

ALLCARGO LOGISTICS

BUY

Last report on 17-Nov-14 (Price:310)

CMP 323	Target Price 390	52 wk High/Low 358 / 102	Market Cap (Rs Mn) 40,713	Shares Outstanding (Mn) 126
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INVESTMENT ARGUMENT

- Allcargo has a strong presence in the MTO business through wide network of ECU Line.
- It also has a strong hold on domestic MTO business and continues to perform strongly in the MTO segment despite sluggish container shipping market
- We estimate the MTO segment to grow at ~24% in FY15 and ~7% in FYY16
- Strong relationships will help the company to report stable volumes in the CFS segment in FY15E and FY16E.at around 200,000 TEUs per annum
- We estimate PES division to continue to report volatility in revenue and profitability
- Allcargo is well-placed to derive maximum benefits from any potential recovery in global trade.

RISKS & CONCERNS

- Deterioration in Exim trade
- Competition in the CFS segment

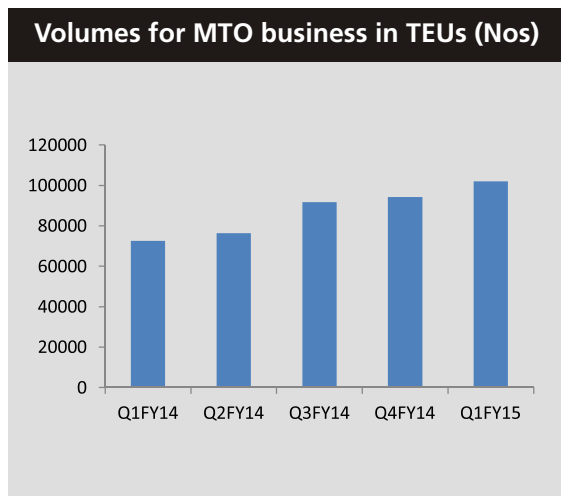
BACKGROUND

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

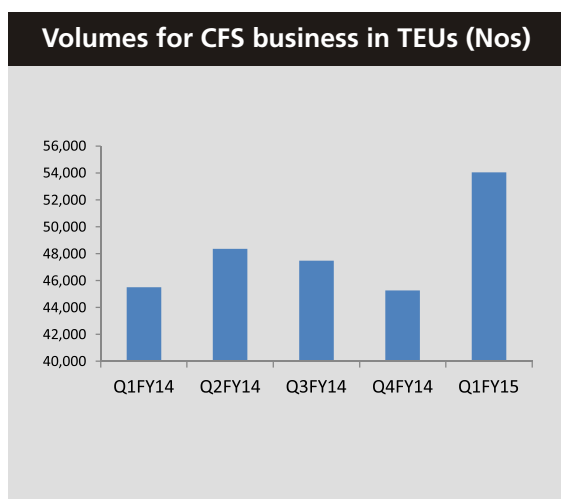
FINANCIALS (RS MN)	FY14	FY15E	FY16E
Sales	48,513	54,450	59,810
Growth %	23.8	12.2	9.8
EBITDA	3,912	4,741	5,322
EBITDA margin %	8.1	8.7	8.9
PBT	1,961	2,801	3,322
Net profit	1,491	2,101	2,492
EPS (Rs)	11.8	16.7	19.7
Growth %	(11.0)	40.9	18.1
CEPS	25.7	30.2	33.5
Book Value (Rs / Share)	133.7	148.9	166.5
Dividend per Share (Rs)	1.5	2.5	2.5
ROE %	8.8	11.2	11.8
ROCE %	8.6	10.5	11.3
Net cash (debt)	(4,874)	(5,865)	(5,710)
Net working capital (Days)	22.5	24.0	25.0

VALUATION PARAMETERS	FY14	FY15E	FY16E
P/E (x)	27.3	19.4	16.4
P/BV (x)	2.4	2.2	1.9
EV/Sales (x)	0.9	0.9	0.8
EV/EBITDA (x)	11.7	9.8	8.7
PRICE PERFORMANCE (%)	1M	3M	6M
	29.7	33.0	56.5

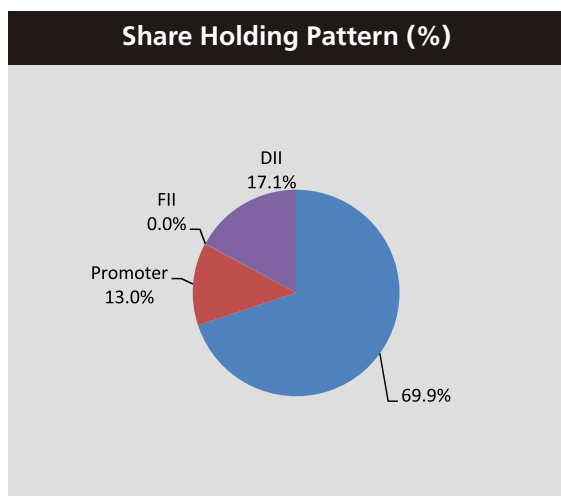
Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company



Source: Company, Kotak Securities - Private Client Research



Source: Bloomberg

CARBORUNDUM UNIVERSAL LTD

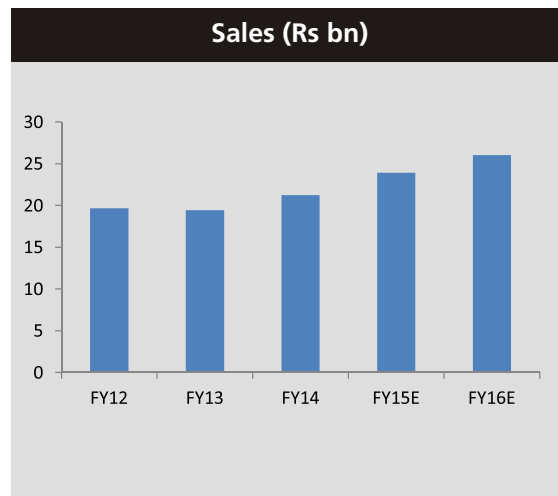
BUY

Last report on 25-Nov-14(Price:174)

CMP 173	Target Price 240	52 wk High/Low 221 / 123	Market Cap (Rs Mn) 32,510	Shares Outstanding (Mn) 188
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INVESTMENT ARGUMENT

- Leadership position in the domestic abrasives market; strong positioning in global electrominerals and industrial ceramics market
- Geographically diversified operations: Recovery expected in overseas business; business uptrend across verticals.
- Sustained emphasis on research & development initiatives provides competitive edge to the company
- We project growth at 54% CAGR in EPS from Rs 5.1 in FY14 to Rs 12 in FY16. Recovery in operating margins likely to aid to free cash flow generation.
- Current valuations appear attractive vis-à-vis the potential growth in profits. We value CUMI stock at 20x FY16E (11x EV/EBITDA) earnings and arrive at a target price of Rs 240 per share



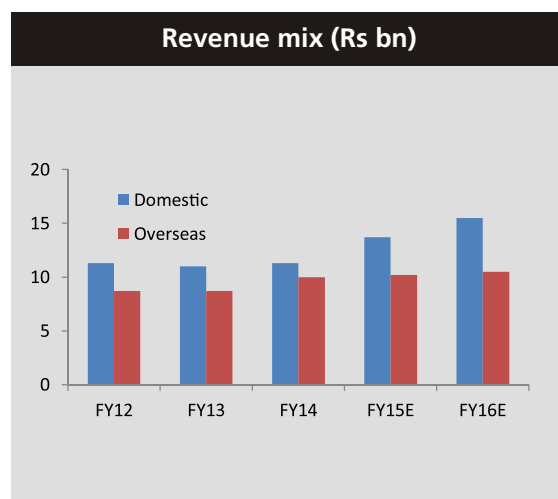
Source: Company

RISKS & CONCERNS

- Delayed recovery in global manufacturing activity

BACKGROUND

- Incorporated in year 1954; company is a global supplier of abrasives, ceramics and electro minerals. CUMI was founded as collaboration between the Murugappa Group

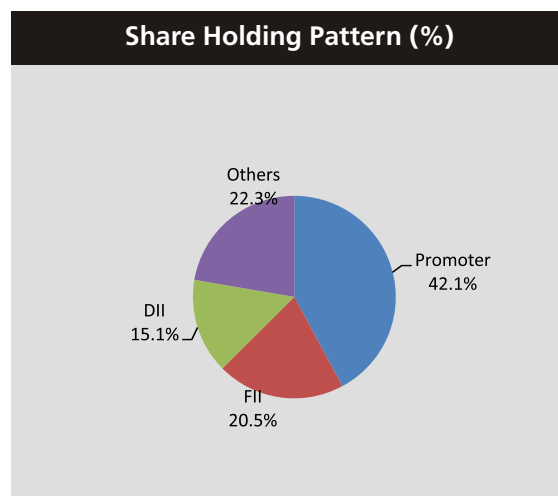


Source: Company, Kotak Securities - Private Client Research

FINANCIALS (RS MN)	FY14	FY15E	FY16E
Sales	21,253	23,929	26,028
Growth (%)	9.5	12.3	9.0
EBITDA	2,514	2,871	4,295
EBITDA margin (%)	11.8	12.0	16.5
PBT	1,542	1,750	3,161
Net profit	950	1,243	2,245
EPS (Rs)	5.1	6.6	12.0
Growth (%)	5.5	30.8	80.6
CEPS (Rs)	9.9	11.9	17.4
BV (Rs/share)	59.0	63.7	72.1
DPS (Rs)	1.3	1.7	3.0
ROE (%)	8.8	10.8	17.6
ROCE (%)	6.4	8.3	13.4
Net cash (debt)	(3,015)	(2,917)	(2,388)
NW Capital (Days)	89.7	87.4	90.9

VALUATION PARAMETERS	FY14	FY15E	FY16E
P/E (x)	33.9	26.2	14.4
P/BV (x)	2.9	2.7	2.4
EV/Sales (x)	1.5	1.4	1.2
EV/EBITDA (x)	12.9	11.3	7.6
PRICE PERFORMANCE (%)	1M	3M	6M
	(7.6)	(13.2)	0.3

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



Source: Bloomberg

GEOMETRIC LTD

BUY

Last report on 21-Oct-14(Price:124)

CMP	Target Price	52 wk High/Low	Market Cap (Rs Mn)	Shares Outstanding (Mn)
131	146	174 / 84	8,381	64

INVESTMENT ARGUMENT

- The scale-down in the large account is complete and should not impact FY15 revenues.
- Also, the management has undertaken several restructuring initiatives to improve growth, bring in predictability as well as sustain margins.
- These initiatives are expected to lead to improved revenue growth over the next few quarters.
- The order booking over past three quarters and the strong pipeline make us optimistic on future growth prospects.

RISKS & CONCERNS

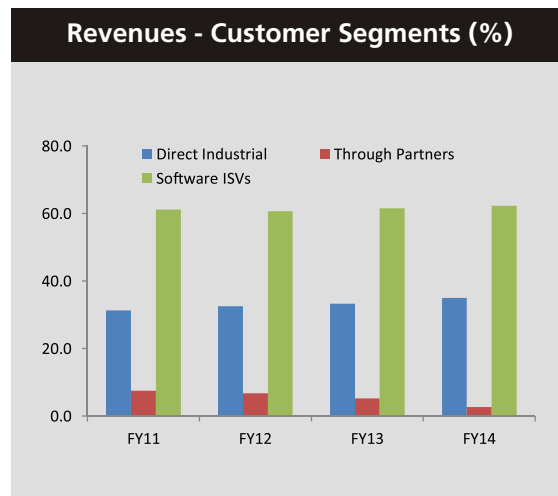
- INR appreciation beyond our assumed levels and slower-thanexpected revival in user economies pose downside risks to our Estimates.

BACKGROUND

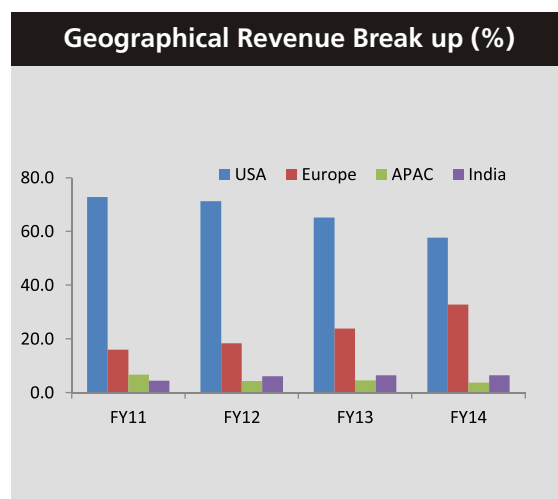
- Set up as a division of Godrej and Boyce in 1984, geometric currently provides engineering services, PLM solutions, and outsourced product development services

FINANCIALS (RS MN)	FY14	FY15E	FY16E
Sales	10,955	11,277	12,595
Growth (%)	7.4	2.9	11.7
EBITDA	2,163	1,767	2,085
EBITDA margin (%)	19.7	15.7	16.6
PBT	1,106	1,469	1,817
Net profit	530	779	980
EPS (Rs)	8.4	12.2	15.3
Growth (%)	(23.4)	45.7	25.8
CEPS (Rs)	13.9	18.0	21.4
Book value (Rs/share)	52.8	63.1	76.8
Dividend per share (Rs)	2.0	2.0	2.0
ROE (%)	17.7	21.1	21.9
ROCE (%)	29.9	33.2	34.8
Net cash (debt)	1,759	2,137	2,787
Net Working Capital (Days)	43.6	46.9	46.4
VALUATION PARAMETERS	FY14	FY15E	FY16E
P/E (x)	15.7	10.8	8.6
P/BV (x)	2.5	2.1	1.7
EV/Sales (x)	0.6	0.6	0.4
EV/EBITDA (x)	7.4	3.7	3.0
PRICE PERFORMANCE (%)	1M	3M	6M
	5.1	0.2	0.1

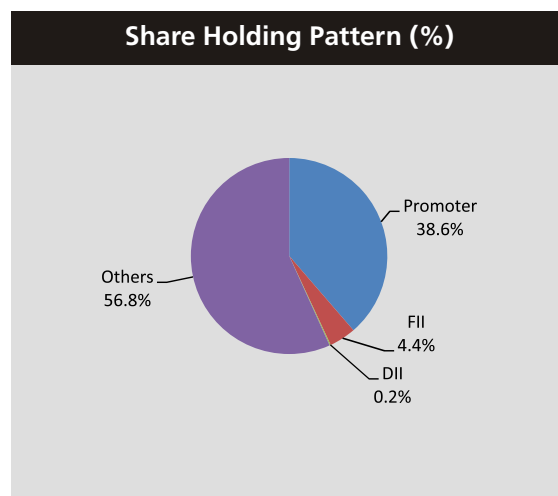
Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company



Source: Company, Kotak Securities - Private Client Research



Source: Bloomberg

ICICI BANK

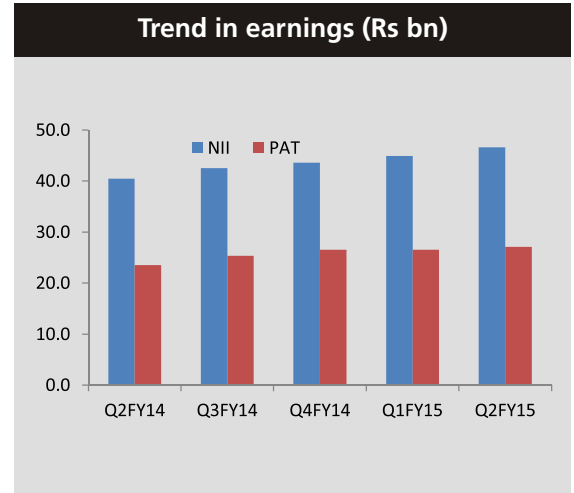
BUY

Last report on 31-Oct-14(Price:323)

CMP 351	Target Price 364	52 wk High/Low 366 / 189	Market Cap (Rs Mn) 2,023,392	Shares Outstanding (Mn) 5765
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INVESTMENT ARGUMENT

- We like the quality of liability franchise - CASA mix at 43.7% (Q2FY15), one of the best in the industry.
- NIM has been on the improvement trajectory on back of strong accretion to low cost deposits as well as better ALM. NIM improvement has been contributed by both domestic as well as overseas operations.
- Lower risk arising from the SME portfolio, as it constitutes only ~5% of total portfolio. While retail piece has witnessed insignificant net slippage, corporate segment continues to perform well.
- Management has slightly hiked the credit cost guidance to 90bps, going forward. We believe healthy NIM and moderate rise in opex are likely to cushion its earnings profile by absorbing marginal rise in the credit costs during FY15/16.



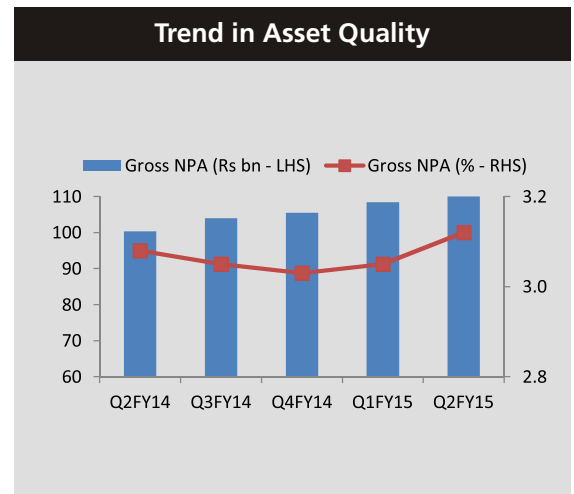
Source: Company

RISKS & CONCERNS

- Retail book stands at ~40% of total book, highly vulnerable to systemwide deterioration in retail asset quality.

BACKGROUND

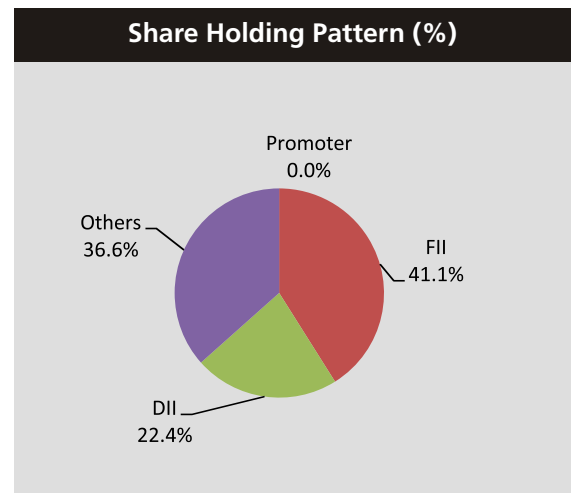
- Largest private sector banks (3815 branches in Q2FY15) with 4.2% market share in domestic loans.



Source: Company, Kotak Securities - Private Client Research

FINANCIALS (RS MN)	FY14	FY15E	FY16E
Interest income	441.8	500.3	575.0
Interest expense	277.0	310.6	352.4
Net interest income	164.8	189.7	222.5
Growth (%)	18.8%	15.1%	17.3%
Other income	104.3	118.1	133.8
Gross profit	165.9	193.2	225.2
Net profit	98.1	114.6	135.9
Growth (%)	17.8%	16.8%	18.6%
Gross NPA (%)	3.1	3.0	2.8
Net NPA (%)	1.0	1.1	1.0
Net interest margin (%)	3.2	3.3	3.4
CAR (%)	17.7	20.4	19.6
RoE (%)	14.0	14.8	15.8
RoAA (%)	1.7	1.8	1.9
Dividend per share (Rs)	23.0	25.0	27.0
EPS (Rs)	85.0	99.2	117.6
Adjusted BVPS (Rs)	605.2	667.1	750.7
VALUATION PARAMETERS	FY14	FY15E	FY16E
P/E (x)	4.1	3.5	3.0
P/ABV (x)	0.6	0.5	0.5
PRICE PERFORMANCE (%)	1M	3M	6M
	9.8	15.0	23.0

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



Source: Bloomberg

PREFERRED PICKS - FUNDAMENTAL

IDFC

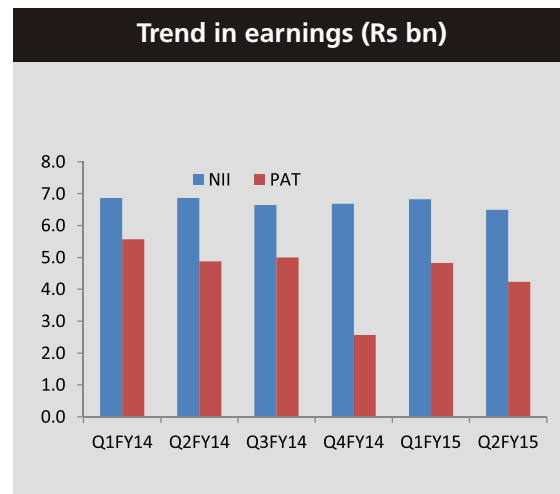
BUY

Last report on 03-Nov-14 (Price:156)

CMP 159	Target Price 172	52 wk High/Low 175 / 88	Market Cap (Rs Mn) 252,853	Shares Outstanding (Mn) 1590
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INVESTMENT ARGUMENT

- It is present in the niche infrastructure financing space and is well positioned to benefit from India's large infrastructure opportunity.
- Asset quality is best in class - GNPA/NNPA at 0.62%/0.42% (Q2FY15). Moreover, it carries sufficient provision buffer (3.6% of loans) to provide for any likely future increase in GNPA.
- Average spread (rolling LTM) has remained stable at 2.2-2.3% as management took the conscious decision of not growing the loan book when funding costs spiked during recent times.
- In prevailing macro-environment, higher non-power assets and strong capitalization makes it a lower-risk play. We believe, falling wholesale funding rates along with improvement in the outlook on capital market related business are future catalyst for the stock.



Source: Company

RISKS & CONCERNS

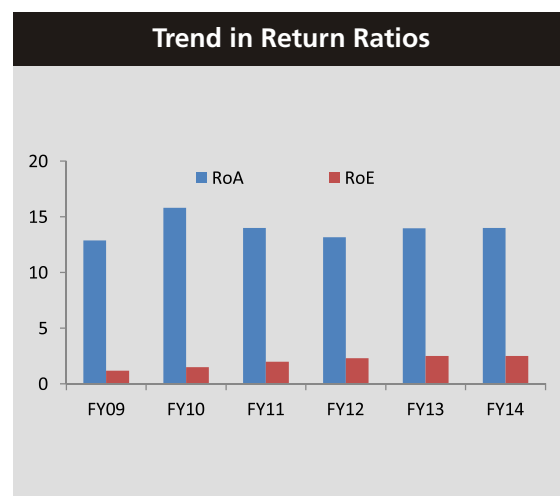
- Continued moderation in infrastructure capex cycle and delay in project commissioning due to policy/approval delays or due to lack of fuel-availability can impact the lending business.

BACKGROUND

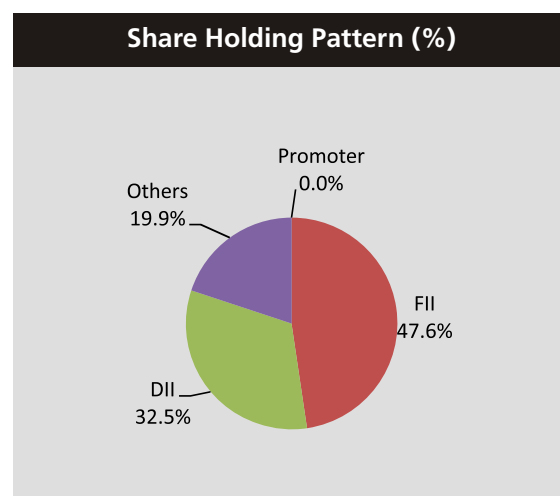
- Established in 1997 as a specialized Infrastructure financier to encourage private sector investments in the infrastructure space.

FINANCIALS (RS MN)	FY14	FY15E	FY16E
Net Interest Income	27,040	25,500	27,519
Growth (%)	5.5%	-5.7%	7.9%
Non-Int Income	10,020	13,040	11,000
Total Income	37,060	38,540	38,519
Operating Profit	31,910	31,519	33,128
Net Profit	18,030	14,367	17,444
Growth (%)	-1.8%	-20.3%	21.4%
Gross NPA (%)	0.6	0.8	1.0
Net NPA (%)	0.4	0.5	0.6
NIMs (%)	4.0	3.7	3.8
RoA (%)	2.8	2.3	2.5
RoE (%)	14.0	10.8	11.7
DPS (Rs)	2.5	2.5	2.5
EPS (Rs)	13.4	9.0	11.0
BV (Rs)	100.6	108.8	116.8
Adj. BV (Rs)	99.1	106.8	114.7
VALUATION PARAMETERS	FY14	FY15E	FY16E
P/E (x)	11.9	17.6	14.5
P/ABV (x)	1.6	1.5	1.4
PRICE PERFORMANCE (%)	1M	3M	6M
	4.0	13.1	18.5

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



Source: Company, Kotak Securities - Private Client Research



Source: Bloomberg

PREFERRED PICKS - FUNDAMENTAL

KANSAI NEROLAC PAINT LTD

BUY

Last report on 27-Oct-14(Price:1980)

<u>CMP</u> 2016	<u>Target Price</u> 2250	<u>52 wk High/Low</u> 2105 / 826	<u>Market Cap (Rs Mn)</u> 108,646	<u>Shares Outstanding (Mn)</u> 54
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INVESTMENT ARGUMENT

- KNPL is the market leader in the Industrial Paint Segment with 42% market share, with automotive segment contributing 75% of the industrial segment revenues.
- Company which currently has 15% market share in the decorative paint segment is also looking to expand aggressively in the segment.
- We expect revival in auto sales and capex cycle to pick up from here
- We estimate margins of the company to improve over FY14 to FY16E by 70 bps
- The company has no major near term capex.

RISKS & CONCERNS

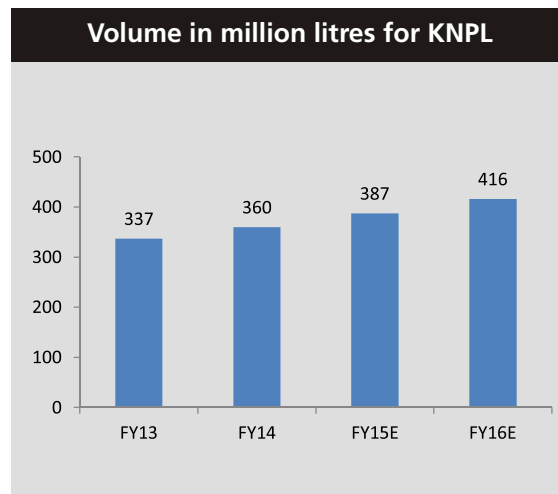
- Prolong slowdown in the automotive segment
- Prolong slowdown in the economy leading to weak capex cycle impacting industrial demand

BACKGROUND

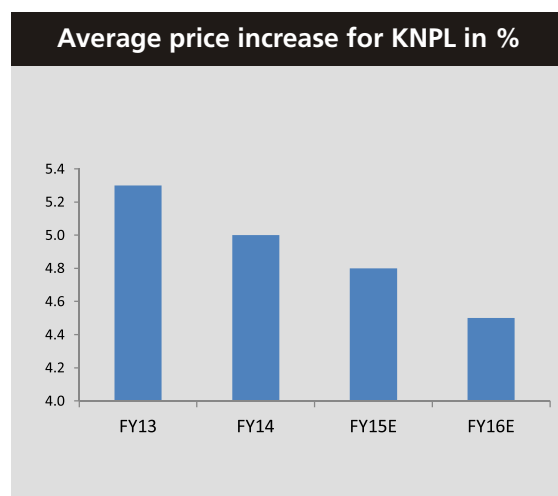
- Kansai Nerolac Paints Ltd. (KNPL), a subsidiary of Kansai Paint, Japan, is one of India's leading paint companies and the largest player in the industrial segment.

FINANCIALS (RS MN)	FY14	FY15E	FY16E
Sales	31,866	40,396	48,325
Growth %	10.8	26.8	19.6
EBITDA	3,480	5,130	6,234
EBITDA margin %	10.9	12.7	12.9
PBT	2,905	4,644	5,709
Net profit	1,948	3,251	3,996
EPS (Rs)	36.1	60.3	74.1
Growth %	5.0	66.9	22.9
CEPS	48.4	73.0	87.6
Book Value (Rs / Share)	274.1	322.8	385.4
Dividend per Share (Rs)	11.0	11.0	11.0
ROE %	13.2	18.7	19.2
ROCE %	13.2	18.1	18.7
Net cash (debt)	1,724	3,287	5,663
Net working capital (Days)	43.2	42.2	43.4
P/E (x)	55.8	33.4	27.2
VALUATION PARAMETERS	FY14	FY15E	FY16E
P/BV (x)	7.4	6.2	5.2
EV/Sales (x)	2.0	(0.2)	(2.4)
EV/EBITDA (x)	17.9	(1.9)	(18.4)
PRICE PERFORMANCE (%)	1M	3M	6M
	6.4	17.0	50.6

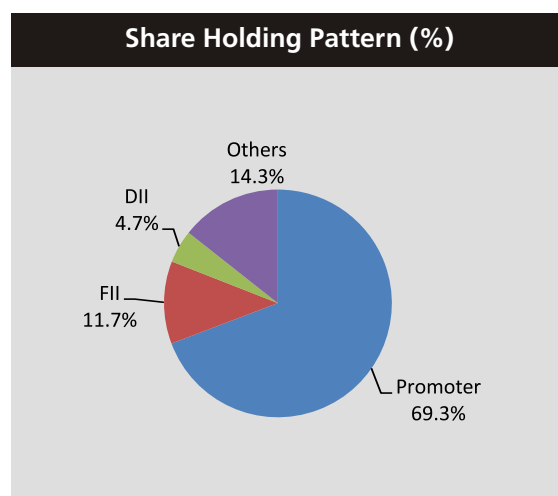
Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company



Source: Company, Kotak Securities - Private Client Research



Source: Bloomberg

PREFERRED PICKS - FUNDAMENTAL

L&T LIMITED

ACCUMULATE

Last report on 10-Nov-14 (Price:1653)

CMP 1639	Target Price 1762	52 wk High/Low 1777 / 952	Market Cap (Rs Mn) 1,521,373	Shares Outstanding (Mn) 928
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INVESTMENT ARGUMENT

- Diversified play on the Indian infrastructure and Industrial sector.
- Order backlog of Rs 2.14 trn remains strong providing visibility of 34 months of trailing four quarter revenue.
- The company has given guidance of 20% growth in order intake in FY15.
- Stock performance would be contingent on newsflow on larger order wins, commodity price trends and general economic and policy datapoints (interest rate cuts and mining and power sector reforms), we opine.
- We expect stock to respond favourably to any reforms moves to address the issues that have plagued the power sector.

RISKS & CONCERNS

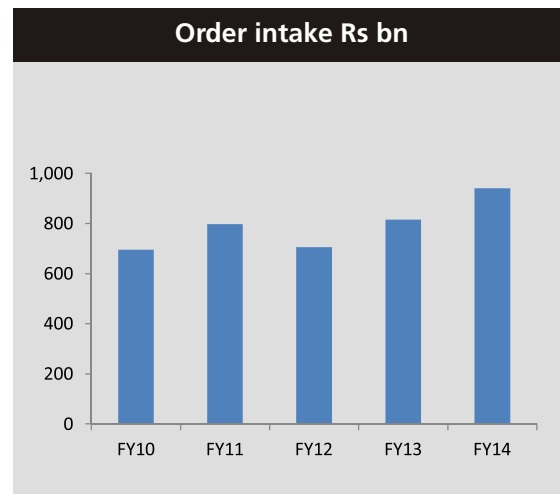
- Mainly project execution and commodity price risks.
- Project investments has slowed down in recent quarters, which may impact order flow in the coming quarters.

BACKGROUND

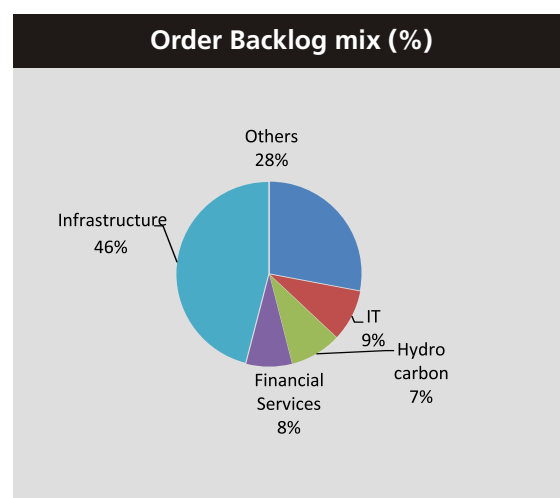
- Professionally managed engineering company.
- Presence across Middle East and Central Asia

FINANCIALS (RS MN)	FY14	FY15E	FY16E
Sales	851,284	936,556	1,077,039
Growth (%)	14.3	10.0	15.0
EBITDA	107,543	115,778	138,577
EBITDA margin (%)	12.6	12.4	12.9
PBT	74,830	70,593	88,536
Net profit	49,020	46,743	58,623
EPS (Rs)	49.5	50.4	63.2
Growth (%)	(0.3)	1.9	25.4
CEPS (Rs)	65.1	77.5	94.3
Book value (Rs/share)	406.8	440.4	485.8
Dividend per share (Rs)	14.3	15.0	16.0
ROE (%)	12.8	11.9	13.7
ROCE (%)	4.2	3.7	4.0
Net cash (debt)	(760,563)	(862,199)	(986,974)
Net Working Capital (Days)	136.4	128.9	127.2
VALUATION PARAMETERS	FY14	FY15E	FY16E
P/E (x)	33.1	32.5	25.9
P/BV (x)	4.0	3.7	3.4
EV/Sales (x)	2.6	2.4	2.1
EV/EBITDA (x)	20.6	19.3	16.6
PRICE PERFORMANCE (%)	1M	3M	6M
	(1.3)	2.9	(2.3)

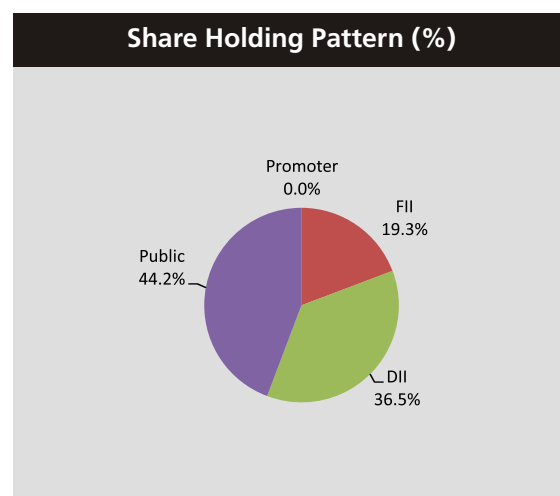
Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company



Source: Company, Kotak Securities - Private Client Research



Source: Bloomberg

PREFERRED PICKS - FUNDAMENTAL

SHREE CEMENTS

ACCUMULATE

Last report on 11-Nov-14 (Price:9200)

CMP 8977	Target Price 9688	52 wk High/Low 9298/4100	Market Cap (Rs Mn) 311,478	Shares Outstanding (Mn) 35
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INVESTMENT ARGUMENT

- Company's revenues during July-Sep quarter were marginally ahead of our estimates led by improvement in cement volumes. Cement volumes registered a growth of 19% YoY for the quarter led by demand improvement as well as commissioning of its new plants. Cement realizations were up by nearly 10% YoY.
- Cement prices stood fairly strong during the quarter till mid-Aug, 14 due to late onset of monsoons and witnessed a decline only after mid-Aug. Northern region witnessed sharper falls during August as compared to other regions and correspondingly company's average realization were down by 8.8% sequentially.
- We expect company to benefit from volume expansion as well as pricing improvement going forward and hence we remain positive on the company.

RISKS & CONCERNS

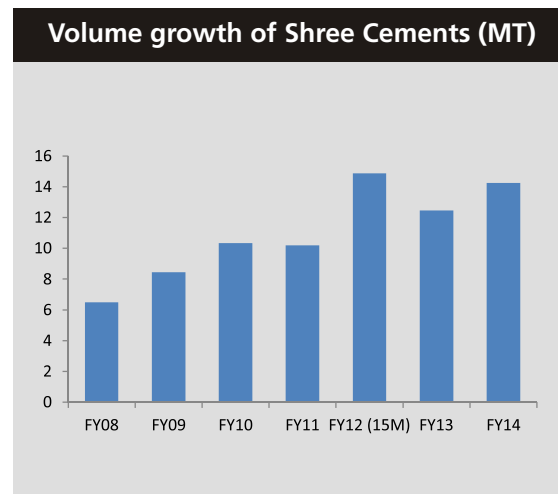
- Decline in cement prices may put downward risk to our estimates
- Decline in merchant power rates may also impact revenues from the power division.

BACKGROUND

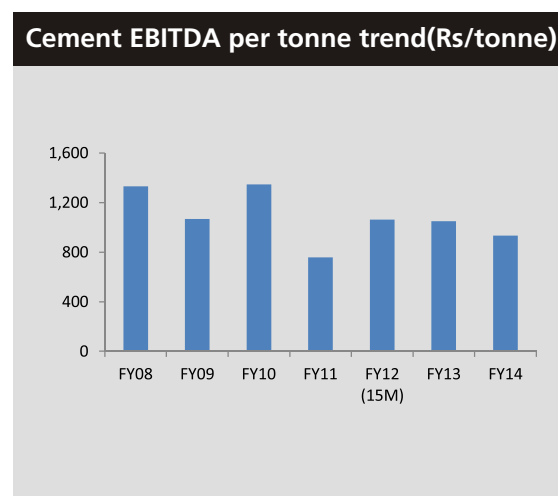
- Shree Cements is one of the most efficient cement producers in India and is best placed to capitalize on the growing cement demand in northern india.

FINANCIALS (RS MN)	FY14	FY15E	FY16E
Sales	58,759	72,495	90,150
Growth (%)	5.5	23.4	24.4
EBITDA	13,784	18,000	24,800
EBITDA margin (%)	23.5	24.8	27.5
PBT	8,152	10,293	15,862
Net profit	7,872	8,440	13,006
EPS (Rs)	226.0	242.3	373.3
Growth (%)	(21.7)	7.2	54.1
CEPS (Rs)	383.8	483.9	652.8
Book value (Rs/share)	1,352.1	1,582.4	1,943.7
Dividend per share (Rs)	12.0	12.0	12.0
ROE (%)	18.4	16.5	21.2
ROCE (%)	18.6	18.3	23.2
Net cash (debt)	12,038	14,698	25,255
Net Working Capital (Days)	113.8	78.0	78.0
VALUATION PARAMETERS	FY14	FY15E	FY16E
P/E (x)	39.7	37.1	24.0
P/BV (x)	6.6	5.7	4.6
EV/Sales (x)	5.1	4.1	3.2
EV/EBITDA (x)	21.7	16.5	11.5
PRICE PERFORMANCE (%)	1M	3M	6M
	(1.2)	7.3	25.2

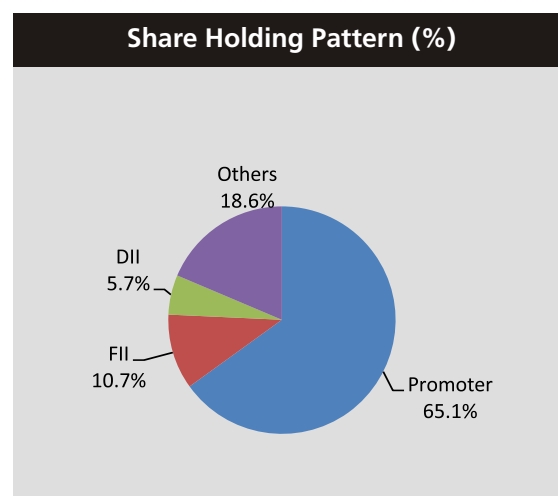
Source: Bloomberg, Company, Kotak Securities - Private Client Research



Source: Company



Source: Company, Kotak Securities - Private Client Research



Source: Bloomberg