

KARVY III

STOCK BROKING

November 10, 2015

Wealth Maximizer Nov 2015



Keep Investing in Indian Equities

Keep Calm During Turbulence in Short Term

Keep Growing in the Long Term

Karvy's Top 10 Large-cap Picks

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Wealth Maximizer

India Research - Stock Broking

Samvat 2072: Prospects brighter in the long term but brace for volatility in short term

Indian Equity markets are starting the Samvat 2072 with a strong support drawn from multiple parameters such as upbeat US economic growth, subdued commodity prices and down cycle in the domestic interest rates. Equity markets moved on from the taper tantrum in the US, crisis in Greece and Chinese yuan devaluation shocker. Nifty had recorded an all time high of 9119.20 during the period, but was hovering between 7500-9000 during Samvat 2071. Sharp run-up in stock prices ahead of earnings catching up had created a temporary top in the equity markets, this was also reinforced by the lack of political consensus on major reforms and volatility in global markets especially in China. The latest event was the defeat in the Bihar Elections, a disappointment to the NDA government. However, Indian equity markets have displayed resilience in all the above mentioned events and its seems to be forming a base for the next rally.

Prospects brighter in the long term:

Global economy is expected to grow over 3%, US economy is likely to grow over 2.5%, Euro Zone is expected to grow over 1.5%, China to grow around 6.5%, Japan to grow over 0.7% and India is expected to grow around 7.5% in the next 2 years. Indian economy is well placed in the medium to long term and is expected to clock the highest growth rate among the trillion dollar economies in the world. Sharp fall in crude oil prices lowered the current account deficit. The recent initiatives on Gold monetization schemes are likely to lower Gold imports, which is expected to further ease pressure on current account deficit. Deregulation of diesel prices & direct benefit transfer of LPG subsidy, lower fertiliser prices in the global markets had resulted in lower subsidy bill as well as comfortable levels of fiscal deficit. Lower energy prices, base metal prices had pushed the whole sale inflation into deflation territory. Sharp spike in Pulses and Onion prices are creating an impression of a very high inflation in food products despite the CPI inflation is well within the comfort zone of the Reserve Bank of India. RBI in its bid to spur economic growth cut the repo rate after taking all factors into consideration, mainly the absence of scope for sharp increase in inflation in the immediate future. This augurs well for our overall economy in the long term. The government has also undertaken various reform measures to spur economic growth and build investor confidence which resulted in steady inflow of foreign portfolio investments. The initiatives to revive stalled projects, speedy approvals for new projects, higher government spending, focus on manufacturing through 'Make in India', incentives for affordable housing and financial inclusion augur well in the long term.

Brace for volatility in the short term:

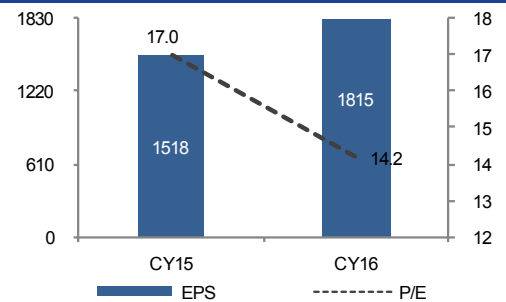
In the short term the US Fed is likely to increase the interest rate which is a testimony for the durability of the economic recovery post the global financial crisis. Whereas ECB is of the opinion that Euro area economy needs stimulus for little more time. China is trying to revive economic growth, exports and stock

Wealth Maximizer - 2015

NSE Symbol	R	CMP (₹)	TP (₹)	US (%)
HDFC	B	1171	1500	28
HDFCBANK	B	1055	1275	21
ITC	B	337	400	19
LT	B	1348	1900	41
MARUTI	B	4713	5200	10
NTPC	B	131	170	29
RELIANCE	B	923	1240	34
SBIN	B	241	319	32
TCS	B	2458	2815	15
ULTRACEMCO	B	2703	3520	30

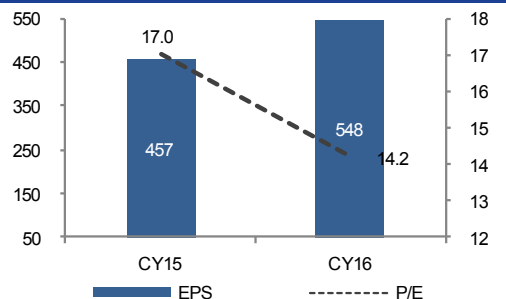
R: Rating, (CMP as on Nov 10, 2015), US: Upside, B: Buy, TP: Target Price (Time Frame: 9-12 Months)

Sensex EPS (Rs.) Estimates



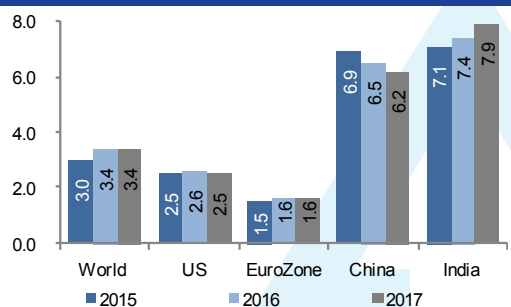
Source: Bloomberg, Karvy Research

Nifty EPS (Rs.) Estimates



Source: Bloomberg, Karvy Research

Economic Growth (%)



Source: Bloomberg, Karvy Research

markets in one go which is creating ripples in the global financial markets. On the other hand, the ongoing tug of war between commodity exporting countries on one side and commodity importing countries on another side are also fuelling to volatility. Lower commodity prices in crude oil and iron ore are taking a toll on the financial health of commodity exporting countries but improving the financial health for commodity importing countries. Lower commodity prices for a prolonged period could trigger more rating downgrade for commodity exporting countries, which in turn could lead to a financial crisis in those countries. In the Indian markets, even though all the data points seems to be favouring higher economic growth, inability to build political consensus on key policy issues is inducing volatility and tand this is likely to continue for some more time given the recent defeat suffered by the NDA in the Bihar elections. All these factors are likely to trigger for higher volatility in the short term.

Our take on the market:

We believe that equities will continue to outperform other asset classes like fixed income and commodities (Gold) in the long term. Hence, we advise to remain invested in equities with a long term perspective in good quality companies in a systematic manner. We expect Nifty to trade in the band of 7560-9720 in the coming 12-15 months implying a P/E band of 14-18x CY16E consensus EPS. Considering the brighter prospects in the long term and volatility in the short term we remain overweight on Consumers, Financials, Infrastructure, Automobile, Cement, Energy and Power. Our top ten large-cap picks for a time frame of 9-12 months in Wealth Maximizer 2015 – Diwali Special are HDFC, HDFC Bank, ITC, L&T, Maruti, NTPC, Reliance, SBI, TCS and UltraCemco.

Risks to our call:

Slower than expected recovery in the economic growth, sharp rise in Crude oil prices due to any escalation of tensions in South China Sea or in Syria.

Wealth Maximizer Jun 2015 - An update

NSE Symbol	Entry (Rs.) *	TP (Rs.)	Upside (%)	LTP	RTD (%)	High (Rs.)	Peak Return (%)
ASIANPAINT	735	888	20.9	797.8	8.6	924	25.8
DIVISLAB	907	1045	15.2	1115.1	22.9	1242	36.9
HDFCBANK	1049	1198	14.2	1054.6	0.6	1128	7.6
ITC	310	408	31.6	336.75	8.6	360	16.1
LT	1772	2106	18.8	1348.4	(23.9)	1869	5.4
MARUTI	3970	4500	13.4	4712.7	18.7	4763	20.0
RELIANCE	991	1240	25.1	922.75	(6.9)	1068	7.8
TCS	2582	2960	14.7	2458.15	(4.8)	2764	7.1
ULTRACEMCO	2896	3310	14.3	2702.8	(6.7)	3359	16.0
UPL	533	670	25.7	453.3	(15.0)	576	8.1

*Entry as on Jun 29, 2015, High: Period High, LTP & RTD (Return till date): As on Nov 10, 2015

Changes in Wealth Maximizer - 2015

Stock	Status	Comment
HDFC	A	Consistent Growth with Best in Class Asset Quality
HDFCBANK	R	Consistency in Growth, Stable NIMs and Lowest NPAs
ITC	R	Strong Brands with Pricing Power
LT	R	Proxy to Ride the Indian Economic Growth
MARUTI	R	New Launches to Drive Growth
NTPC	A	Consistent Capacity additions and higher operational efficiency to drive growth
RELIANCE	R	Capex in Core Business and Telecom launch to Drive Growth
SBI	A	Biggest Balance Sheet at Bargain Valuations
TCS	R	Consistent Growth with Superior Margins
ULTRACEMCO	R	Consolidating Leadership Position with Focus on Efficiency
ASIANPAINT	D	Target Achieved
DIVISLAB	D	Target Achieved
UPL	D	Concerns over problems in Brazil

A: Added, R: Retained, D: Dropped

Wealth Maximizer - Largecap (WM) is an investment product of Karvy Stock Broking Ltd formulated by our Equity Fundamental & Technical Research, based on Techno-Funda Analysis. It enlists 10 stocks from the Karvy Large-cap stock universe.

The objective of 'Wealth Maximizer' is to deliver superior returns over an extended time frame. The investment philosophy works on simple but superior fundamental research.

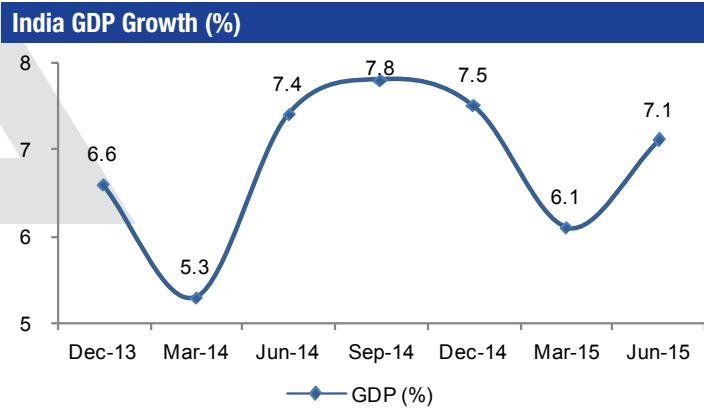
The 10 large cap companies in this product in our opinion reflects superior businesses with consistent future cash flows, run competently and have potential for exponential stock price growth.

We also track short-term price distortions that create long-term value, driven by sound economic fundamentals of the company. This reflects, stocks that have margin of safety will converge to their intrinsic value over a period of time and will reflect superior returns.

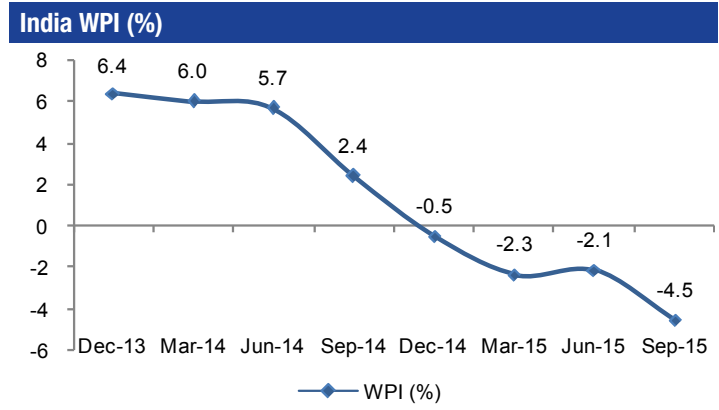
This is also a part of managing the overall risk, the objective is to attain higher risk adjusted returns and deliver consistent out performance.

The stock's performance will be assessed on an ongoing basis and the composition of the stocks in the product will be altered based on target achievement, changes in the fundamentals of the stocks, industry position, market performance and broad macro-economic factors.

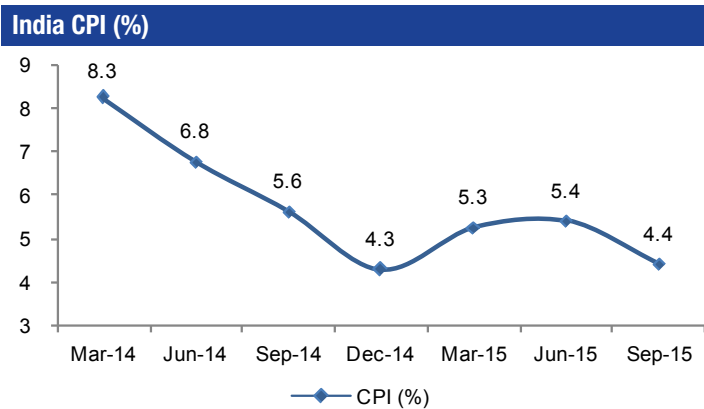
The product is being given to the clients in the form of non-binding investment recommendations so that they can decide to capitalize on the robust fundamentals and future plans of the company, which is being discussed in detail in the report.



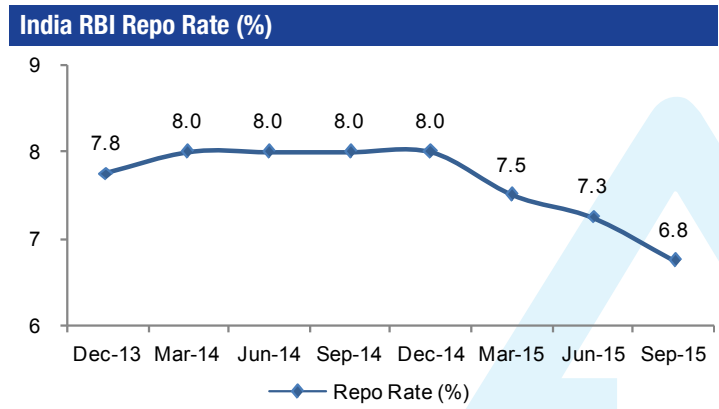
Source: BSE, Karvy Research



Source: Company, Karvy Research



Source: BSE, Karvy Research



Source: Company, Karvy Research

Global Markets at a Glance

Equities					
EQUITY INDEX	LTP	1Y %Chg	52WH	52WL	PE (x)
US S&P 500	2099	3.3	2135	1867	18.8
US NASDAQ	5147	11.1	5232	4292	30.3
CHINA SHANGHAI	3590	48.5	5178	2407	18.8
EURO STOXX 50	3468	13.2	3836	2922	21.2
JAPAN NIKKEI 225	19266	14.1	20953	16593	20.0
UK FTSE100	6354	(3.2)	7123	5768	25.8
HONGKONG HANGSENG	22867	(2.9)	28589	20368	9.9
CANADA TSX	13553	(7.7)	15525	12705	21.0
FRANCE CAC 40	4984	19.0	5284	3926	22.7
AUSTRALIA ASX 200	5215	(6.0)	5997	4918	18.9
GERMANY DAX	10988	18.3	12391	9162	20.1
SWISS MARKET INDEX	8970	1.7	9538	7853	18.6
SOUTH KOREA KOSPI	2041	5.2	2190	1801	16.9
TAIWAN TAIEX	8694	(2.5)	10014	7203	13.3
INDIA NSE NIFTY	7954	(4.6)	9119	7540	20.9
SPAIN IBEX35	10453	3.2	11885	9231	19.4
BRAZIL BOVESPA	46919	(11.8)	58575	42749	30.5
NETHERLANDS AEX	470	14.2	511	389	25.2
SWEDEN OMX 30	1526	8.2	1720	1369	18.3
ITALY MIB	22530	18.0	24157	17729	-
SINGAPORE STRAITS TIMES	3010	(8.4)	3550	2740	13.9
THAILAND SE THAI	1415	(10.4)	1620	1292	16.2
INDONESIA JAKARTA	4567	(8.4)	5524	4034	25.5
MEXICO BOLSA	45244	1.4	46078	39257	31.8
MALAYSIA BURSA KLCI	1686	(7.6)	1868	1504	17.4
NEW ZEALAND 50	6070	12.0	6083	5401	19.2

Source: Bloomberg, Karvy Research

Currencies					
Currency pair with \$	Unit	LTP	%1Y	52WH	52WL
EURO	\$ / 1 EUR	1.074	(13.2)	1.3	1.0
JAPANESE YEN	JPY / 1 \$	123.13	(6.4)	125.9	113.9
BRITISH POUND	\$ / 1 GBP	1.505	(4.9)	1.6	1.5
CANADIAN DOLLAR	CAD / 1 \$	1.331	(14.2)	1.3	1.1
AUSTRALIAN DOLLAR	\$ / 1 AUD	0.704	(17.7)	0.9	0.7
NEWZEALAND DOLLAR	\$ / 1 NZD	0.652	(15.2)	0.8	0.6
SWISS FRANC	CHF / 1 \$	1.005	(3.2)	1.0	0.7
NORWEGIAN KRONE	NOK / 1 \$	8.671	(20.8)	8.7	6.7
SWEDISH KRONA	SEK / 1 \$	8.722	(14.7)	8.9	7.4
CHINA RENMINBI	CNY / 1 \$	6.354	(3.8)	6.4	6.1
HONGKONG DOLLAR	HKD / 1 \$	7.751	0.0	7.8	7.7
INDIAN RUPEE	INR / 1 \$	65.763	(6.6)	66.9	61.3
INDONESIAN RUPIAH	IDR / 1 \$	13564	(10.4)	14828	12082
MALAYSIAN RINGGIT	MYR / 1 \$	4.311	(22.6)	4.5	3.3
PHILIPPINES PESO	PHP / 1 \$	46.930	(4.1)	47.1	44.0
SINGAPORE DOLLAR	SGD / 1 \$	1.421	(8.8)	1.4	1.3
SOUTH KOREAN WON	KRW / 1 \$	1142	(5.1)	1209	1065
TAIWAN DOLLAR	TWD / 1 \$	32.587	(6.2)	33.3	30.4
THAI BAHT	THB / 1 \$	35.835	(8.4)	36.7	32.3
RUSSIAN RUBLE	RUB / 1 \$	64.505	(27.7)	79.2	44.4
S AFRICAN RAND	ZAR / 1 \$	14.164	(20.5)	14.3	10.9
BRAZILIAN REAL	BRL / 1 \$	3.769	(31.8)	4.2	2.5
MEXICAN PESO	MXN / 1 \$	16.808	(18.9)	17.3	13.5
DOLLAR INDEX	Spot	99.168	12.7	100.4	87.1

Source: Bloomberg, Karvy Research

Commodities					
Commodity	Unit	LTP	%1Y	52WH	52WL
BRENT CRUDE OIL	\$/bbl	47.4	(46.0)	89.4	43.8
NYMEX CRUDE OIL	\$/bbl	44.3	(43.7)	80.3	39.2
NATURAL GAS	\$/mmbtu	2.4	(42.2)	4.1	2.2
GOLD	\$/troy ounce	1089.8	(4.6)	1307.6	1077.4
SILVER	\$/troy ounce	14.8	(4.1)	18.5	14.0
PLATINUM	\$/troy ounce	941.2	(21.3)	1288.8	892.5
ALUMINIUM	\$/MT	1523.0	(26.6)	2078.8	1460.0
COPPER	\$/MT	4987.0	(25.1)	6772.5	4855.0
ZINC	\$/MT	1660.5	(25.4)	2404.5	1601.5
NICKEL	\$/MT	9630.0	(37.9)	17200.0	9100.0
LEAD	\$/MT	1661.5	(17.3)	2162.5	1608.0
IRON ORE	\$/ MT	46.8	(38.0)	71.8	46.2
COAL	\$/ MT	52.2	(18.6)	66.0	51.9
COKING COAL	\$/ MT	75.6	(33.3)	114.9	75.6
CORN	Cents / bu	373.0	(10.4)	454.3	357.5
WHEAT	Cents / bu	523.3	(8.0)	681.3	463.0
SOYBEAN	Cents / bu	867.3	(14.3)	1062.5	857.0
ROUGH RICE	\$ / 100 lb	12.4	-	13.7	10.2
CRUDE PALMOIL	MYR / MT	2322.0	2.7	2489.0	1961.0
SOYBEAN OIL	Cents / lb	28.0	(15.4)	35.4	25.7
COFFEE	Cents / lb	117.8	(39.7)	207.8	114.5
SUGAR	Cents / lb	14.5	(17.4)	18.0	11.3
COTTON	Cents / lb	61.7	(6.3)	68.1	59.7
ETHANOL	\$ / Gal	1.5	(7.3)	1.7	1.4
RUBBER	Cents / KG	117.6	(22.6)	166.0	115.3
BALTIC DRY INDEX	Index	631.0	(56.1)	1437.0	509.0

Source: Bloomberg, Karvy Research

Bonds					
10Y Govt Bond	Yld%	1Y Chg BPS	52WH	52WL	
US	2.325	(6.0)	2.5	1.6	
GERMANY	0.693	(13.5)	1.1	0.0	
FRANCE	1.022	(16.7)	1.4	0.3	
CHINA	3.140	(69.0)	3.8	3.0	
JAPAN	0.324	(14.6)	0.6	0.2	
UK	2.038	(20.7)	2.3	1.3	
BRAZIL	15.573	289.2	16.8	11.7	
ITALY	1.789	(59.3)	2.7	1.0	
RUSSIA	9.658	(42.8)	15.8	9.6	
INDIA	7.686	(50.4)	8.2	7.5	
CANADA	1.715	(37.0)	2.1	1.2	
AUSTRALIA	2.788	(45.9)	3.4	2.2	
SPAIN	1.918	(24.1)	2.6	1.0	
S.KOREA	2.210	(43.2)	2.8	2.0	
MEXICO	6.081	14.9	6.3	5.2	
INDONESIA	8.637	63.4	9.9	7.0	
NETHERLANDS	0.853	(11.4)	1.3	0.2	
NORWAY	1.692	(32.6)	2.0	1.2	
SWITZERLAND	(0.284)	(74.2)	0.5	(0.3)	
HONG KONG	1.621	(24.4)	2.0	1.3	
SINGAPORE	2.621	29.1	2.9	1.8	
SOUTH AFRICA	8.519	54.5	8.6	7.0	
PORTUGAL	2.680	(55.2)	3.4	1.5	
GREECE	7.734	(23.2)	19.6	7.1	

Source: Bloomberg, Karvy Research

Valuation Summary of Wealth Maximizer - 2015

Symbol	Sector	CMP (Rs.)	Mcap (Rs.Cr)	6M ADV# (Rs.Cr)	FY17E P/E (x)	FY17E RoE (%)	FY17E EPS (Rs.)
HDFC	BFSI	1171	187862	301	21.3	24.0	55.0
HDFCBANK	Banking	1055	268406	153	16.7	20.3	63.0
ITC	Consumer	337	275430	216	23.1	31.1	14.6
LT	Infra	1348	126557	254	19.7	13.4	68.3
MARUTI	Automobile	4713	139809	211	19.0	23.0	247.5
NTPC	Power	131	110118	63	10.8	11.3	12.2
RELIANCE	Oil & Gas	923	311355	320	9.9	11.7	93.6
SBIN	Banking	241	191042	349	9.3	13.0	25.8
TCS	Software	2458	486962	281	17.9	34.9	137.6
ULTRACEMCO	Cement	2703	75613	79	22.1	14.9	122.5

Source: Company, Karvy Research, Bloomberg; # ADV: Average Daily Turnover

Comparative Valuation of Wealth Maximizer - 2015

Symbol	CMP (Rs.)	Mcap (Rs. Cr)	PE (x)			EPS (Rs.)		
			FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
HDFC	1171	187862	30.8	25.5	21.3	38.0	46.0	55.0
HDFCBANK	1055	268406	25.8	21.1	16.7	40.8	49.9	63.0
ITC	337	275430	28.1	26.3	23.1	12.0	12.8	14.6
LT	1348	126557	26.4	25.5	19.7	51.0	52.8	68.3
MARUTI	4713	139809	37.5	26.1	19.0	125.8	180.6	247.5
NTPC	131	110118	10.8	11.8	10.8	12.1	11.2	12.2
RELIANCE	923	311355	11.5	11.3	9.9	80.1	81.9	93.6
SBIN	241	191042	13.8	11.5	9.3	17.5	21.0	25.8
TCS	2458	486962	24.3	20.0	17.9	101.4	122.7	137.6
ULTRACEMCO	2703	75613	36.8	30.4	22.1	73.4	89.0	122.5

Source: Company, Karvy Research, Bloomberg

Price Performance of Wealth Maximizer - 2015

Symbol	CMP (Rs.)	Mcap (Rs. Cr)	Absolute Performance (%)				Relative Performance (%)			
			1M	3M	6M	12M	1M	3M	6M	12M
HDFC	1171	187862	(9.3)	(10.3)	(1.2)	6.9	(4.6)	(2.1)	4.0	13.9
HDFCBANK	1055	268406	(2.9)	(3.7)	7.4	17.7	2.1	5.2	13.1	26.2
ITC	337	275430	(2.0)	4.9	2.7	(7.7)	3.1	14.5	8.1	(1.9)
LT	1348	126557	(12.8)	(25.9)	(15.8)	(16.1)	(8.3)	(19.2)	(11.3)	(9.8)
MARUTI	4713	139809	10.2	4.8	30.5	39.9	15.9	14.4	37.4	54.3
NTPC	131	110118	4.2	0.0	(7.5)	(8.6)	9.7	9.2	(2.6)	(2.7)
RELIANCE	923	311355	4.0	(4.8)	3.7	(0.8)	9.4	4.0	9.2	3.1
SBIN	241	191042	(0.9)	(14.7)	(7.9)	(10.2)	4.2	(6.9)	(3.0)	(4.7)
TCS	2458	486962	(6.5)	(4.4)	(2.7)	(3.8)	(1.7)	4.3	2.4	3.6
ULTRACEMCO	2703	75613	(4.1)	(14.9)	0.2	6.8	0.9	(7.1)	5.5	13.4

Source: Company, Karvy Research, Bloomberg

Housing Development Finance Corporation Ltd

Bloomberg Code: HDFC IN

India Research - Stock Broking

BUY

HDFC: Consistent Growth with Best in Class Asset Quality

Consistently maintaining industry leading growth in loan book:

HDFC has seen a CAGR of 21% in the individual housing loan segment in the last five years which is well above the industry average growth rate. The recent government initiatives like "Housing for All" and incentives for affordable housing sector augurs well for housing finance companies and HDFC is likely to benefit from these initiatives. HDFC is likely to witness a loan book growth of over 16-17% on higher base in the next 2 years.

Stable margins across cycles:

HDFC was able to maintain stable net interest margins of over 4% in the last few years. This was on the back drop of cycles in the real-estate market and interest rate cycles. HDFC is well positioned in a downward rate cycle as it can mobilize from multiple sources at lower interest rates and pass on the benefit to borrowers while maintaining the margins.

Robust risk management leading to best in class asset quality:

HDFC has provided more than the regulatory requirement for non-performing assets making it one of the few companies with best in-class asset quality and virtually with zero net non performing assets. As on Sep 30, 2015 its gross NPA's stood at 0.71%, while gross NPAs were at Rs 1701 cr it had provides for Rs 2127 cr, which was Rs 330 cr higher than the regulatory requirement, indicates robust risk management practice.

Potential for value-unlocking in subsidiaries:

HDFC has the potential to unlock value in key subsidiaries in insurance post the passage of insurance bill in parliament. Any listing of the profit making insurance subsidiaries could unlock value in the long term.

Valuation and Outlook

HDFC is likely to maintain steady growth of over 16-17% in retail individual home loan book, while borrowing at competitive rates from multiple borrowing avenues which helps in maintaining its net interest margins at around 4%, whereas its robust risk management practices result in best in class asset quality at the same time delivering superior returns. We value HDFC at Rs 1500 (standalone business at 3.8x FY17E ABV and Rs 570 for subsidiaries) and recommend a Buy with an upside potential of 28%.

Valuation Summary

YE Mar (Rs. Bn)	FY13	FY14	FY15	FY16E	FY17E
NII (Rs. Bn)	68	76	87	104	124
Net Profit (Rs. Bn)	48	54	60	84	88
EPS (Rs.)	31.5	34.9	38.0	46.0	55.0
ABV (Rs.)	160	179	196	218	245
P/ABV (x)	7.3	6.5	6.0	5.4	4.8
RoE (%)	22.1	20.5	20.3	22.8	24.0
RoA (%)	2.7	2.6	2.5	2.7	2.8

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	1171
Target Price	1500
Upside (%)	28

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	1878621/28276
52-wk High/Low (Rs.)	1402 / 1060
3M Avg.daily volume (mn)	2.8
Beta (x)	1.2
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	1577.7
Face Value (Rs.)	2.0

Shareholding Pattern (%)

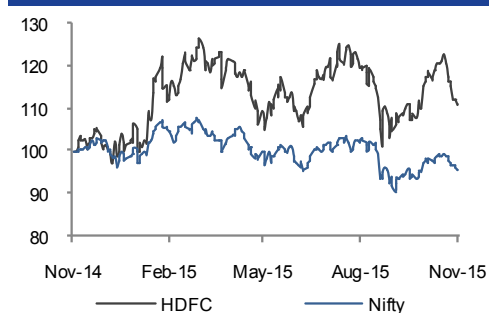
Promoters	0.0
FII's	78.2
DII's	9.9
Others	12.0

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(9)	(10)	(1)	7
Relative to Sensex	(5)	(2)	4	14

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

HDFC is among the largest Housing Finance Companies in India. HDFC has extended housing loans to over 5.2 million housing units and has an outstanding loan book of over Rs 2.67 lakh crore, with very negligible loan write-offs under 4 basis points of cumulative disbursements since inception. HDFC operates from its 392 offices spread across the country and also procures through its affiliates. It holds 21.6% equity share in HDFC Bank, 70.7% in HDFC Standard Life Insurance, 73.6% in HDFC Ergo General Insurance, 59.8% in HDFC Asset Management, 58.6% in Gruh Finance.

HDFC Bank Ltd

Bloomberg Code: HDFCB IN

India Research - Stock Broking

BUY

HDFC Bank: Consistency in Growth, Stable NIMs and Lowest NPAs

Loan book is expected to grow at a CAGR of 22% over FY15-17E:

HDFC Bank is expected to outpace the credit growth in the system by 3-4 percentage points and to grow at a CAGR of over 20% in the next few years. Its loan book growth is driven by a healthy mix of retail and corporate loans.

Adequately capitalized to support balance sheet growth:

As per BASEL III guidelines HDFC Bank has a capital adequacy ratio of 15.5% with a tier I capital of 12.8%, which will aid loan book growth plans over the next couple of years.

NIM is expected to be around 4-4.5%:

HDFC Bank is expected to maintain its NIM in the range of 4-4.2%, led by the bank's strong CASA franchise of around 40% along with higher proportion of fixed rate retail loans. Further, current deposits are likely to grow strongly due to recovery in capital markets, where the bank has higher market share.

Lowest NPAs reflect superior risk management:

HDFC Bank is relatively immune from asset quality strain in the banking industry primarily due to superior risk management practices along with lower exposure to stressed sectors. GNPA and NNPA were at 0.9% and 0.2% indicating best in-class asset quality. We expect further moderation in fresh slippages.

Valuation and Outlook

HDFC Bank was able to command premium valuation in the market for its consistent growth of over 20% in net profits, healthy balance sheet growth, higher NIMs, lower NPAs, adequate CAR, superior return ratios coupled with good corporate governance. At CMP HDFCBank trades at 3.3x FY17E BVPS. We value the stock at 3.8x FY17E BVPS and recommend a 'BUY' for a price target of Rs. 1275, implying an upside of 21% from current levels.

Valuation Summary

YE Mar (Rs. Bn)	FY13	FY14	FY15	FY16E	FY17E
NII (Rs. Bn)	158	185	224	268	324
Net Profit (Rs. Bn)	67	85	102	125	158
EPS (Rs.)	28.3	35.3	40.8	49.9	63.0
ABV (Rs.)	150.1	177.8	243.6	281	328.7
P/ABV (x)	7.0	5.9	4.3	3.8	3.2
RoE (%)	20.3	21.3	19.4	18.7	20.3
RoA (%)	1.7	1.7	1.7	1.7	1.8

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	1055
Target Price	1275
Upside (%)	21

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	2684064/40401
52-wk High/Low (Rs.)	1128/893
3M Avg.daily volume (mn)	1.4
Beta (x)	0.9
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	2520.7
Face Value (Rs.)	2.0

Shareholding Pattern (%)

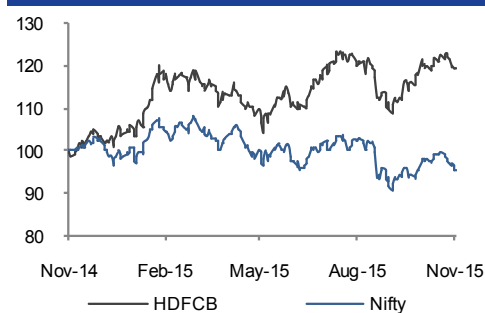
Promoters	21.6
FIIs	32.4
DIIs	11.0
Others	35.1

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(3)	(4)	7	18
Relative to Sensex	2	5	13	26

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

HDFC Bank Ltd is a private sector bank offering retail, wholesale banking and treasury services, with a balance sheet size of Rs 6599 billion. It operates through a network of 4227 branches and 11686 ATMs spread across 2501 towns. Its various products and services include auto loans, personal loans, credit cards, home loans, commercial vehicle / construction equipment finance, gold loans, savings account, current account, FDs and working capital, term loans, bill collection, forex & derivatives, cash management services for corporate clients on the wholesale front. In its treasury segment, it offers forex and derivatives, Debt and Equity products.

ITC Ltd

Bloomberg Code: HDFC IN

India Research - Stock Broking

BUY

ITC: Strong Brands with Pricing Power

Strengthen leadership position in cigarettes:

ITC is a dominant player in the Cigarettes segment with a revenue market share of over 75%. It is expected to maintain double digit growth in revenue and EBIT, driven by its strong pricing power, distribution reach through which ITC's products are sold in 2 mn outlets, tight control over the entire value chain and consumers' loyalty towards the company's brands at various price points. Higher disposable income in rural areas could result in consumers switching from lower end products like beedis and local made cigarettes to 64mm micro filter cigarettes.

Stringent anti-tobacco measures to hurt unorganized players and benefit organised players like ITC:

Stringent anti-tobacco measures like ban on sales of loose cigarettes need to cover 80% of the pack with health warnings, banning advertisements at POS to benefit organized players and hurt the non-legal cigarette manufacturers more severely. Organized players like ITC can tide over with its well established brands that may not require advertisements and innovative packing & distribution strategy.

Strong traction in FMCG business to drive growth and softening commodities to expand margins:

ITC is likely to register a double digit revenue growth on the back of new product launches and higher spending on advertisement & promotion on the back of its wide distribution network. Softening of commodity prices would provide scope for margin expansion in FMCG business.

Steady performance in other non-FMCG segments:

Other segments like agri-business, paperboards and Hotels are likely to improve their performance driven by strong recovery in the Indian economy.

Valuation and Outlook

ITC is expected to register double digit growth in the next 2 years, by strengthening its leadership position in cigarettes segment, higher growth in FMCG business and steady performance in non-FMCG segments. At CMP the stock trades at 20x FY17E EPS. We value the stock at 27x FY17E EPS which is lower than the last 7 year average PE of 29x. We recommend a 'BUY' with a target price of Rs 400 representing an upside potential of 19%.

Valuation Summary

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	313235	349847	384333	410073	460661
EBITDA	111662	131579	141492	154086	174943
EBITDA %	35.6	37.6	36.8	37.6	38.0
Adj. Net Profit	76081	88914	96632	103225	117593
EPS (Rs.)	9.6	11.1	12.0	12.8	14.6
RoE (%)	35.7	35.3	32.8	30.6	31.1
P/E (x)	35.2	30.4	28.1	26.3	23.1

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	337
Target Price	400
Upside (%)	19

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	2754295/41459
52-wk High/Low (Rs.)	410 / 294
3M Avg.daily volume (mn)	6.6
Beta (x)	0.6
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	8028.8
Face Value (Rs.)	1.0

Shareholding Pattern (%)

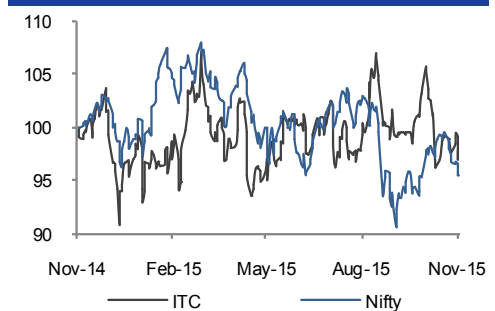
Promoters	0.0
FIIs	20.7
DIIs	35.1
Others	44.2

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(2)	5	3	(8)
Relative to Sensex	3	15	8	(2)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

ITC Ltd is a market leader in cigarettes and is engaged in diverse businesses ranging from cigarettes (contribute for 42% of revenue and 85% of EBIT), FMCG - packaged foods & personal care (contribute for 22% of rev & 0.3% of EBIT), Agri business (contribute for 21% of rev & 7% of EBIT), paperboards & packaging (12% of rev & 7% of EBIT), hotels (3% of Rev & 0.4% of EBIT) and information technology. Its popular brands include - 'Gold Flake', 'Bristol', 'NavyCut', 'Aashirvad', 'Sunfeast', 'Bingo', 'B Natural', 'Yippee', 'Kitchens of India', 'Candyman', 'mint-o', 'Wills Lifestyle', 'John Players', 'Fiama Di Wills', 'Vivel', Classmate, Paperkraft, ITC Hotels.

Larsen & Toubro Ltd

Bloomberg Code: LT IN

India Research - Stock Broking

BUY

L&T: Proxy to Ride the Indian Economic Growth

Proven leadership reflected in robust order book build-up:

L&T's outstanding order book at the end of Sep'2015 stood at Rs 2441 billion from diversified sectors. Robust order book build up reflects its proven leadership in the infrastructure & engineering segments and gives revenue visibility with order book coverage of over 2.5x.

Excellent execution capabilities making it the most preferred partner:

L&T has an excellent track record of executing the most complex projects in diverse sectors like infrastructure, Oil & Gas, Defence, Power and others making it the most preferred partner resulting in repeat orders from clients.

Strong traction in infrastructure segment to drive growth:

L&T Infrastructure segment constitutes for 72% of the order book and 52% of its new order inflow during H1FY16, continuing to drive growth with strong traction in order inflows and revenue growth along with sustained EBITDA margins around 10-12%.

Listing of subsidiaries or induction of strategic partner in its business segments to unlock value:

L&T is planning to list L&T Infotech in the next few months which has nearly \$1 billion in revenue and an EBITDA margin of over 20%, which could unlock value in the medium term.

Valuation and Outlook

L&T is well positioned to capture growth in various segments of the Indian economy with its excellent execution capabilities in diverse sectors like Infra, Oil & Gas, Defence, Metals & Mining, Railways and various others. L&T's superior execution capabilities coupled with its balance sheet strength when compared to the highly stressed balance sheets of its many smaller competitors in the sector, resulted in strong order book build-up for L&T. We value the company at 28x FY17E EPS and recommend a 'BUY' with a target price of Rs. 1900, representing an upside potential of 41%.

Valuation Summary

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	744980	851284	920046	1026160	1193919
EBITDA	103634	110951	114459	125284	154599
EBITDA%	13.9	13.0	12.4	12.2	12.9
Adj. Net Profit	52057	49020	47648	49354	63618
EPS (Rs.)	37.4	52.7	51.0	52.8	68.3
RoE (%)	16.5	13.7	12.1	11.5	13.4
P/E (x)	36.1	25.6	26.4	25.5	19.7

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	1348
Target Price	1900
Upside (%)	41

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	1265567/19051
52-wk High/Low (Rs.)	1894/1331
3M Avg.daily volume (mn)	2.2
Beta (x)	1.4
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	931.2
Face Value (Rs.)	2.0

Shareholding Pattern (%)

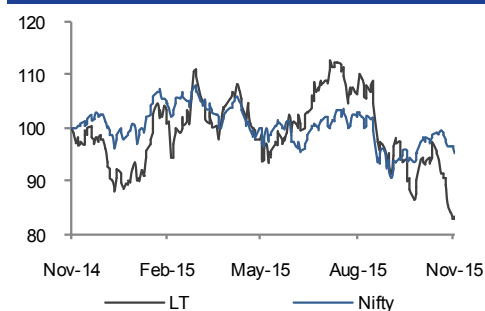
Promoters	0.0
FII's	18.2
DII's	37.1
Others	44.7

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(13)	(26)	(16)	(16)
Relative to Sensex	(8)	(19)	(11)	(10)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

L&T is India's largest Engineering & Construction Company with interests in Design & Engineering, EPC Projects, Financial Services, IT, Real Estate, Manufacture & Fabrication and Construction. It undertakes contracts in Buildings, Transportation infrastructure, heavy civil infrastructure, Power, Water & Renewable energy, Ship building, Defence, Machinery & Ind products. L&T, through its subsidiaries, associates and JVs it operates in Financial services, Infotech, Infrastructure, hydrocarbon, SPVs for manufacturing, fabrication and other services etc.

Maruti Suzuki India Ltd

Bloomberg Code: MSIL IN

India Research - Stock Broking

BUY

Maruti Suzuki: New Launches to Drive Growth

Market leader in the Indian passenger vehicle segment with a wide range of models & vast dealer network:

MSIL is a market leader in the Indian passenger car segment with models in the entry level small car, hatchback, sedan, MUV / SUV. We believe that MSIL's strong product pipe line coupled with vast dealer network would be the key driver over next 2-3 years.

Recovery in the domestic economy and down cycle in interest rates to boost PV sales:

MSIL is a proxy for domestic passenger car segment, which is expected to see a revival amid expected recovery in the domestic economy and down cycle in the interest rates as it gets transmitted in the system. Improvement in job markets, business conditions in the urban area and recovery in agriculture and allied activities in the rural area are expected to increase the number of first time car buyers in which MSIL is a major player.

New model launches to aid market share gains:

MSIL is planning various new launches in the next two years. Recently, MSIL has launched S Cross in August'15, new Baleno in Oct'15 and plans to launch another compact SUV by FY17. Success of Celerio ATM has encouraged MSIL to use similar technology on other models as well. Overall, new model launches is likely to drive MSIL sales.

Subdued raw material prices to benefit in margin expansion:

MSIL continues to benefit from subdued commodity prices in the global markets. This coupled with lower currency volatility and better product mix is likely to result in margin expansion in the next two years.

Valuation and Outlook

MSIL is likely to benefit in terms of market share gains from the expected strong recovery in the domestic passenger car sales. We expect MSIL to deliver a CAGR of around 40% in EPS and 22% in RoE by FY17E. We recommend a 'BUY' for a target of Rs 5200, giving an upside potential of 10%.

Valuation Summary

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	436351	437918	499706	592272	723926
EBITDA	44618	54825	68290	97325	118068
EBITDA%	10.2	12.5	13.7	16.4	16.3
Adj Net Profit	25401	30077	37997	54550	74764
EPS (Rs.)	84.1	99.6	125.8	180.6	247.5
RoE (%)	14.9	15	16.7	20.6	23.0
P/E (x)	56.0	47.3	37.5	26.1	19.0

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	4713
Target Price	5200
Upside (%)	10

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	1398087/21046
52-wk High/Low (Rs.)	4763/3249
3M Avg.daily volume (mn)	0.6
Beta (x)	0.9
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	302.1
Face Value (Rs.)	5.0

Shareholding Pattern (%)

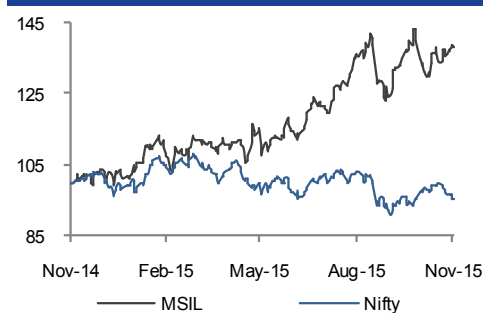
Promoters	56.2
FIIs	22.1
DIIs	14.4
Others	7.3

Stock Performance (%)

	1M	3M	6M	12M
Absolute	10	5	31	40
Relative to Sensex	16	14	37	54

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Maruti Suzuki India Limited (MSIL) is India's leading passenger vehicle (PV) manufacturer with a capacity of 1.5 million cars per year in two manufacturing facilities. It has over 14 brands in various segments like small car & hatchback (Alto800, Alto K10, Wagan R, Celerio, Stingray, Ritz, Swift, Baleno), sedan (DZire, Ciaz), van (Omni, Eeco), SUV/MUV (Ertiga, Gypsy, Grand Vitara, SCross) segments in over 150 variants. Maruti has a nationwide sales network in 1097 cities & service network in 1454 cities. MSIL has 51.3% market share in the Indian passenger car segment. MSIL exports cars to over 125 countries.

NTPC Ltd

Bloomberg Code: NTPC IN

India Research - Stock Broking

BUY

NTPC: Consistent Capacity additions and higher operational efficiency to drive growth

Strong leadership position with diversified presence:

NTPC constitutes for 16% of the total installed capacity while it generates 25% of the total electricity in the country, indicating strong leadership position, while its plants are spread across the country giving the diversification benefits. With its capacity expansion plans NTPC continues to maintain its leadership position in the coming years.

Superior PLF and coal linkages provides for a robust business model:

NTPC operates the plants at a PLF (Plant load factor) and PAF (Plant availability factor) of over 80% indicating higher operational efficiency. This coupled with sufficient coal linkages provides for a robust business model.

Planned capacity expansion gives visibility for long term growth:

NTPC's ongoing capacity expansion is on track at a time when the private sector power generating companies are facing host problems like energy linkages and pricing issues indicative of its resolve to take its capacity towards the 128000MW by 2032 and maintain the leadership position as well as visibility for long term growth.

Improvement in financial conditions of discoms to boost demand in the overall system:

The recent government's measures to improve the financial health of state electricity boards would boost demand for power in the system as they could buy more power by reducing the load scheduled load shedding programs and implementing the schemes like power for all.

Valuation and Outlook

NTPC with its consistent growth in capacity additions, fuel linkages and higher operational efficiency is well positioned amid improving health of SEB's and uptick in the economic growth. We expect the stock to come out of underperformance due to the broad based negative sentiments in the entire power sector. At CMP the stock trades at 11x FY17E EPS and we value NTPC at 14x FY17E EPS and recommend a 'BUY' for a target of Rs 170, for an upside potential of 29%.

Valuation Summary

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	720981	789506	806220	849250	948133
EBITDA	182892	198422	174416	202838	230263
EBITDA Margin (%)	25.4	25.1	21.6	23.9	24.3
Adj. Net Profit	125908	114036	99863	93083	100922
EPS (Rs.)	15.3	13.8	12.1	11.2	12.2
RoE (%)	16.2	13.5	11.8	11.0	11.3
P/E (x)	8.6	9.5	10.8	11.8	10.8

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	131
Target Price	170
Upside (%)	29

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	1101182/16577
52-wk High/Low (Rs.)	165/107
3M Avg.daily volume (mn)	5.0
Beta (x)	1.0
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	8245.5
Face Value (Rs.)	10.0

Shareholding Pattern (%)

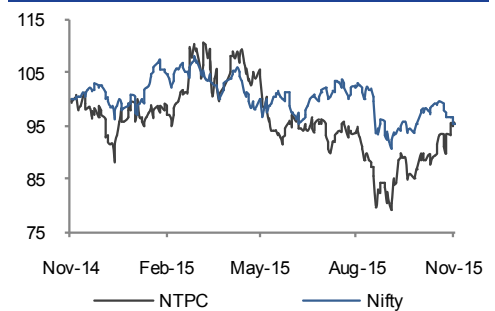
Promoters	75.0
FII's	9.2
DII's	13.5
Others	2.3

Stock Performance (%)

	1M	3M	6M	12M
Absolute	4	0	(8)	(9)
Relative to Sensex	10	9	(3)	(3)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

NTPC is a Maharatna PSU and is India's largest power utility with an installed capacity of 45548 MW with 41 plants across the country. NTPC operates 18 coal fired power plants with a capacity of 34425 MW, 7 gas based power plants with a capacity of 4017 MW, 1 hydro power plant of 800 MW, 8 solar power plants with a capacity of 110 MW and 7 plants under various JV's with a capacity of 6196 MW. NTPC has over 23,000 MW capacity under construction and nearly 9,500 MW capacity is under bidding. NTPC has coal mines with estimated reserves of 5.2 billion tonnes.

Reliance Industries Ltd

Bloomberg Code: RIL IN

India Research - Stock Broking

BUY

RIL: Capex in Core Business and Telecom launch to Drive Growth

Capex in core business (Refining & Pet-chem) to drive growth & profitability:

RIL is investing in pet-coke gasification plant that is expected to come on stream in FY16 which is expected to reduce annual energy (LNG) cost of nearly \$ 1.5 billion and is likely to increase the GRMs by approximately \$1/barrel. The capex for Refinery off-gas cracker will increase the production capacity of polymers with much lower cost of production. RIL's core strength in operations is reflected in capacity utilization of over 100% at its high complexity refinery at Jamnagar delivering superior GRM's as against the Singapore GRM's.

Upstream, Petro products retailing and Shale gas to drive growth:

RIL's upstream gas production is expected to increase from the current levels. Ramp-up in US shale gas production in its JVs is likely to contribute to growth. RIL is planning to re-commission the entire petroleum retail outlets as the government has decontrolled petrol and diesel prices, which could contribute towards growth.

Launch of Rel Jio 4G services could be a game changer in the Indian digital services market:

RIL is expected to launch its pan-India digital services (4G broadband, voice, data content, cloud services, entertainment, MSO) under Reliance Jio network in the next couple of months which could garner significant market share given the expectations over its higher speed, wide coverage and competitive pricing.

Aggressive expansion in retail to strengthen leadership position:

Reliance retail is expanding its retail network (grocery, fashion, digital, Jewellery etc...) to strengthen its leadership position in all formats. It has over 2857 stores in 200 towns and over 15 million consumers enrolled for its loyalty program. It is among the fastest growing retail chains in India.

Valuation and Outlook

RIL is expected to maintain profitability in its core business with a capex that increases the operational efficiency across the refining & petrochemicals business, while, the new businesses like the Reliance Jio are likely to trigger the next level of growth and boost revenues. At CMP, RIL is trading at 10x FY17E EPS, We recommend a **'BUY'** for a price target of Rs. 1240, valuing at 13x FY17E EPS, implying an upside of 34% from current levels.

Valuation Summary

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	3970620	4344600	3754350	3130078	3588094
EBITDA	333830	357610	384920	433514	522365
EBITDA Margin (%)	8.4	8.2	10.3	13.8	14.6
Adj. Net Profit	208790	224930	235660	253385	289674
EPS (Rs.)	70.7	76.6	80.1	81.9	93.6
RoE (%)	11.9	11.8	11.3	11.2	11.7
P/E (x)	13.1	12.1	11.5	11.3	9.9

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	923
Target Price	1240
Upside (%)	34

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	3113545/46868
52-wk High/Low (Rs.)	1068 / 796
3M Avg.daily volume (mn)	3.4
Beta (x)	1.2
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	3239.1
Face Value (Rs.)	10.0

Shareholding Pattern (%)

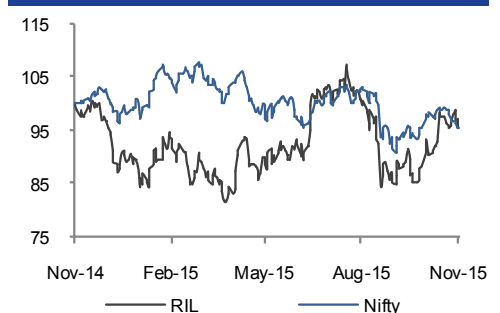
Promoters	45.2
FII's	18.7
DII's	13.1
Others	23.0

Stock Performance (%)

	1M	3M	6M	12M
Absolute	4	(5)	4	(1)
Relative to Sensex	9	4	9	3

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

RIL is India's largest private sector enterprise, with businesses in the energy and materials value chain. Its key business activities span exploration and production of oil & gas, petroleum refining & marketing, petrochemicals (polyester, fibre intermediates, plastics and chemicals), textiles, retail, Telecom, SEZs and others. It operates its Jamnagar refinery complex with a capacity of 1.3 mn BPD and its Petchem facilities at Jamnagar, Hazira, Patalganga, Vadodara, Nagothane, and Nagpur. It operates retail stores across the country in value and specialty formats. RIL to offer pan-India 4G services through Reliance Jio.

State Bank of India

Bloomberg Code: SBIN IN

India Research - Stock Broking

BUY

SBI: Biggest Balance Sheet at Bargain Valuations

Strong double-digit growth in Loan Book amid uptick in domestic economic cycle:

SBI is expected to maintain double digit growth rate in loan book with an uptick in domestic economy. Loan book is expected to be driven by home loans, auto loans, other retail loans, agri loans, trade and services as well as higher spending in infrastructure sector. We expect SBI to register a CAGR growth of over 13% in loan book in the next 2 years.

Stable NIM's in a rate down cycle regime:

SBI was able to maintain a net interest margin of over 3% in the last 4 years and in a downward rate cycle is expected sustain above 3.3%. Strong growth in retail deposits coupled with over 42% CASA provides a case for uptick in NIM.

Expected recovery in asset quality:

Asset quality is expected to improve in the next few quarters due to the uptick in economic recovery, government's efforts to revive stalled projects and SBI's efforts to regulate credit towards the stresses sectors even at the cost of slower credit growth, which is expected to yield results. As on Sep 30, 2015, GNPA & NNPA have declined to 4.15% & 2.14%.

Vast network and multiple delivery channels aid for strong growth in deposits:

SBI with its vast network of branches across the country is well positioned to maintain double digit growth in retail deposits and while maintaining higher share of CASA above 40% provides cushion for quality growth. Its multiple delivery channels and technology platforms are likely to provide reach for larger customer base. Government's announcement to infuse capital to SBI is a positive development which further supports growth.

Valuation and Outlook

SBI with its focus on quality loan book growth in double digits, CASA share in deposits, sustained NIMs of over 3% along with emphasis on reducing NPA's and fresh slippages augurs well in the long term on the back drop of biggest balance sheet at bargained valuations in the sector. We expect earnings to grow at a CAGR of 21% over FY15-17E led by 13% CAGR growth in advances. We value the stand alone business at 1.5x FY17E ABV and recommend a 'BUY' rating for a target price of Rs 319 with an upside potential of 32%.

Valuation Summary

YE Mar (Rs. Bn)	FY13	FY14	FY15	FY16E	FY17E
NII (Rs. Bn)	443	493	550	602	685
Net Profit (Rs. Bn)	141	109	131	157	192
EPS (Rs.)	20.6	14.6	17.5	21	25.8
ABV (Rs.)	107.4	108.7	126.8	141.9	162.6
P/ABV (x)	2.2	2.2	1.9	1.7	1.5
RoE (%)	15.4	10.0	10.6	11.7	13.0
RoA (%)	0.9	0.6	0.6	0.7	0.8

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	241
Target Price	319
Upside (%)	32

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	1910419/28756
52-wk High/Low (Rs.)	336 / 220
3M Avg.daily volume (mn)	15.3
Beta (x)	1.4
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	7762.8
Face Value (Rs.)	1.0

Shareholding Pattern (%)

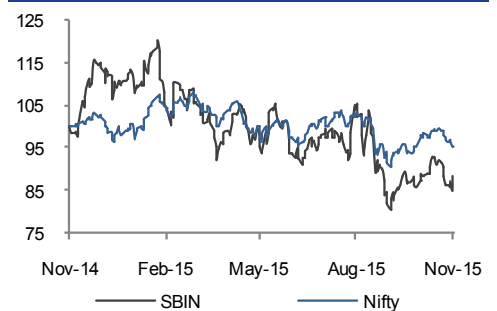
Promoters	60.2
FII's	10.4
DII's	18.4
Others	11.1

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(1)	(15)	(8)	(10)
Relative to Sensex	4	(7)	(3)	(5)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

State Bank of India is India's largest bank offering personal banking, agricultural banking, NRI services, corporate banking, NRI banking with a balance sheet size of over Rs 20 lakh crore. SBI employs over 2.13 employees and operates through a network of 16415 branches and 56930 ATMs serving over 29.5 crore customers. It has 5 banking subsidiaries SBBJ, SBH, SBM, SBP, SBT and various non-banking subsidiaries SBI Life insurance Company, SBI Capital Markets, SBI Funds Management, SBI Cards & Payments. It provides various services like deposits, retail loans for Home, Automobile, Education and other personal loans and corporate loans.

Tata Consultancy Services Ltd

Bloomberg Code: TCS IN

India Research - Stock Broking

BUY

TCS: Consistent Growth with Superior Margins

Leader in Growth Rate among Industry Peers:

TCS USD revenue has been growing consistently by ~15% in the last few years despite its large base. Going forward, we expect TCS to maintain broad-based growth and a CAGR of 15% in revenue over FY15- FY17E.

Steady improvement in margins:

TCS has improved its margins steadily between 25%-30% over the last many years, even during challenging global economic environment. This was due to continuous improvement in operational efficiency, higher employee utilization levels of over 82% and increased share of high margin projects.

Well diversified revenue model:

TCS has maintained the broad-based revenue growth in various geographies and verticals, with growth contributors being BFSI (40.5%), retail (13.8%), manufacturing (9.8%) and life sciences & healthcare (7%). TCS has maintained a balance between bread-and-butter businesses such as application development & maintenance and newer growth avenues such as Digital.

Proven capabilities in managing currency volatility:

USD contributes 56.5% to its revenue pie, whereas GBP, EUR and other currencies contribute 14.5%, 7.5% and 21.4% respectively. TCS was able to manage the currency volatility even during turbulent times in the global currency markets.

Valuation and Outlook

TCS with its broad based service delivery model is expected to register consistent growth of over 15% in USD revenue terms with superior margins of around 26-28% over the next few years. TCS continues to command premium valuations due to its consistent growth and profitability. We recommend a 'BUY' with a target of Rs 2815, valuing the stock at 20x FY17E EPS, which represents an upside potential of 15%.

Valuation Summary

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	629895	818094	946484	1087824	1230007
EBITDA	180399	251528	239920	311328	350084
EBITDA Margin (%)	28.6	30.7	25.3	28.6	28.5
Adj. Net Profit	139173	191639	198522	241042	270169
EPS (Rs.)	71.0	97.7	101.4	122.7	137.6
RoE (%)	40.9	43.6	39.8	37.9	34.9
P/E (x)	34.6	25.2	24.3	20.0	17.9

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	2458
Target Price	2815
Upside (%)	15

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	4869617/73296
52-wk High/Low (Rs.)	2812 / 2345
3M Avg.daily volume (mn)	1.3
Beta (x)	0.6
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	1970.4
Face Value (Rs.)	1.0

Shareholding Pattern (%)

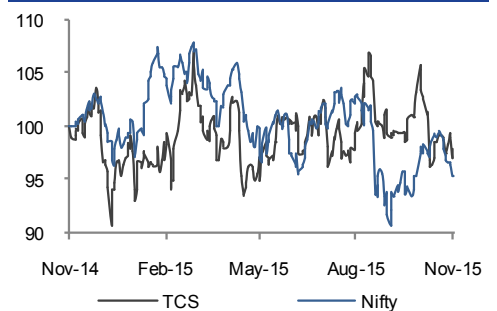
Promoters	73.9
FII	12.7
DII	8.9
Others	4.5

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(7)	(4)	(3)	(4)
Relative to Sensex	(2)	4	2	4

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Tata Consultancy Services Limited (TCS) is an integrated Information Technology, Consulting and Business Solutions provider offering a wide range of services like Application Development & Maintenance, Enterprise Solutions, Assurance services, Engineering & Industrial services, Infrastructure services, Global Consulting, Asset Leveraged Solutions and Business Process Outsourcing services. It has a total employee base of 3.35 lakh working from 183 offices spread across 43 countries. It derives 52% of its revenue from North America, 2% from Latin America, 16% from UK, 11% from Continental Europe, 9% from Asia Pacific, 2% from MEA and 6.5% from India.

UltraTech Cement Ltd

Bloomberg Code: UTCEM IN

India Research - Stock Broking

BUY

Ultratech: Consolidating Leadership Position with Focus on Efficiency

Well positioned to benefit from robust economic growth:

Ultratech being the largest cement manufacturer with presence across the country is well positioned to benefit from the likely higher spending on infrastructure and housing amid robust economic recovery during which cement sector is likely to see a volume growth of over 8%, while Ultratech is expected to register a growth in volumes of over 12% in the next 2 years.

Organic & inorganic expansion to strengthen leadership position:

Ultratech has planned for a capex of over Rs 10,000 cr to expand and modernize its existing facilities, acquisition of JP group's MP (4.9MTPA) cement plants with a target to reach 71.2 MTPA to strengthen the leadership position.

Economies of scale to result in an EBITDA growth of over 30%:

Ultratech with its capacity of 71 MTPA by FY16E, is expected to benefit from its network of cement, captive power, ready mix plants, and material handling terminals and is well positioned to benefit from better coordination & mobilization of materials. Also, being a market leader with a strong brand the company is likely to command premium pricing over its smaller competitors. It brings in operational efficiency and pricing power in consideration to its size, therefore, resulting in higher EBITDA per ton of Rs1140 by FY17E.

Subdued raw material prices to aid profitability:

Subdued crude oil, pet-coke and coal prices are likely to contribute towards lower operating expenses and aid profitability.

Valuation and Outlook

Ultratech is likely to benefit from strong revival in the economy, organic & inorganic growth plans, improved operational efficiency and leadership position in the Cement industry. We expect Ultratech to deliver a CAGR of 12% in sales and 30% in EBITDA during FY15-17E. We recommend a 'BUY' for a target of Rs. 3520 valuing at 24x FY17E EPS, for an upside potential of 30%

Valuation Summary

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	200230	200779	226565	267303	316224
EBITDA	45235	36160	39153	51988	65971
EBITDA Margin (%)	22.6	18	17.3	19.4	20.9
Adj. Net Profit	26605	21445	20147	24427	33604
EPS (Rs.)	97	78.2	73.4	89	122.5
RoE (%)	18.9	13.3	11.2	12.3	14.9
P/E (x)	27.9	34.6	36.8	30.4	22.1

Source: Company, Karvy Research, Bloomberg

Recommendation (Rs.)

CMP	2703
Target Price	3520
Upside (%)	30

Stock Information

Mkt Cap (Rs.mn/US\$ mn)	756128/11381
52-wk High/Low (Rs.)	3398 / 2419
3M Avg.daily volume (mn)	0.3
Beta (x)	1.1
Sensex/Nifty	25743 / 7783
O/S Shares(mn)	274.4
Face Value (Rs.)	10.0

Shareholding Pattern (%)

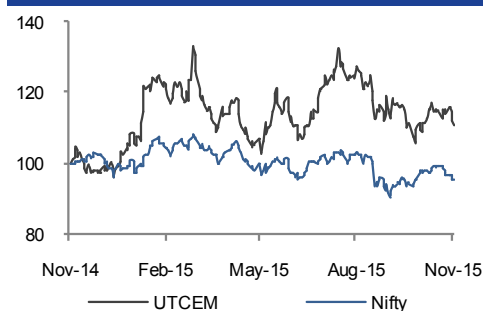
Promoters	61.7
FII's	18.4
DII's	7.1
Others	12.8

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(4)	(15)	0	7
Relative to Sensex	1	(7)	5	13

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Ultratech is the largest manufacturer of cement in India with an installed capacity of over 64.7 mn tons per annum (MTPA). It manufactures grey cement, ready mix concrete, white cement and other building products. It operates through 12 integrated plants, 1 clinkerisation plant, 16 grinding units, 6 bulk terminals and 100 RMC plants. It markets white cement under the brand 'Birla White' and has a capacity of 0.56MTPA besides 2 wallcare putty plants with a combined capacity of 0.8MTPA. Ultratech is the largest exporter of cement from India and its operations spread across Bahrain, Bangladesh, Sri Lanka.

HDFC: Technical View



HDFC is in the cycle of higher highs and higher lows in the last two years. However, over last few months the stock is trading in a broad range of 1090-1400 with low volumes and resembles like a down ward sloping channel (flag) formation, indicating a pause in the ongoing Bull Run. During this corrective phase, the stock has respected its medium and long term moving averages, indicating strength. The stock is currently trading in the lower band of the said trading range, and hence the stock can be accumulated for an initial target towards 1400 and sustenance beyond the range can take much higher into uncharted territory towards 1550 levels in the coming months.

HDFCBANK: Technical View



The Long term chart suggests a linear up trend by making higher highs and higher lows on the monthly charts. The extension levels drawn from the low of Rs. 528 to the high of Rs. 1109.30 and then to the low of Rs. 944.20 gives a potential upside target of 1191 levels (23.80%) in the near term, above which the next possible targets can be pegged at Rs. 1341.08 (38.20%) in the months to come.

ITC: Technical View



Technically ITC is in secular uptrend on monthly charts from 66 levels in October 2008 and made an all time high of 401.9. The stock retraced from there to 294 levels where it took support from its previous swing low and 200 DEMA level on weekly chart and bounced back from there. The stock can retest all time highs in coming months breaking above which it can test 400 levels and above that in the uncharted territories of 430-440 levels.

LT: Technical View



LT had been one of our top pick in the Infra space. The counter had been in the uptrend making an all time high of 1893.80 levels in the month of March 2015. Thereafter, the stock witnessed a steep round of profit booking and is currently trading around its crucial support zone of 1300-1350 levels. The stock is still trading around its consolidation breakout levels of 1350 on weekly charts. Analyzing the price action chain, the counter seems to have good potential to re-gain its life time levels and looks extremely attractive for accumulation keeping medium to long term time frame.

MARUTI: Technical View



MARUTI is in the secular uptrend making higher highs and higher lows on the weekly charts trading near its all time highs outperforming the broader markets. The stock gave a consolidation breakout above 3900 levels and is expected to test 4975 levels which is 61.80% Fibonacci price extension drawn from the swing low of 1215 to the swing high of 3789.70 levels and above which in the uncharted territories of 5200 levels.

NTPC: Technical View



NTPC is trading sideways in a very broad range of 107-175 over last three years. However, in the month of August, the stock has formed long legged doji candle pattern on weekly chart with decent volumes at the lower end of the said range, indicating possible reversal of trend on weekly chart. Even on the oscillator and indicator front, RSI is trading at around 50 levels and MACD also have positive crossover, indicating more upside is possible into the stock. Hence we expect the stock to move towards its higher end of the said range in the coming months.

RELIANCE: Technical View



RELIANCE has given a break out from its multi week trading range and moved above its previous swing highs of 925 levels with very good volumes, making the chart structure on daily chart to higher highs and higher lows. The stock also moved above its 50 weeks and 100 weeks moving averages, adding bullishness into the stock. The stock has support at 920-925 zone and below it at 850-860 zone, where the previous said trading range points are placed, and on the higher side, the stock has resistance at 1155-1165 zone, where previous swing highs are placed and above it at 1260-1340 levels.

SBIN: Technical View



SBIN-SBIN has witnessed a stellar rally from the lows of sub 150 to the highs of 336 during the period of August 2013 to January 2015. However, over last few months, the stock has witnessed a correction of the said rally to the lows of 220 on low volumes. The stock has found decent support in the zone of 220-235 levels, where previous swing lows and unfilled gap ups are present, and the said levels also coincides with the 61.8% retracement of the said rally. Hence we assume that the correction in the stock is done and move towards its 52 week's highs zone and much higher towards its all time highs in the coming months.

TCS: Technical View



Technically TCS is in consolidation mode on monthly charts since it recorded its all time high of 2839.7. The stock is in uptrend since 219 levels in March 2009. The consolidation is in the range of 2350-2839.7. On weekly time frame the 14 Days RSI is near its lower thresh hold of bullish zone hence we recommended to initiate long at current market price for a price target of 2815 in medium term.

ULTRACEMCO: Technical View



The stock has doubled from the lows of sub 1400 in Sep 2013 to the highs of 3400 in March 2015, indicating its secular uptrend. However over last one year, the stock is trading in a broad range of 2300-3400, taking support from 100 weeks moving average, indicating a pause in the current Bull Run. For now the stock has support near 2300 and below it at 2000, while upside resistances are placed in the zone of 3220-3300. Going forward, we expect the stock to retest its all time highs in the coming months and move much beyond into uncharted territory.

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