.94	388.7	2.07	20.3%

Performance of Budget 2014-15's Top picks

Companies	Reco Price (CMP Rs. on the day of Budget 2014-15)	CMP Rs.	Returns - %
Blue Star Infotech	163	206	30.1%
CCL Products	70	168	140.0%
Dishman Pharma	127	152	19.7%
Mangalam Cement	214	271	26.5%
Asian Oilfield	49	36	-26.5%
Marksans Pharma	28	59	110%
Redington	96	123	28.0%

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Nirmal Bang Research (Division of Nirmal Bang Securities PVT LTD) B-2, 301/302, Marathon Innova, Opp Peninsula Corporate Park Off Ganpatrao Kadam Marg Lower Parel (W), Mumbai-400013 Board No. : 91 22 3926 8000/8001 Fax. : 022 3926 8010