CENTURY PLYBOARDS (INDIA)

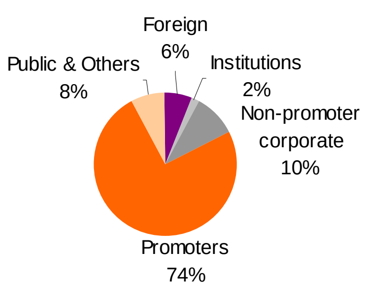
BUY | **CMP: Rs151** | **NOVEMBER 27, 2014**

Score a Century

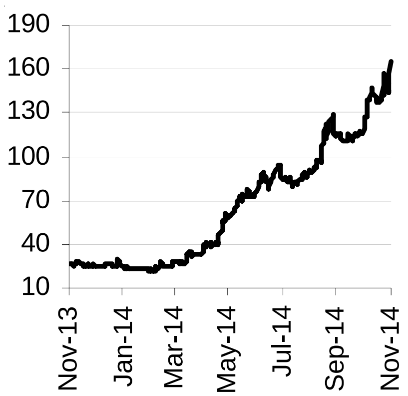
COMPANY DETAILS

Price target:	Rs200
Market cap:	Rs3,355 cr
52-week high/low:	Rs172/22
NSE volume (No of shares):	6.7 lakh
BSE code:	532548
NSE code:	CENTURYPLY
Sharekhan code:	CENTURYPLY
Free float (No of shares):	5.7 cr

SHAREHOLDING PATTERN



PRICE CHART



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	28.6	69.4	157.1	499.3
Relative to Sensex	21.6	57.6	121.1	324.3

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

KEY POINTS

- **A leading player in a fast growing niche space:** Century Plyboards (Century) is a leading player in the fast growing plywood and laminate segment, with an overall share of 25% of the organised plywood market, which is estimated at Rs4,500-4,800 crore. The organised plywood and laminate segment is growing at healthy double digits due to an improving demand environment and a shift towards branded products. Century has the advantage of a strong brand equity, wide distribution network and a manufacturing presence in the timber-rich region of Myanmar. We believe it can grow ahead of the industry, at 22% CAGR, over the next three to five years.
- **Roll-out of GST to provide a fillip to organised segment:** For procuring wood, the plywood industry doesn't pay any excise duty or VAT. Therefore, there is no CENVAT credit available to the plywood manufacturers. As a result, the scope for savings is huge if the excise duty is evaded (that is why the plywood segment has more unorganised players, who form 70% of the segment). However, once the GST comes into force, the tax advantage currently enjoyed by the unorganised players would diminish sharply and the market share of the organised players would surge.
- **Improving demand and premium positioning to support margins:** In the past couple of years, the company has invested in building capacities (set up new plywood plants in Gujarat and Myanmar, closer to the sources of timber; and doubled the laminate capacity from 2.4 million sheets to 4.8 million sheets). Consequently, it is positioned to ride the economic revival-driven recovery in demand and increase its market dominance in the plywood and laminate segment. The margins would be supported by the improving trend in the revenue mix and the benefits of operating leverage due to higher capacity utilisation across plants. Therefore, we expect its profit after tax to surge at a healthy rate of 47% CAGR over FY2014-17.
- **Key risk:** As the company imports around 50-60% of its raw material, it faces a big risk from the rupee's depreciation against the dollar. Besides, a lower than expected improvement in the demand environment is a risk to our earnings estimates.
- **Quality consumer play with strong growth outlook; Buy:** Century is a high-quality consumer play with a dominant market share in a fast growing niche segment. Consequently, we expect the stock to command a premium valuation and outperform the broader market over the long term. We initiate coverage on the stock with a Buy rating and price target of Rs200. ■

VALUATIONS (CONSOLIDATED)

Particulars	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Net sales (Rs cr)	1,182	1,348	1,681	2,033	2,461
Growth (%)	(29.0)	14.0	25.0	21.0	21.0
Adjusted EBITDA (Rs cr)	128	179	239	299	373
EBITDA margin (%)	10.8	13.3	14.2	14.7	15.2
Adjusted PAT (Rs cr)	53	77	129	179	243
Growth (%)	(57.0)	47.0	67.0	39.0	35.0
Adjusted EPS (Rs)	2.4	3.5	5.8	8.1	10.9
PER (x)	61.0	56.0	26.1	18.7	13.9
RoCE (%)	7.1	15.4	21.0	25.0	26.0
RoE (%)	11.7	23.1	36.9	35.6	34.0

For detailed report, please visit the Research section of our website, sharekhan.com.

STOCK IDEA

EQUITY | FUNDAMENTALS

TRIVENI TURBINES

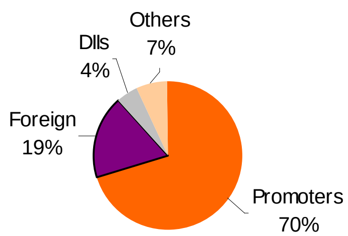
BUY	CMP: RS91	NOVEMBER 13, 2014

On a turbo-charged growth path

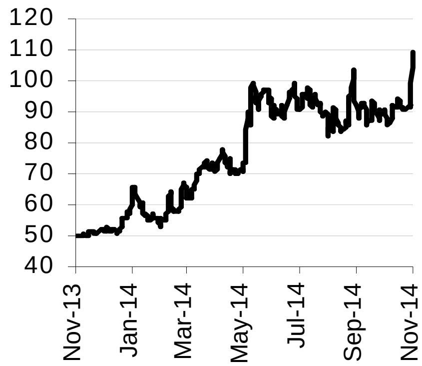
COMPANY DETAILS

Price target:	Rs128
Market cap:	Rs2,994 cr
52-week high/low:	Rs109/49
NSE volume (No of shares):	1.4 lakh
BSE code:	533655
NSE code:	TRITURBINE
Sharekhan code:	TRITURBINE
Free float (No of shares):	9.9 cr

SHAREHOLDING PATTERN



PRICE CHART



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	1.6	3.8	30.5	80.8
Relative to Sensex	-4.7	-4.4	8.3	28.8

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KEY POINTS

- **Ahead of the pack:** Triveni Turbines Ltd (TTL), the market leader (with over 65% market share domestically) in the up to 30MW steam turbine segment, is at an inflexion point with a strong ramp-up in the after-market (spares and refurbishment of the existing plants; contributes 26% of revenues) and export (contributes 32% of the revenues) businesses while the domestic market is showing distinct signs of a pick-up. Unlike most of its peers, TTL is already showing a distinct improvement in order booking and reported a 47% growth in its order inflows in the first half of this fiscal (it has an order backlog of Rs770 crore).
- **JV with GE—an added boost to export business:** TTL has established itself in the overseas markets with installations across 50 countries and export orders account for 60% of its current order book. A joint venture (JV) with global power equipment major General Electric (GE) to manufacture turbines (30MW to 100MW) is further boosting its export business with the revenues from the JV scheduled to grow multi-fold in the current and the next year (over a relatively small base of Rs20 crore in FY2014). The venture is also expected to turn profitable in FY2015.
- **Industry beating margins sustainable:** The shifting of the revenue mix towards a higher contribution from the fast growing and highly profitable businesses of exports and after-market is aiding margins. We expect the company to sustain its OPM at 22-24%, which is among the best in the industry and way ahead of competition.
- **Healthy balance sheet and operating cash flows:** TTL is virtually a debt-free company and has an efficient working capital cycle resulting in very healthy return ratios (both RoE and RoCE in the upwards of 50%). It has consistently been able to maintain a low working capital cycle by virtue of the advances received (up to 15-20% of the order value) from its customers and a short execution cycle (of less than one year). With a minimal investment of Rs40 crore to substantially increase its manufacturing capacities and healthy growth rates, we see the cash generated from operations increasing manifold to Rs147 crore in FY2017 from Rs37.5 crore in FY2014.
- **Quality business at discounted valuations; Buy with price target of Rs128:** Given its relatively better competitive positioning in the domestic as well as overseas markets, strong order backlog and a healthy balance sheet (it is debt-free and enjoys superior return ratios), TTL is set to report a 39% compounded annual growth in its earnings over the three-year period FY2014-2017. It is our preferred pick in the power equipment space and among the few Indian capital goods companies to have established a global footprint. However, in spite of a superior quality of business and return ratios, it trades at a close to 40% discount to its comparable peer like Thermax. Thus, we see significant scope for re-rating (narrowing of the valuation gap) and set our price target at Rs128 (23x FY2017 estimates which is a discount of 15% to the current multiple of Thermax and lower than TTL's average PE multiple of 25x over the past five years). We initiate coverage on TTL with a Buy rating. ■

VALUATIONS (CONSOLIDATED)

Particulars	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Net sales (Rs cr)	665.3	515.4	701.6	991.3	1,256.1
Growth Y-o-Y %	-	*-22.5*	*36.1*	*41.3*	*26.7*
Operating margin (%)	23.1	19.5	20.6	23.6	23.6
Net profit (Rs cr)	104.7	68.0	94.8	144.9	181.6
Adjusted EPS (Rs)	3.2	2.1	2.9	4.4	5.5
Growth Y-o-Y %		*-35.1*	*39.5*	*52.8*	*25.3*
PER (x)	28.6	44.1	31.6	20.7	16.5
P/B (x)	21.7	17.1	11.1	7.2	5.0
EV/EBIDTA (x)	17.5	26.2	17.9	11.4	8.6
RoCE (%)	0.0	54.3	57.0	61.7	53.6
RoNW (%)	0.0	43.4	42.7	42.4	35.9

For detailed report, please visit the Research section of our website, sharekhan.com.

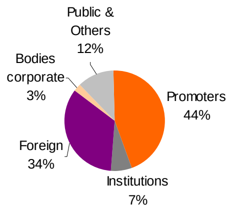
Apollo Tyres

Buy | CMP: Rs233 | November 11, 2014

COMPANY DETAILS

Price target:	Rs265
Market cap:	Rs11,855 cr
52 week high/low:	Rs241/69
NSE volume (no. of shares):	51.6 lakh
BSE code:	500877
NSE code:	APOLLOTYRE
Sharekhan code:	APOLLOTYRE
Free float (no. of shares):	28.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	7.2	41.3	41.4	231.1
Relative to Sensex	1.0	28.1	15.1	141.5

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Maintain Buy with a revised price target of Rs265

KEY POINTS

- With the benefit of an extended fall in the raw material prices accruing to the company, Apollo Tyres (Apollo) reported a strong performance in Q2FY2015. The gross profit margin expanded leading to an increase in the operating profit margin (OPM), which resulted in an impressive 41.7% Y-o-Y growth in the stand-alone net profit. The growth in the consolidated net profit was lower at 3.4% due to a higher tax rate in the overseas operations.
- The growth in the domestic replacement demand remains muted in low single digits. However, an anticipated revival in the economy is expected to spur the replacement as well as original equipment manufacturer (OEM) demand. Apollo's European operations continue to have a positive growth trajectory. While the benefit of lower raw material prices is expected to continue to flow to the OPM in H2FY2015 and FY2016; we continue to expect a margin contraction in FY2016 over the FY2015 level.
- The current period of high profitability has enabled Apollo to undertake a major capital expenditure plan without any stress on the balance sheet. We have raised our earnings estimates for FY2016 by 5.3% to Rs25 to factor in the higher OPM. We have also introduced FY2017 earnings estimate of Rs26.5. We roll forward our target multiple to FY2017 estimates and reiterate our Buy recommendation on the stock with a revised price target of Rs265 (vs Rs237 earlier), discounting the FY2017E earnings 10x.■

For detailed report, please visit the Research section of our website, sharekhan.com.

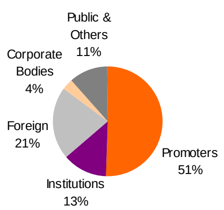
Ashok Leyland

Buy | CMP: Rs47 | November 7, 2014

COMPANY DETAILS

Price target:	Rs58
Market cap:	Rs13,490 cr
52 week high/low:	Rs49/15
NSE volume (no. of shares):	189 lakh
BSE code:	500477
NSE code:	ASHOKLEY
Sharekhan code:	ASHOKLEY
Free float (no. of shares):	141. cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	10.9	32.4	108.2	153.4
Relative to Sensex	5.7	20.8	65.3	90.0

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Margins outperform; maintain Buy with a revised price target of Rs58

KEY POINTS

- After seven consecutive quarters of a volume decline, Ashok Leyland Ltd (ALL) showed the first signs of a recovery with a volume growth of 9.8% and a revenue growth of 26.2% in Q2FY2015. There was a continued improvement in the operating performance as the OPM expanded by 260BPS sequentially (by 510BPS YoY) to 7.3%, ahead of our estimates. An exceptional gain of Rs109 crore (of about Rs82 crore post-tax) enabled ALL to report a PAT of Rs121 crore.
- The domestic commercial vehicle (CV) industry is on a recovery path and has reported positive growth over the past four months. The heavy truck segment has been leading the recovery while the intermediate and light truck segments are yet to turn positive. The central government's initiatives on manufacturing-led industrial growth and kick-starting the capital expenditure cycle will be the drivers for the CV industry going forward.
- With a leaner cost structure, minimal capex going forward and deleveraging of the balance sheet, ALL is well poised to reap the benefits of a revival in the CV industry. We have raised our earnings estimates for FY2016 and FY2017 by 7.8% and 5.7% respectively after factoring in the higher realisations and improved margins. We remain positive on the stock and reiterate our Buy recommendation with a revised price target of Rs58, valuing the core business at 14x FY2017E earnings.■

For detailed report, please visit the Research section of our website, sharekhan.com.

Aurobindo Pharma

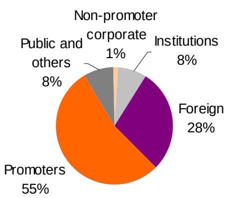
Buy | **CMP: Rs1,031** | **November 7, 2014**

US business continues to see a strong traction; price target revised up to Rs1,272

COMPANY DETAILS

Price target:	Rs1,272
Market cap:	Rs30,054 cr
52 week high/low:	Rs1,048/236
NSE volume (no. of shares):	18.3 lakh
BSE code:	524804
NSE code:	AUROPHARMA
Sharekhan code:	AUROPHARMA
Free float (no. of shares):	13.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.6	37.0	69.4	319.7
Relative to Sensex	-1.3	25.0	34.5	214.7

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a postition in the companies mentioned in the article.

KEY POINTS

- Aurobindo Pharma reported healthy results in Q2FY2015 as reflected in a 50.5% growth in the net sales and a 36.5% growth in the adjusted net profit. The revenue growth during the quarter was aided by the integration of the newly acquired European business of Actavis.
- The continued strong growth in the US business (up 61% YoY), a 400-BPS expansion in the gross profit margin, an improved balance sheet ($85 million repayed during H1FY2015) and smooth integration of the European business of Actavis are some of the key positives visible in this quarter.
- The management is confident of achieving more than 20% growth in the US market over the next couple of years and an operating profit margin of over 22% on a sustainable basis. However, the API business will continue to see seasonal variations quarter on quarter.
- We have fine-tuned our estimates, introduced the estimates for FY2017 and rolled over our valuation to the estimated earnings for FY2017. Accordingly, the price target stands revised to Rs1,272 (16x FY2017E EPS). We maintain our Buy recommendation on the stock.■

For detailed report, please visit the Research section of our website, sharekhan.com.

Axis Bank

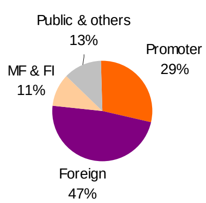
Buy | **CMP: Rs467** | **November 20, 2014**

Price target revised to Rs556

COMPANY DETAILS

Price target:	Rs556
Market cap:	Rs110,184 cr
52-week high/low:	Rs485/216
NSE volume (No of shares):	25.7 lakh
BSE code:	532215
NSE code:	AXISBANK
Sharekhan code:	AXISBANK
Free float (No of shares):	167.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	17.1	18.2	27.8	109.3
Relative to Sensex	9.0	11.2	9.7	53.5

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KEY POINTS

- Axis Bank's liability profile has improved significantly led by an increase in the average current account and savings account balance (about 40% in Q2FY2015) and acceleration in the retail term deposits (62% of the deposits). On the other hand, the bank has increased its retail loan book and is now focusing on high yielding personal loans. In our view, this should result in healthy net interest margin and operating performance.
- Although slippages were relatively higher in Q2FY2015, the overall stressed loans (GNPA + restructured loans) stood at about 4%, which is among the lowest in the sector. In addition, a higher provision coverage ratio (78%) and a higher capital adequacy ratio (CAR; tier-1 CAR of 12.6%) increased the comfort on the asset quality front.
- We expect Axis Bank's earnings to grow at a compounded annual growth rate of 18% over FY2014-17 resulting in return on asset and return on equity of 1.8% and 18% respectively. We believe the asset quality pressures are within manageable limits and a revival in the economy will ease the concerns. We have rolled over our valuations to the FY2017 estimates leading to a revision in the price target to Rs556 (2.2x FY2017E book value). We maintain our Buy rating on the stock.■

For detailed report, please visit the Research section of our website, sharekhan.com.

Divi's Laboratories

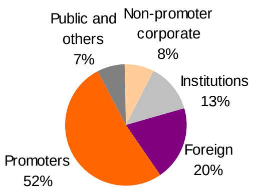
Hold | CMP: Rs1,805 | November 3, 2014

OPM slips in Q2; maintain Hold with a revised price target of Rs1,860

COMPANY DETAILS

Price target:	Rs1,860
Market cap:	Rs23,919 cr
52 week high/low:	Rs1,882/969
NSE volume (no. of shares):	1.8 lakh
BSE code:	532488
NSE code:	DIVISLAB
Sharekhan code:	DIVISLAB
Free float (no. of shares):	6.3 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	4.2	27.1	37.6	95.5
Relative to Sensex	-0.5	17.8	9.3	46.1

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

KEY POINTS

- Divi's Laboratories reported strong sales in Q2FY2015, as reflected in a 46.6% growth in its revenues to Rs833 crore. However, the adjusted net profit recorded a 28.6% jump YoY to Rs222 crore on a weaker operating profit margin (OPM) during the quarter.
- The OPM dropped by 705BPS to 36.8%, mainly due to a change in the product mix (a higher proportion of the generic API business, which generates lower margins). The ratio of the contribution of the generic API business to contribution of the CRAMS business stood at 54: 46 (vs 52:48 in Q2FY2014).
- As quarterly lumpiness is an inherent trait of the CRAMS and generic API businesses, a similar performance may not sustain in the subsequent quarters. The management has maintained its guidance of a 20% revenue growth in FY2015 (against a 36% growth achieved in H1FY2015), thereby indicating that H2FY2015 may be weaker. Also, the OPM is unlikely to see any significant expansion in H2FY2015.
- We have toned down our earnings estimates for FY2015 and FY2016 in view of the weaker OPM achieved in H1FY2015. However, we roll forward our valuation to the estimates of FY2017 to set a price target of Rs1,860 (19x FY2017E EPS). We maintain our Hold rating on the stock.

For detailed report, please visit the Research section of our website, sharekhan.com.

Eros International Media

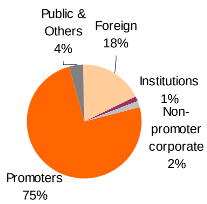
Hold | CMP: Rs329 | November 18, 2014

Impressive show, price target revised to Rs360

COMPANY DETAILS

Price target:	Rs360
Market cap:	Rs3,030 cr
52 week high/low:	Rs328/136
NSE volume (no. of shares):	3.2 lakh
BSE code:	533261
NSE code:	EROSMEDIA
Sharekhan code:	EROSMEDIA
Free float (no. of shares):	2.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	30.5	44.4	98.6	78.0
Relative to Sensex	22.5	34.2	66.4	27.4

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KEY POINTS

- For Q2FY2015, Eros International Media Ltd (EIML) reported a 19.3% Y-o-Y growth in revenues to Rs239.9 crore, led by movie releases like "Aagadu" (Telugu), "Singham Returns" (overseas) and "Mary Kom" (overseas) among others, and also a strong growth in the catalogue sales. The EBITD margin improved by 515BPS YoY to 30.6% driven by a higher contribution from the high-margin television syndication and catalogue sales. The net income for the quarter was up by 36% YoY to Rs50.1 crore.
- The management remains optimistic about the growth prospects for FY2015 and FY2016, driven by a strong movie slate coupled with increasing opportunities in catalogue monetisation. Also, given the strong movie library, the management is planning to venture into premium pay TV for better monetization. The plans for the said venture are expected to be out in the next six months. The company's foray into the Telugu market has been gaining steam and it has already a good presence in the Tamil market. The management indicated at co-production routes in the southern market in the next 6 to 12 months.
- The movie slate for FY2015 has improved on the back of the addition of big-starrer regional movies (Rajinikanth's "Lingaa", "Kaththi" [Tamil, already released and hugely successful]) and other Hindi movies. Given the strong margin outperformance and improving movie slate, we have increased our earnings estimates for FY2015 and FY2016, and also introduced the FY2017 estimates. We are positive about EIML's strategy to increasingly focus on the regional movies mainly Telugu movies, where the market size is improving meaningfully. We have rolled over our target multiple to FY2017 estimates and arrived at a price target of Rs360. The stock has already shot up by 46% in the last three months. Thus, given the limited upside from the current levels, we maintain our Hold rating on the stock.

For detailed report, please visit the Research section of our website, sharekhan.com.

GABRIEL INDIA

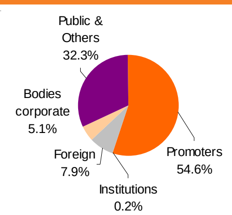
BUY | CMP: RS94 | NOVEMBER 11, 2014

Operating leverage to the fore; price target revised of Rs110

COMPANY DETAILS

Price target:	Rs110
Market cap:	Rs1,352 cr
52 week high/low:	Rs99/19
NSE volume (no. of shares):	8.1 lakh
BSE code:	505714
NSE code:	GABRIEL
Sharekhan code:	GABRIEL
Free float (no. of shares):	65.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	15.9	91.1	188.0	352.3
Relative to Sensex	9.3	73.2	134.5	229.9

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

KEY POINTS

- Driven by a strong growth in the key business segment, ie two-wheelers, and a pick-up in growth in the passenger vehicle (PV) and commercial vehicle (CV) segments, Gabriel India (Gabriel)'s revenues grew by an impressive 21.2% YoY in Q2FY2015. The resultant operating leverage led to a 170-BPS Y-o-Y expansion in the OPM to 8.0% and a 54% growth in the operating income. Consequently, the adjusted net profit improved by 65% YoY to Rs19 crore and was above our expectation.
- Gabriel is expected to keep up the pace of strong top line growth by virtue of its high revenue share with Honda Motorcycle and Scooter India (HMSI) and TVS Motor Company, which are growing at a rate higher than the industry rate in the two-wheeler segment. The company has received orders to service HMSI's upcoming facility in Gujarat which would further boost its share. The CV segment, where Gabriel is the market leader, has showed early signs of a revival and an uptick is expected driven by an improvement in the economy. Also, the recent tie-up with Koni will help the company expand its offerings in the CV segment. Thus, we expect the margin to improve further on the back of the benefits of operating leverage.
- Based on a positive outlook for margins and a lower interest cost, we revise upward our earnings estimates for FY2016 and FY2017 by 12.5% and 8% respectively. In view of the positive outlook for the auto industry, the debt-free status of the company and the boost to the return ratios (RoE expected to improve from 17.3% in FY2014 to 27.5% in FY2017), we increase the target multiple from 10x to 12x. We maintain our Buy rating on the stock with a revised price target of Rs110 (vs Rs85 earlier).■

For detailed report, please visit the Research section of our website, sharekhan.com.

GLAXOSMITHKLINE CONSUMER HEALTHCARE

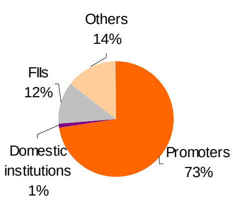
HOLD | CMP: RS5,694 | NOVEMBER 7, 2014

Volume growth to remain in midsingle digit; price target revised to Rs5,730

COMPANY DETAILS

Price target:	Rs5,730
Market cap:	Rs23,972 cr
52 week high/low:	Rs5,799/4,064
NSE volume (no. of shares):	10,614
BSE code:	500676
NSE code:	GSKCONS
Sharekhan code:	GSKCONS
Free float (no. of shares):	1.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-2.9	8.8	31.6	18.0
Relative to Sensex	-7.5	-0.7	4.5	-11.5

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KEY POINTS

- GlaxoSmithKline Consumer Healthcare (GSK Consumer) posted yet another quarter of a mute volume growth of 2% (adjusting for the inventory pipeline in the export business, the volume growth stood at 3.0-3.5%) in Q2FY2015. The slowdown in the domestic market continues to affect the HFD category (which declined by 4% in Q2FY2015). The biscuit segment registered a growth of 6% due to a high base of Q2FY2015 and the discontinuance of some of the SKUs of the digestive and diabetic variants.
- GSK Consumer would stop getting tax benefits from its Baddi facility from May 2015 which would result in an impact of 300BPS on the margin. However, a lower input cost and savings in the other operating cost would help to mitigate the impact of the same. We have revised downwards our estimate for FY2016 earnings by 4% to factor in the lower than estimated volume growth and lower net sales due to an increase in the excise duty. We have also introduced our FY2017 financials in this note.
- GSK Consumer is a strong player in the domestic HFD segment with a strong portfolio of brands in the base and premium segments. We expect the company to benefit from the improving consumer sentiment in urban India and the lowering of the input cost. Also, with strong cash flows, it is one of the cheery dividend payers in the FMCG space. We maintain our Hold recommendation on the stock with a revised price target of Rs5,730 (rolling it over to the FY2017E earnings).■

For detailed report, please visit the Research section of our website, sharekhan.com.

Indian Hotels Company

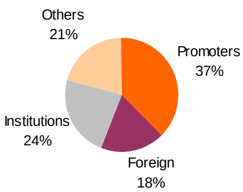
Book out	CMP: Rs108	November 17, 2014

Recovery priced in, Book out

COMPANY DETAILS

Market cap:	Rs8,721 cr
52 week high/low:	Rs112/46
NSE volume (no. of shares):	11.4 lakh
BSE code:	500850
NSE code:	INDHOTEL
Sharekhan code:	INDHOTEL
Free float (no. of shares):	50.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	11.2	30.6	46.3	126.4
Relative to Sensex	4.4	21.4	22.6	62.0

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KEY POINTS

- In a seasonally weak quarter, Indian Hotels Company Ltd (IHCL) registered a muted operating performance with revenues (at the stand-alone) growing by 6% and operating profit declining by 24% in Q2FY2015. For the same period the company posted a loss of around Rs4 crore at the adjusted level.
- Though we expect the occupancies to improve in the second half of FY2015 on the back of expectations of an increase in foreign tourist arrivals, but the average room rental is unlikely to increase in the near term due to increased competition from a rise in room supply in the domestic market. Hence, the operating profit margin of the stand-alone business is expected to remain flat year on year in the near term. On the other hand, any improvement in the profitability of the consolidated business would depend upon a substantial improvement in the business fundamentals of some of the foreign properties (including the ones in the USA and the UK).
- The IHCL stock has run up by 33% (in three months) since our last Stock Update on the company (on August 12, 2014) on the back of an expected recovery in the operational performance in the coming years due to an improved macro environment. We believe at Rs0.85 crore FY2016E enterprise value (EV)/room and 15.5x FY2016E EV/earnings before interest, depreciation, tax and amortisation, the IHCL stock is fairly valued. Hence we advise our investors to exit from the stock with some decent gains.■

For detailed report, please visit the Research section of our website, sharekhan.com.

LIC Housing Finance

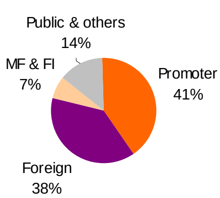
Buy	CMP: Rs407	November 20, 2014

Margins set to expand, price target revised to Rs464

COMPANY DETAILS

Price target:	Rs464
Market cap:	Rs20,527 cr
52-week high/low:	Rs427/187
NSE volume (No of shares):	30.2 lakh
BSE code:	500253
NSE code:	LICHSGFIN
Sharekhan code:	LICHSGFIN
Free float (No of shares):	30.1 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	23.6	37.8	24.9	84.0
Relative to Sensex	15.1	29.6	7.2	34.9

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KEY POINTS

- We expect LIC Housing Finance (LIC Housing)'s net interest margin to expand by 15-20BPS over the next 12 months, led by the softening of interest rates, repricing of loans (fixed-rate loans to floating rates) and an increase in the high yielding portfolio (developer + LAP loans currently at ~6% of the book). We also expect the loan growth to pick-up in the coming quarters which should result in a healthy growth in the operating profit (at 20% CAGR over FY2014-17).
- With gross and net NPAs of 0.63% and 0.33% respectively, the asset quality remains among the best in the system. The gross NPAs in the individual segment (~95% of the book) are low at 0.38%. We expect the company to sustain a healthy asset quality going ahead.
- The growth in mortgage finance remains steady and with a revival in the economy, the growth will pick up which will benefit the bigger HFCs like LIC Housing. We have introduced our FY2017 numbers in this note and expect an earnings growth of 18.5% over FY2014-17 (implying an RoE of 20%). We have rolled over our valuation to the FY2017 estimates leading to a fresh price target of Rs464 (2x FY2017E BV). We maintain our Buy rating on the stock.■

For detailed report, please visit the Research section of our website, sharekhan.com.

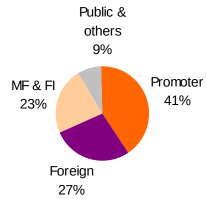
MAX INDIA

BUY | CMP: Rs403 | NOVEMBER 13, 2014

COMPANY DETAILS

Price target:	Rs485
Market cap:	Rs10,738 cr
52 week high/low:	Rs443/178
NSE volume (no. of shares):	5.3 lakh
BSE code:	500271
NSE code:	MAX
Sharekhan code:	MAX
Free float (no. of shares):	15.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	37.1	44.9	100.0	133.7
Relative to Sensex	28.6	33.6	66.0	66.5

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Price target revised to Rs485, strong performance by life insurance segment

KEY POINTS

- Max India reported a strong growth of 26% YoY in PBT (consolidated) contributed by a strong uptick in the operating revenues (up by 15% YoY). The life insurance subsidiary, Max Life, reported a 21.3% Y-o-Y growth in shareholder profits and gave a dividend of Rs107 crore to the parent company. In view of a strong earnings performance and healthy treasury corpus Max India announced an interim dividend of Rs4 per share.
- The healthcare business (Max Healthcare) continued to show traction in revenues and profits. The EBITDA margins improved to 10.34% while new hospitals broke even at the EBITDA level. We have reviewed the valuation of the healthcare business to factor in the healthy growth and transaction with Life Healthcare.
- Max Life has outperformed the sector and has the best operating metrics among the peer group. We have revised our SOTP-based price target upwards to Rs485 (mainly due to the rolling over of life insurance business' valuation to the FY2017 estimates). While the stock has appreciated sharply in the past few weeks (partly factoring in insurance reforms and premium positioning in the insurance business), we believe the upside triggers will emanate from value unlocking from the insurance and healthcare businesses. We maintain our Buy rating on the stock.■

For detailed report, please visit the Research section of our website, sharekhan.com.

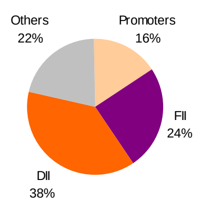
PTC INDIA

BUY | CMP: Rs100 | NOVEMBER 17, 2014

COMPANY DETAILS

Price target:	Rs126
Market cap:	Rs2,960 cr
52 week high/low:	Rs104/52
NSE volume (no. of shares):	27.4 lakh
BSE code:	532524
NSE code:	PTC
Sharekhan code:	PTC
Free float (no. of shares):	24.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	11.4	15.0	32.8	64.1
Relative to Sensex	4.6	6.9	11.3	17.4

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Growth momentum continued; revised price target to Rs126

KEY POINTS

- The revenue of PTC India surged by 34% YoY in Q2FY2015, backed by an 18% growth in volume (12,724MU in Q2) and a 14% growth in the realisation. The blended margins (paisa/unit of power traded) was around 6 paise/unit. The operating profit of PTC India grew by 23% to Rs82 crore, largely influenced by the growth in the power trading volume which percolated to the net level. However, the reported earnings include a one-off gain (surcharge from the Tamil Nadu SEB for a delay in payment of funds) worth Rs18.9 crore. Therefore, the adjusted PAT grew by 25% YoY to Rs77 crore in Q2FY2015, 11% better than our estimate.
- We believe that PTC India is currently riding on a very healthy volume traction which would be supported by a recovery in the industrial demand cycle, growing market of cross-border and domestic retail trades. Further, an uptick in the long-term power volume would inch up its overall margin. We have introduced our FY2017 earnings estimate in this note and rolled over our multiple to FY2017 earnings. The financial subsidiary, PTC India Financial Services (PFS), is also expected to deliver an earnings growth of about 40% CAGR, with a healthy RoE of 21% by FY2017. Against this backdrop, we roll over our target multiple to FY2017E earnings base and value PTC India at 10x its FY2017E earnings and PFS at 1.8x its FY2017E BV. However, we have assigned a 50% holding discount to the value of PFS to arrive at our revised price target of Rs126. We continue to rate the stock as Buy. ■

For detailed report, please visit the Research section of our website, sharekhan.com.

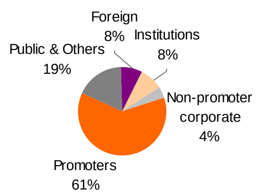
Speciality Restaurants

Hold | CMP: Rs207 | November 13, 2014

COMPANY DETAILS

Price target:	Rs222
Market cap:	Rs972 cr
52 week high/low:	Rs214/101
NSE volume (no. of shares):	72,990
BSE code:	534425
NSE code:	SPECIALITY
Sharekhan code:	SPECIALITY
Free float (no. of shares):	2.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	17.8	33.2	28.2	48.3
Relative to Sensex	10.5	22.8	6.4	5.7

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Focus on improving operating efficiencies; price target revised to Rs222

KEY POINTS

- In Q2FY2015, Speciality Restaurants Ltd (SRL)'s revenues grew by 17% to Rs75 crore largely driven by the addition of new restaurants in the past three quarters. The same-restaurant-sales remained flat for the company which is much better in comparison with Jubilant Foods' same-store-sales decline of 5% and McDonald's India's same-store-sales decline of 7%. As anticipated, the profitability continues to get hit by higher raw material and operating costs for some of the newly opened restaurants (declined by 412BPS YoY).
- The company continues to get better footfalls on weekends; the focus is on improving the weekday footfalls (largely corporate clients). If cover turnaround ratio improves by 5-6% and raw material prices further reduces from the current level, we might see the operating profit margin improving and getting back to double digits. Also, the company is banking on initiatives such as reducing dependence on imported raw materials and better space management at the restaurant level to add to the profitability in the long run.
- We retain our assumption of a better demand environment and its positive impact on the margins in FY2016. We maintain our Hold recommendation on the stock with a rolled over price target of Rs222 (valuing the stock at 23x its FY2017E earnings, which is a 25% discount to Jubilant Foodworks' target multiple).■

For detailed report, please visit the Research section of our website, sharekhan.com.

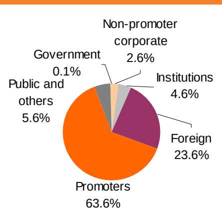
Sun Pharmaceutical Industries

Buy | CMP: Rs909 | November 13, 2014

COMPANY DETAILS

Price target:	Rs1,018
Market cap:	Rs188,272 cr
52 week high/low:	Rs932/552
NSE volume (no. of shares):	23.4 lakh
BSE code:	524715
NSE code:	SUNPHARMA
Sharekhan code:	SUNPHARMA
Free float (no. of shares):	75.3 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	10.3	15.6	48.0	51.8
Relative to Sensex	3.5	6.6	22.8	8.2

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Taro boosts Q2 results; price target revised up to Rs1,018 on roll-over

KEY POINTS

- Sun Pharmaceutical Industries (Sun Pharma) reported a healthy performance in Q2FY2015, as reflected in a 13% growth in the revenues, a 188-BPS expansion in the operating profit margin and a 15% growth in the adjusted net profit, despite a higher base in Q2FY2014 caused by the launch of exclusivity (generic Prandin) and advantage on the launch of Doxil under limited competition last year.
- The quarter's growth can mainly attributed to a stronger performance of the Israeli subsidiary, Taro Pharmaceutical Industries (Taro Pharma; up by 22% YoY), and domestic formulation business (up by 21% YoY). Excluding the revenues of Taro, Sun Pharma has witnessed a moderate 6% growth in exports of formulations.
- The management is confident to get Ranbaxy Laboratories (Ranbaxy) merged within a stipulated time period (ie by the end of December 2014), however a minor delay is not ruled out. The management broadly maintains guidance of a 13-15% growth in FY2015.
- We introduce estimates for FY2017, while keeping intact our estimates for FY2015 and FY2016 intact. We roll over our valuation to the FY2017E earnings to set a new price target of Rs1,018. We maintain our Buy rating on the stock.■

For detailed report, please visit the Research section of our website, sharekhan.com.

The Ramco Cements

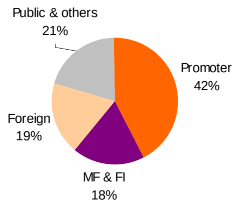
Buy | **CMP: Rs355** | **November 7, 2014**

Strong operating performance boosts earnings; price target revised to Rs420

COMPANY DETAILS

Price target:	Rs420
Market cap:	Rs8,440 cr
52 week high/low:	Rs380/156
NSE volume (no. of shares):	2.7 lakh
BSE code:	500260
NSE code:	RAMCOCEM
Sharekhan code:	RAMCOCEM
Free float (no. of shares):	13.7 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	10.9	24.4	66.2	97.5
Relative to Sensex	5.6	13.5	31.9	48.1

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KEY POINTS

- The Ramco Cements' earnings grew by 4.9x led by an improvement in the realisation (up 14% YoY), a muted growth in the cost of production (up 5.8% YoY) and lower depreciation (down 19% YoY). However, the company has witnessed a decline in volume (down 11.7% YoY). Consequently, the EBITDA per tonne improved to Rs777 per tonne (up 87%YoY).
- Although the demand environment remains tough in southern region, price hikes taken by the regional cement players have helped the company in expanding its operating profit margin. We believe the southern region may remain under pressure with respect to demand, though the company can reap the benefit of operating leverage with an improvement in the realisation.
- We have revised upwards our estimate for FY2015 to factor in the improvement in the margins backed by a better realisation for FY2015, considering the price hikes taken by the cement players during H1FY2015.
- We maintain our Buy rating on the stock and reiterate that The Ramco Cements remains our preferred cement pick in the southern region (due to a relatively better balance sheet, quality of management and valuation). We have revised our price target to Rs420.

For detailed report, please visit the Research section of our website, sharekhan.com.

Thermax

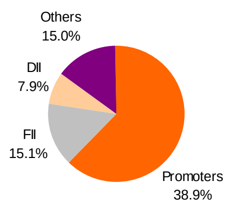
Hold | **CMP: Rs945** | **November 5, 2014**

Strong earnings growth in Q2; price target revised to Rs1,100

COMPANY DETAILS

Price target:	Rs1,100
Market cap:	Rs11,344 cr
52 week high/low:	Rs990/610
NSE volume (no. of shares):	69,078
BSE code:	500411
NSE code:	THERMAX
Sharekhan code:	THERMAX
Free float (no. of shares):	4.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	1.1	5.7	27.6	44.7
Relative to Sensex	-3.7	-3.5	1.3	8.5

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KEY POINTS

- Thermax (stand-alone) reported a very strong earnings growth of 37% YoY during Q2FY2015, backed by a healthy top line growth of 15% and margin expansion. The adjusted PAT was Rs86 crore for the quarter, much ahead of our and the Street's estimates. We believe that with a healthy revenue growth, the operating leverage kicked in which translated into an operating profit margin expansion of 129BPS YoY to 10.3%. However, the performance of the consolidated entity was affected due to an exceptional loss of Rs36 crore provided against the investment in Omnical Kessel (a loss-making step-down subsidiary), which is now placed under the administrators (ie government authority). We believe the exit of Omnical Kessel would improve the overall performance of Danstoker in future.
- We believe an improved earnings outlook would play as a key trigger for the stock, given the high-quality management and proven track record already backing this stock. In our view, the benefit of an expected recovery in the domestic investment cycle would start reflecting in the next couple of quarters. In this note, we have fine-tuned our FY2016 estimate and introduced our FY2017 estimate; therefore, we roll over our price-earnings multiple to FY2017E earnings and continue to recommend Hold on the stock with a revised price target of Rs1,100, based on 28x FY2017E earnings.

For detailed report, please visit the Research section of our website, sharekhan.com.

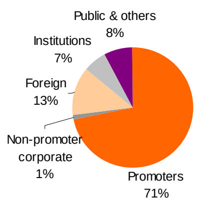
Torrent Pharmaceuticals

Buy | CMP: Rs942 | November 7, 2014

COMPANY DETAILS

Price target:	RsRs1,083
Market cap:	Rs15,939 cr
52 week high/low:	Rs982/451
NSE volume (no. of shares):	1.0 lakh
BSE code:	500420
NSE code:	TORNTPHARM
Sharekhan code:	TORNTPHARM
Free float (no. of shares):	4.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	4.1	21.8	54.3	92.5
Relative to Sensex	-0.8	11.1	22.4	44.4

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Elder s brands aided growth in Q2; price target revised to Rs1,083; maintain Buy

KEY POINTS

- Torrent Pharmaceuticals (Torrent Pharma) reported strong results in Q2FY2015 as reflected in a 28.5% jump in the net sales to Rs1,203 crore, a 238-BPS expansion in the operating profit margin to 21.5% and a 75% jump in the reported net profit to Rs198 crore.
- The net sales were boosted by incremental revenues from the newly acquired branded business of Elder Pharmaceuticals (which contributed nearly Rs95 crore of revenues in Q2FY2015) and stronger traction in the Brazilian (up 28% YoY) and US (up 45% YoY) businesses. Excluding the newly acquired business, the growth from the base business stood at 15.5%.
- However, excluding the impact of (a) forex gains, (b) one-offs related to shelf-stock adjustment, (c) employee social security related spending in Q2FY2015, and (d) other operating income on account of a licencing income from CRAMS contracts in Q2FY2014, the adjusted net profit grew by 52% during the quarter.
- Taking cues from the H1FY2015 results and our interaction with the management, we have fine-tuned our estimates for FY2015 and FY2016. We have also introduced the estimates for FY2017 and rolled over our valuation to the earnings of FY2017E to set a new price target of Rs1,083 (16x FY2017E EPS). We maintain our Buy recommendation on the stock.■

For detailed report, please visit the Research section of our website, sharekhan.com.

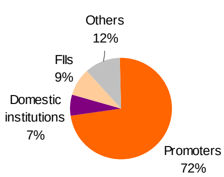
Zydus Wellness

Hold | CMP: Rs616 | November 5, 2014

COMPANY DETAILS

Price target:	Rs665
Market cap:	Rs2,407 cr
52 week high/low:	Rs711/436
NSE volume (no. of shares):	31,318
BSE code:	531335
NSE code:	ZYDUSWELL
Sharekhan code:	ZYDUSWELL
Free float (no. of shares):	1.1 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-1.5	6.7	20.0	11.0
Relative to Sensex	-6.2	-2.6	-4.7	-16.7

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Performance to improve in FY2016; upgraded to Hold with a revised price target of Rs665

KEY POINTS

- In Q2FY2015 Zydus Wellness posted a much better performance compared with some of the earlier quarters. The net revenues grew by ~6% to Rs102.8 crore as against the revenue decline of 6% in Q1FY2015 and that of ~3% in Q4FY2014. The single-digit revenue growth can be attributed to sustained double-digit growth in the Sugarfree brand. The Nutralite brand grew in low single digits while Everyuth continued to underperform for the company.
- The gross profit margin was maintained at 69.8% on a Y-o-Y basis and declined on a sequential basis due to a change in the revenue mix. The contribution of Nutralite, which has a lower gross profit margin in comparison with the other brands, to the overall revenues was higher on a sequential basis. The scrubs category, in which Zydus Wellness' Everyuth brand has a strong market positioning, grew at 15%. The peel-off category grew at 6.7%. In the face-wash category, intense competition from multinationals affected Everyuth's performance in the domestic market.
- The operating profit margins were lower by 107BPS YoY due to a higher employee cost. The PAT growth stood at 8%, mainly on account of a higher other income and a lower incidence of tax.■

For detailed report, please visit the Research section of our website, sharekhan.com.