KARVY
STOCK BROKING

INVESTMENT
STRATEGY REPORT

2020

JANUARY

INDEX

WEALTH MAXIMIZER

Company Name	NSE Symbol	Sector	Market Cap (Rs. Mn)	CMP* (Rs.)	Target Price (Rs.)	Upside (%)
Axis Bank Ltd	AXISBANK	Financials	2086746	740	851	15
Bajaj Finance Ltd	BAJFINANCE	Financials	2493756	4145	4822	16
GAIL India Ltd	GAIL	Gas Utilities	565346	125	169	35
HCL Technologies Ltd	HCLTECH	Information Technology	1574876	580	679	17
HDFC Bank Ltd	HDFCBANK	Financials	7025383	1283	1514	18
ITC Ltd	ITC	Consumer Staples	2925524	238	321	35
Mahindra & Mahindra Ltd	M&M	Financials	679529	547	682	25
Reliance Industries Ltd	RELIANCE	Energy	9810868	1548	1827	18
State Bank of India	SBIN	Financials	2965202	332	420	27
UPL Ltd	UPL	Materials	458575	600	708	18

**As on 10 Jan, 2020*

VALUE INVEST

Company Name	NSE Symbol	Sector	Market Cap (Rs. Mn)	CMP* (Rs.)	Target Price (Rs.)	Upside (%)
Cyient Ltd	CYIENT	Information Technology	47403	431	605	40
KEC International Ltd	KEC	Industrials	81677	318	364	14
KNR Constructions Ltd	KNRCON	Industrials	39127	278	325	17
K.P.R. Mill Ltd	KPRMILL	Consumer Discretionary	48590	706	836	18
SBI Life Insurance Company Ltd	SBILIFE	Insurance	989004	989	1160	17
Shriram Transport Ltd	SRTRANSFIN	Financials	256570	1131	1332	18
Sunteck Ltd	SUNTECK	Real Estate	64589	441	511	16
Thyrocare Technologies Ltd	THYROCARE	Health Care	28014	530	646	22
Triveni Turbine Ltd	TRITURBINE	Industrials	32023	99	117	18
Varun Beverage Ltd	VBL	Consumer Staples	212143	735	890	21

**As on 10 Jan, 2020*

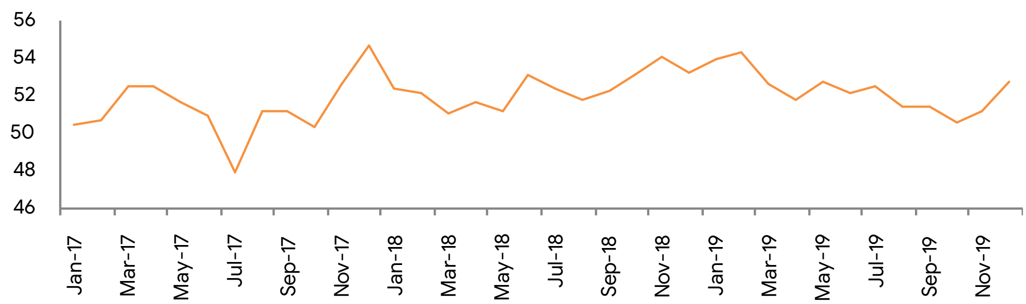
OUTLOOK FOR 2020

2019 was an eventful year with events like markets hitting a record high and re-election of Modi with a strong electoral mandate. However, an economic slowdown has dented the euphoria of markets, the NBFC crisis, consumption slowdown have been dampeners. To counter this, the RBI has loosened monetary policy significantly and the government has initiated reforms like a cut in corporate tax rate. There are some green shoots visible in the economy.

The PMI for the month of December 2019 gives reason for hope as it expanded to 52.7 in December 2019 from 51.2 in November on a seasonally adjusted basis. Historically it has acted as a leading indicator. While it is too early to celebrate, there are signs that the economy may have bottomed out. We have held the view that Q2 or Q3 is likely to form the bottom of the economy and Q4 is likely to witness a pickup. We also believe that inflation is likely to decline by the middle of the year and is unlikely to be a major issue.

We believe the recent pick up in markets is on account of the anticipation of a recovery.

Exhibit: India Manufacturing PMI



Source: Bloomberg , Karvy Research

Markets tend to be a couple of quarters ahead of the economic cycle.

We believe that the mid caps are likely to lead the rally going forward and large caps may be range-bound. Overall the first half should be good for equities though in the second half global markets may worry about a global recession and the equity markets may be range-bound in that part. Overall, we expect Nifty to end the markets 10% higher at around 13500 levels and midcaps should be higher by 20% to close at 20500. With regards to outlook for key sectors we believe it is going to be mixed.

Due to the NBFC crisis, real estate was adversely impacted as sub-par developers struggled for funding due to cautious approach by lending institutions. Due to government's constant push for affordable housing, the new launch activity across the top seven cities of India increased by 21% in 2019 with 40% contribution from affordable segment. The housing sales were up by 5% at 2.61 lakh units.However, commercial portfolio witnessed steady lease rentals and healthy demand.We expect 2020 to see large players further strengthen their position.

FMCG sector on expected lines underperformed broader indices recording a flattish performance due to tepid volume growth reported by large FMCG players during CY2019. Even on margins front, it reported tepid performance despite benign raw material prices. However, in the near term, we expect better numbers to fall through with harvest season upon us (70% of Indian rural households depend on agri) and second round impact of government spending. We expect increased lending and revival in rural sentiments to aid consumer spending for the sector during 2020.

Capital Goods sector was impacted by slow project execution in 2019. The tepid performance of the Capital Goods sector was unevenly distributed with the outperformance of short cycle orders in food processing and cement sectors when compared to slow moving large power projects. In 2020, we expect Capital Goods sector to outperform other sectors on the back of strong outstanding order book and increase of govt spending in the infrastructure sector.

During CY2019, Nifty IT underperformed Nifty by 320 bps. This in large can be attributed to Infy's decline of 9.2% in Q3FY20 owing to whistleblower allegations and tepid performance of TCS and Wipro. Performance of IT stocks during CY2019 lagged Nifty's performance due to concerns over weak client spending due to weak global macro set up and weak commentary on Retail, BFSI and Auto verticals by large IT players. key factors to watch during CY2020 include commentary on demand environment, deal pipeline; pricing pressure, if any, deal conversion and ramp ups and margin performance.

Stepping into 2020, we believe Budget 2020 will be the torchbearer for economic revival and markets performance as well. While market scaled to new highs during 2019, the rally was very narrow and mostly due to technical factors like global liquidity, outperformance of heavyweights like Reliance and HDFC twins. Despite such narrow rally, we expect tax cuts announced during 2019to anchor index valuations to current levels. Since economic measures work with a lag, we believe the measures of the past year coupled with measures to be announced in Budget 2020, will help economic revival and help index earnings to catch up.

KARVY
STOCK BROKING

WEALTH MAXIMIZER

JANUARY 2020

AXIS BANK LTD

Bloomberg Code: AXSB IN

Improving Operations and Healthy Loan Growth

During Q2FY20, Axis Bank reported robust growth in net interest income (NII) and net revenue driven by 13 bps YoY expansion in net interest margin (NIM) to 3.5% and 14% YoY growth in loans and advances. The bank's non-interest income also grew by 45% YoY to Rs. 39 Bn. The NII came in at Rs. 61 bn which is higher by 17% YoY and the net revenue grew at 26% YoY to Rs. 100 Bn. Pre-provision Operating Profit (PPoP) grew 45% YoY to Rs. 59.5 Bn. The bank has provided for Rs. 35 Bn of provisions during the quarter which is up by 20.2% YoY/ down by 7.8% QoQ.

Loan book growth driven by retail business: Axis Bank's advances grew by 14% YoY and 4.9% QoQ driven primarily by retail segment which grew by 23.2% YoY / 5.8% QoQ. The corporate and SME segment grew at a moderate pace of 7.4% YoY and 1.8% YoY respectively. Also, the retail segment now constituted ~52.4% of the total loan book in Q2FY20 (as against 48.6% in Q2FY19). Deposits grew ~22% YoY to Rs. 5.84 Tn, primarily driven by retail term deposits (RTD). Bank's RTD grew by ~39% YoY to Rs. 2.26 Tn. Management has guided that domestic loans will grow 5-7% higher than the industry average growth rate.

Asset quality remains stable: Asset quality has been improving since the last few quarters as GNPAs came down to 5.03% (down 93 bps YoY / 22 bps QoQ) and Net NPA stood at 1.99% (down 55bps YoY / 5bps QoQ). Management stated that Net NPAs in the retail segment stands at a low of 0.6% and was largely stable over the last 2 years. Provisions increased 14.3% YoY (down 7.8% QoQ) while PCR improved further to 79% levels.

Valuation and Risks: Axis Bank has delivered a healthy operational performance with stable asset quality. The bank is focused on expanding retail franchise which will drive the growth in loan book and will also result in increasing NII. Improving the C/I ratio will also lead to higher PPoP. The decrease in corporate tax rate and moderating credit costs will further aid in improving profitability. We value the bank at consensus based 2.4x ABV on FY21E and assign **"BUY"** rating with a target price of Rs. 851/share.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	183857	190104	221602	253782	299354
Net Profit	39530	4558	50386	82546	126094
EPS (Rs.)	16.5	1.9	19.6	31.2	45.3
BVPS (Rs.)	235.4	250.2	263.7	299.1	350.0
P/E (x)*	29.7	274.5	39.6	25.7	16.3
P/BV (x)*	2.1	2.0	2.9	2.5	2.1
RoE (%)	7.2	0.8	7.6	9.0	14.5
RoA (%)	0.7	0.1	0.7	0.8	1.4

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	740
Target Price	851
Upside(%)	15

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	2086746 / 29415
52-wk High/Low (Rs.)	828 / 623
3M Avg.daily value (Rs. Mn)	6553.6
Beta (x)	1.4
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	2819.7
Face Value (Rs.)	2.0

SHAREHOLDING PATTERN (%)

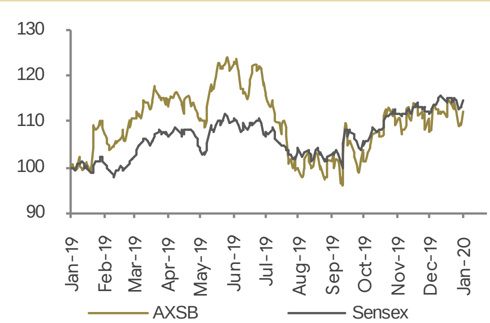
Promoters	16.6
FIIs	48.2
DIIs	22.7
Others	12.5

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	3	10	(4)	12
Relative to Sensex	0	0	(11)	(3)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

Axis Bank is the third largest private sector bank in India. The Bank offers the entire spectrum of financial services to customer segments covering Large and Mid-Corporates, MSME, Agriculture and Retail Businesses. The Bank has a large footprint of 4,050 domestic branches (including extension counters) with 11,801 ATMs & 4,917 cash recyclers spread across the country as on 31st March, 2019. The overseas operations of the Bank are spread over nine international offices with branches at Singapore, Hong Kong, Dubai (at the DIFC), Colombo and Shanghai; representative offices at Dhaka, Dubai, Abu Dhabi and an overseas subsidiary at London, UK. The international offices focus on corporate lending, trade finance, syndication, investment banking and liability businesses.

Axis Bank is one of the first new generation private sector banks to have begun operations in 1994. The Bank was promoted in 1993, jointly by Specified Undertaking of Unit Trust of India (SUUTI) (then known as Unit Trust of India), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC), National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd. The share holding of Unit Trust of India was subsequently transferred to SUUTI, an entity established in 2003.

AXISBANK: Technical View

Axis Bank has seen a sharp recovery from the swing lows of 710. The stock was seen consolidating in the range of 710-760 for many weeks after rallying from the levels of 620 to 760 during Sep and Oct 2019. The recent up move in the stock has placed the stock above its major moving averages on daily as well as weekly charts. Contracting Bollinger band on the charts is indicating break out from current consolidation and the stock may resume its uptrend in the coming weeks. Stock is in overall uptrend and any meaningful dip in the stock would be a buying opportunity with mid to long term perspective. On momentum indicators, the 14 period RSI on the daily chart indicates strength in the stock. While MACD is just above the ZERO line suggests adoption of buy on dips strategy. The immediate support for the stock is placed at 720 levels and below which stock may test levels of 698-700, the resistance is placed around 760 levels and above that the stock may test levels of 786.

BAJAJ FINANCE LTD

Bloomberg Code: BAF IN

Retail Segment to Drive Growth

We believe Bajaj Finance's (BAF) key strength lies in its deep reach with many customer touchpoints and a strong customer franchise which grew at a CAGR of ~30% over the past 2-3 years. BAF contributes 97.5% of our SOTP valuation of Bajaj Finserve.

Revenue visibility boosts confidence: BFL's new customer acquisition has grown by 29% YoY. 70% of loan growth comes from existing customer franchise which is guided to grow by ~72-74% in the coming years which has 1x risk profile against 1.5x for new franchise. Cost of carry has improved due to improved liquidity buffer on cash and bank balance. BFL branches are expected to spur to 2000 by year end. ECL grew by 89% YoY in the quarter with ~80% lies in Stage-3 of ECL bucket with overall GNPA stood at 1.61% and NNPA at 0.65% with addition of 12-14 bps of ECL loss added to reach at 140 bps for FY20 and standard asset (Stage 1 and 2) provisioning is at 40 bps. Annualized RoA stood at 4.71% and RoE at 28% due to a high capital adequacy ratio of 19.68% and Tier-1 CAR at 15.86% and which also leads to higher consolidated leverage of 6.6x.

Valuation and Risks: Our FY21 price target is Rs. 4822 with upside potential of 16% and a **'BUY'** having 1-yr forward at P/BV(x) at 5.9x against the industry average of 2.36x but we have valued BFL at a premium of 3x due to historical RoE(%) level of 24% close to industry average of ~25%(2000-19). Potential upside risk is strong performance of high retail deposit growth, loan book growth of ~30% over medium term with higher share coming from rural finance and non-tier 1 cities, 30% market reach in smartphone financing, tight underwriting with/ without affecting retail lending to compensate on SME lending business particularly tight underwriting on 99.32% from salaried professionals and microfinance, 8-10% of mortgage lending presently from BHFL will grow, and credit quality stabilized if not deteriorated from 98.64% on 30+ days of credit. Downside risk may arise from deteriorating credit quality on SME/LAP financing, increasing competition from large banks and a potential slowdown in growth given the current consumer slowdown.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	54912	77388	118620	134360	166928
Net fees/commissions	5656	9094	14821	17583	21662
Operating expense	15643	21685	13998	13744	14543
Pre-provision profit	75389	101991	153630	183883	228110
EPS (Rs.)	33.0	43.0	69.0	118.0	143.0
DPS (Rs.)	4.4	4.1	4.8	8.3	10.0

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	4145
Target Price	4822
Upside(%)	16

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	2493756 / 35152
52-wk High/Low (Rs.)	4296 / 2355
3M Avg.daily value (Rs. Mn)	6141.7
Beta (x)	1.1
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	601.7
Face Value (Rs.)	2.0

SHAREHOLDING PATTERN (%)

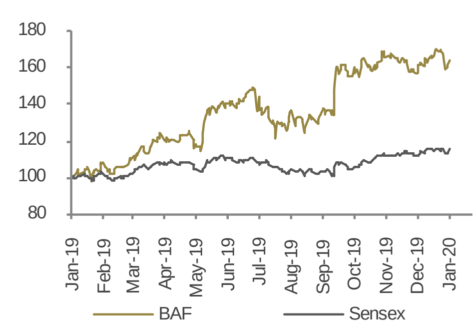
Promoters	58.3
FIIs	20.7
DIIs	8.6
Others	12.1

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	4	5	21	65
Relative to Sensex	1	(4)	12	43

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

Bajaj Finance is the largest retail asset financing NBFC in India whose strategy lies in building scale and maximizing profit and is a subsidiary of Bajaj Finserv (54.99% ownership) and set up in 1987 and is the financial services division of the firm.

BFL is a deposit taking Non-Banking Financial Company (NBFC-D) registered with the RBI and is engaged in the business of lending. It has a diversified lending portfolio across retail, small and medium enterprises (SMEs) and commercial customers with a presence in both urban and rural India. BFL accepts public and corporate deposits and extends a variety of partnerships and service offerings to its customers. It has two fully owned subsidiaries: (i) Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing') which is registered with National Housing Bank as a Housing Finance Company (HFC) and (ii) Bajaj Financial Securities Ltd. (BFSL). BHFL started its operations in FY2018; BFSL is yet to get into the business. BFL focuses on six broad categories: (i) consumer lending (ii) SME lending (iii) commercial lending (iv) rural lending (v) deposits (vi) partnerships and services. It is present in 1,830 locations across the country, including 903 locations in rural/smaller towns and villages.

BAJFINANCE: Technical View

The stock is in uptrend and is making higher highs on daily and weekly charts. The historical price action in the stock suggests that any meaningful dip in the stock attract market participants. The bounce in the stock has seen supporting volume formation on daily charts. The immediate support is at 3950 levels and below that is at 3600 levels. Resistance is around 4500 levels and above that is at 4700 levels. The stock is expected to maintain it's up move and any minor dip in the stock is advisable to add the stock for medium to near term. The 14-period RSI is pointing northwards and indicating strength in the stock.

GAIL INDIA LTD

Bloomberg Code: GAIL IN

Volumes Set to Pick Up

GAIL's dominant position in India's gas pipeline network and its high share of volume in the upcoming eastern corridor pipeline is expected to drive future earnings growth. With the development of the natural gas eco system set to improve domestic volumes, GAIL is expected to benefit from stable global gas prices. Additionally, the new US liquefaction terminals will boost RLNG exports.

Process underway to hive off pipeline business: GAIL has begun the process of transferring its pipeline business into a separate subsidiary, which is expected to lead to share sale in the future. The entire process of the transfer is expected to take place over a period of four years. GAIL owns two-third of India's operating gas transmission network and this accounts for close to 40% of its earnings.

A mixed Q2FY20: While GAIL posted robust revenue growth QoQ (+45.5%) at Rs16.2 bn, led by strong volumes at 228 TMT, earnings continued to remain weak on account of lower margins in polymer (-8.2% QoQ) and LHC (-25.0% QoQ) due to low crude prices and continued global slowdown. At EBIT level, the company posted a loss of Rs. 823 mn.

Volumes to improve from H2FY20: Work on the Dhobi-Durgapur section of JHBDPL up to 345 kms is nearing completion (expected to be completed by end of FY20). Post this capex, gas supply to Matix fertilizers is expected at 2.5 mmscmd. Additionally, GAIL volumes will further increase as the gas supply (CNG & PNG) in Ranchi has commenced in Q2 and Jamshedpur. Capex guidance stands at Rs. 7,000 Cr for FY20E and FY21E.

Outlook and Valuation: Post the price correction in recent months, valuations seem attractive at FY21E EV/EBITDA of 5.4x. Market values the stock at Ev/EBITDA of 8.8x on FY21E EBITDA of Rs. 94659 Mn and net debt of Rs. 71803 Mn and recommends **'BUY'** with a target price of Rs. 169.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	484546	543581	758677	658769	718154
EBITDA	65008	76980	96676	86679	94659
EBITDA Margin (%)	13.4	14.2	13.0	13.2	13.2
Adj. Net Profit	32357	48114	66050	59421	66581
EPS (Rs.)	19.1	21.3	29.3	13.5	15.2
RoE (%)	8.9	11.9	15.0	12.4	12.6
PE (x)	18.9	15.5	12.0	9.3	8.3

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	125
Target Price	169
Upside(%)	35

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	565346 / 7969
52-wk High/Low (Rs.)	183 / 110
3M Avg.daily value (Rs. Mn)	1331.2
Beta (x)	1.0
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	4510.1
Face Value (Rs.)	10.0

SHAREHOLDING PATTERN (%)

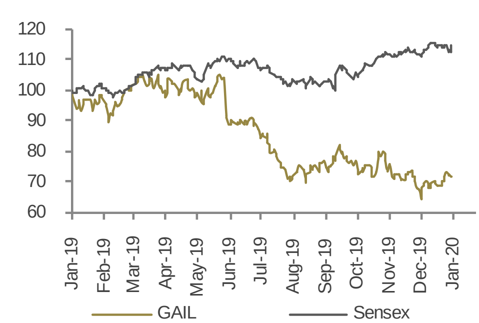
Promoters	52.7
FIIs	18.8
DIIs	23.5
Others	5.0

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	13	(2)	(14)	(27)
Relative to Sensex	9	(10)	(20)	(37)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

GAIL India Limited processes and distributes natural gas and liquefied petroleum gas. The Company is a Government of India undertaking. It is the largest gas transmission and marketing company in India, with more than 10,900 km of pipeline and 78% market share in India's natural gas transmission business. It has seven gas processing units and owns India's largest gas-based petrochemicals complex. In addition, GAIL has major domestic exploration and production operations. It also has a fiber-optic cable network of 13,000 km that provides bandwidth to telecommunications carriers. It is also involved in liquefied natural gas import projects. The company is also exploring buying US shale assets.

GAIL markets its Gas Processing Unit's products --Liquefied Petroleum Gases (LPG), Propane, Pentane, Naphtha and by-products of polymer plant (Mixed Function Oxidases, Propylene and Hydrogenated C4 Mix). LPG is being sold exclusively to government-owned oil marketing companies while other products are sold directly to retail customers.

GAIL: Technical View

GAIL has bounced well after finding support at 110 levels. The primary trend in the stock reflects lower lows and lower highs on daily charts. Prior to that, the stock has seen a sharp fall from its swing high of 198 level which has dragged the stock to the low of 110 levels. The recent rise in the stock has placed the stock above the short term moving averages and is trading well above the same. The recent bounce in the stock from 110 levels and sustainability above 140 levels would be a fresh trigger for the stock and this indicates near term bottom is in place and the stock is expected to resume its up move in the short to medium term. The historical price action in the stock also reflects that any meaningful dip in the stock may attract market participants which will help the stock resume its upward movement. On technical setup, the 14 period RSI is pointing northwards indicates strength in the stock. The immediate support is placed around 120 levels and below that around 110 levels and resistance is placed around 140 levels and above that at 155 levels.

HCL TECHNOLOGIES LTD

Bloomberg Code: HCLT IN

Upbeat Growth Outlook

Strong growth led by organic and inorganic components: We believe HCLT to exit FY20 at the industry leading growth rate, thanks to a revival in organic and inorganic growth. Inorganic component is expected to be driven by integration of IBM products. While the renewals and upgradation of IBM products have been smooth and on expected lines, we believe Q3FY20 will see another wave of renewals as many long term contracts would be up renewal in December 2019.

While the management has upped the organic growth guidance to 10% to 11%, we believe the company would be able to clock high single digit organic growth due to the slowdown of ramp up of deals due to slowdown and seasonality.

Impressive Q2FY20 performance: During Q2FY20, HCLT led the pack with strong sequential Constant Currency (CC) growth of 6% due to a combination of integration of IBM products and strong organic growth which was aided by ramping up of large deals won in the past quarters. The growth was broad-based across verticals led by Manufacturing, Technology and Communication verticals.

Stable Margin outlook: While the sector as a whole is facing margin headwinds, we expect HCLT's reported margins are going to be on higher side thanks to high margin profile of newly acquired products. We expect this to negate the adverse impact of higher transition costs and investments. We expect HCLT to report EBIT margins in the range of 18-195.

Valuation and Risks: While we expect HCLT to get a strong growth push from newly acquired IBM products, we would closely monitor its execution in terms of renewals of existing agreements, upgrades of products and cross-selling opportunities. We believe HCLT's low valuations and future growth potential makes it a **"BUY"** with a target price of Rs. 679, upside of 17%. We value HCLT at 3-Yr historical average FY21E PE of 15.4x.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	475680	505690	304270	709766	806999
EBITDA	103840	112460	139260	163246	183189
EBITDA Margin (%)	21.8	22.2	23.0	23.0	22.7
Adj. Net Profit	86060	87220	101200	110690	120972
EPS (Rs.)	30.15	31.1	36.8	40.3	44.0
RoE (%)	26.0	24.0	24.4	22.9	21.0
PE (x)*	14.5	15.6	14.8	14.2	13.0

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	580
Target Price	679
Upside(%)	17

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	1574876 / 22200
52-wk High/Low (Rs.)	595 / 460
3M Avg.daily value (Rs. Mn)	1854.80
Beta (x)	0.7
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	2713.7
Face Value (Rs.)	2.0

SHAREHOLDING PATTERN (%)

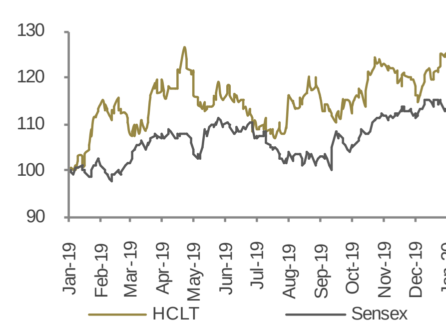
Promoters	60.0
FIIs	28.0
DIIs	8.5
Others	3.5

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	7	9	14	24
Relative to Sensex	3	(1)	6	8

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

HCL Technologies Limited is engaged in providing a range of software development services, business process outsourcing services and information technology (IT) infrastructure services. The Company's segments include software services, infrastructure management services and business process outsourcing services. The software services segment provides application development and maintenance, enterprise application, software as a service (SAAS) application services and engineering, and research and development (R&D) services to global customers. The infrastructure management services segment involves managing customers' IT assets. The business process outsourcing services segment includes contact center and help desk services. The Company delivers its solutions across select verticals, including financial services, manufacturing, retail and consumer products, media, publishing and entertainment, public services, energy and utility, healthcare, and travel, transport and logistics.

HCLTECH: Technical View

HCLTECH has been trading in a cycle of higher highs and higher lows on all time frames indicating inherent strength in the counter. The stock has also witnessed good bounce from the recent swing low of 500-520 and is being able to sustain above the same from the past few consecutive weeks. On technical parameters, 14 period RSI is placed around the comfort zone of 58-60 levels on weekly chart post positive crossover and has seen a bounce from the oversold region and is looking positive to surge towards the higher levels of 80. On the daily chart the stock is placed above all the major moving averages suggesting inherent strength in the counter and at the same time, any correction towards the mentioned support zone has witnessed increase in demand. On the Bollinger band (20 ,2) the stock price has seen a bounce from the lower band and at the same time the band is getting narrower suggesting a burst is expected in the near future. From medium term perspective, the crucial support is lying around 500-520 odd levels while the resistance can be seen around it all time high levels, breaching which the stock is well equipped to enter the uncharted territory in near future. Hence it is recommended to stay long in the counter from medium to long term perspective.

HDFC BANK LTD

Bloomberg Code: HDFCB IN

Confident on Earnings Growth

HDFC Bank's retail loans are largely fixed in nature. Having said that they will be building in interest rate risk spread into the pricing of loans linked to the repo rate. Since spreads have to be locked in for 3 years, they are also checking with RBI whether they can make interest rate risk spreads dynamic in nature which will keep the NIMs at the range of 4%-4.4%. We believe HDFC Bank will maintain margins in the range of 4.1-4.3%. We remain confident that HDBK will deliver an-above consensus earnings growth CAGR of 22% over FY19-24E and RoA of 2% by FY24E (notwithstanding the recent tax cuts), leading market cap to almost double to US$200 Bn from US$100 Bn currently.

Growth slowdown with good Asset Quality: Retail delinquency rates are well under control. Even in the unsecured loans category, 75% of selling has happened to internal customers and close to 50% of the overall customers in this segment are salaried. They also had taken prudential provisions on certain sectors in the corporate segment like NBFCs and telecom. While they don't comment on any client specific exposure, any client where a loan has been given against fixed deposit, they have every right to square it off if a default happens. Overall they remain comfortable on their corporate asset book.

Digital Expansion on cards: The bank has planned to add ~600 branches per year, and plans to double its customer acquisition to 6mn customers by the end of FY20. Currently, bank has a customer base of ~5mn. From Oct 1, 2019, MDR has been revised to 0.30 per cent with a maximum cap of Rs.100 per transaction and MDR for offline merchant where transactions are done through QR Scan and Pay will be Zero for transaction up to Rs. 100 will not deter the growth of new merchant acquisition for the industry from 1mn in FY19 to 4 Mn by FY21 due to added benefits of cross selling assets and other liability products.

Valuation and Risks: We recommend a Buy HDBK with a 3-stage P/E based 12-month target price of Rs. 1514 (on consensus) with **'BUY',** an upside of 20%. Key downside risks to our view include sustained macro slowdown leading to slower loan growth, higher NPLs in retail loans and agri loans.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY18	FY19	FY20	FY21	FY22
Net Interest Income	400949	484477	567212	670370	790076
Net fees/commissions	114785	138055	172129	202073	231087
Loan to Deposit(%)	84.2	89.6	89.0	89.0	89.5
Tier 1 Capital(%)	13.2	15.8	15.4	14.8	14.7
EPS (Rs.)	70.8	82.5	69.0	118.0	143.0
BVPS (Rs.)	409.6	547.9	318.2	369.1	431.0

*Source: Bloomberg, Karvy Research, *Represents multiples for FY18 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	1283
Target Price	1514
Upside(%)	20

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	7025383 / 99031
52-wk High/Low (Rs.)	1306 / 1009
3M Avg.daily value (Rs. Mn)	7361.8
Beta (x)	0.9
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	5477.0
Face Value (Rs.)	1.0

SHAREHOLDING PATTERN (%)

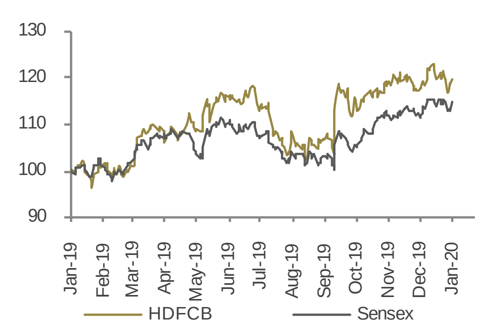
Promoters	26.2
FIIs	37.6
DIIs	21.1
Govt	0.2
Others	14.9

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	3	7	8	22
Relative to Sensex	(1)	(3)	0	6

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

HDFC Bank is one of India's leading private banks and was among the first to receive approval from the Reserve Bank of India (RBI) to set up a private sector bank in 1994. Today, HDFC Bank has a banking network of 5,314 branches and 13,640 ATMs spread across 2,768 cities and towns.

The bank's target market is large, blue-chip manufacturing companies in the Indian corporate sector and to a lesser extent, small & mid-sized corporates and agri-based businesses with the provider of structured solutions, which combine cash management services with vendor and distributor finance. Bank has three main product areas - Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities. With the liberalisation of the financial markets in India, corporates need more sophisticated risk management information, advice and product structures. Bank's retail banking gives retail loan products including Auto Loans, Loans against marketable securities, Personal Loans and Loans for Two-wheelers. The Bank also caters to merchant acquisition business with over 235,000 Point-of-sale (POS) terminals for debit / credit card acceptance at merchant establishments with a wide range of internet banking services for Fixed Deposits, Loans, Bill Payments, etc.

HDFCBANK: Technical View

HDFCBANK has been trading in a cycle of higher highs and higher lows on all chart frames indicating inherent strength in the counter. The stock has also witnessed breakout from the levels of 1230-1235 and is being able to sustain above the same from past few consecutive weeks. On technical parameters, 14 period RSI is placed around the comfort zone of 58-60 levels on the weekly chart after seeing a bounce from the oversold region and is looking positive to surge towards the higher levels of 80. On the daily chart the stock is placed above all the major moving averages suggesting inherent strength in the counter and at the same time any correction towards the mentioned support zone is seen to increase in demand. On the Bollinger band (20 ,2) the stock price has seen bounce from the lower band and at the same time the band is getting narrower suggesting a burst is expected in the near future. From medium term perspective, the crucial support is lying around 1100-1140 odd levels while the resistance can be seen around 1300-1320 levels, above which the stock is well equipped to test the uncharted territory in near future. Hence it is recommended to stay long in the counter from medium to long term perspective.

ITC LTD

Bloomberg Code: ITC IN

Lower Taxation to Aid in Increasing Competitiveness

The market believes ITC will look to utilize a reduction in corporate tax towards providing better trade schemes in order to strengthen volumes. ITC's better cash flow will aid in incentivizing dealers for the same and stay ahead of the competitors. By passing on the benefits to the customers in terms of pricing, they also intend to increase volumes from the high margin King size segment, in which they have to face stiff competition from Godfrey Phillips. Additionally, ITC also expects to gain back lost market share from VST Industries in the deluxe filter segment. Volumes have already shown a turnaround from Q2FY20 onwards, and the market expects topline growth of 10% and bottom line growth of 16.3% CAGR over FY19-21E (upward revision from 9.7% topline and 14% in bottom line growth as per bloomberg consensus prior to Q2FY20 numbers) .

Non cigarettes business stable: Strong growth in the branded packaged food business, personal care and education and stationary segment (51% of revenues) has helped consolidated non – core business segments. As of FY19, FMCG (non cigarettes) and paper boards contributes ~ 13% at EBIT level. ITC is looking to further expand its FMCG segment through dairy and vegetables segment.

Q2FY20 result update: Cigarette sales grew 6%, volume and value growth to the rune of ~3% each. The segment's EBIT grew 7.4% (96 bps margin expansion), on account of better sales in the high priced cigarettes. FMCG top line grew 4%, and EBIT by 55% YoY (on account of lower base) despite continued investments towards brand building and gestation period of new categories.

Valuation and Risks: ITC currently trades at 19x, 30% discount to its 5 year avg. 1 year forward P/E. With the tax hikes expected to be behind us, the market is looking forward to good volume growth in the coming quarters. We value ITC at 23.2x on Bloomberg consensus FY21E with a target price of Rs. 321 with a potential upside of 35% and recommend **'BUY'**. Key risk to the call is a significant tax hike on the back of lower govt. tax collections which could weigh on affordability and in turn, volumes.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	396419	402547	478390	515925	569223
EBITDA	154494	164955	185252	200432	221256
EBITDA Margin (%)	36.5	38.3	38.7	38.8	38.8
Adj. Net Profit	102989	112800	126217	153127	169286
EPS (Rs.)	8.5	9.2	10.3	12.5	13.8
RoE (%)	23.1	22.8	22.6	24.7	24.7
PE (x)*	33.0	27.6	28.9	19.1	17.3

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	238
Target Price	321
Upside(%)	35

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	2925524 / 41239
52-wk High/Low (Rs.)	310 / 233
3M Avg.daily value (Rs. Mn)	3195.3
Beta (x)	0.7
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	12292.1
Face Value (Rs.)	1.0

SHAREHOLDING PATTERN (%)

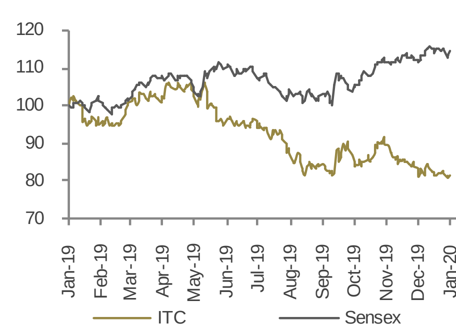
Promoters	0.0
FIIs	15.6
DIIs	42.3
Others	42.1

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	1	(2)	(13)	(18)
Relative to Sensex	(2)	(11)	(19)	(29)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

ITC is India's top cigarette maker but has diversified into a range of businesses. While cigarettes remain the company's biggest sales generator by a wide margin, ITC has been working on reducing the dependency on the segment in recent years. It now offers packaging, hotels, agriculture products, IT services, and a wide range of fast-moving consumer goods (FMCGs), such as food, personal care, stationery, clothing, incense, and matches as well as cigarettes. In 2018-19, ITC launched more than 50 new FMCGs, including Fiama handwash, premium versions of its Engage perfumes, and new variants of its Fabelle chocolates and Aashirvaad atta brand (packaged flatbreads).

As of FY19, Cigarette segment contributes ~46% of the revenue, a decline of 32% over the last 3 fiscals while the non-cigarette FMCG segment contributes 38% of the revenues, growing at 9.5% CAGR over FY16-19. Remaining segments contribute to the tune of ~16% to the revenue mix.

ITC: Technical View

ITC has been in a bear trend for some time now but has managed to bounce from the strong support range of 234-238 on multiple stances. Recently the stock has bounced from the same levels of 234. Currently, the stock is trading below its all major moving averages on daily as well as weekly charts. Since the stock is trading and holding around the major and important support levels of 230-235 range, a technical bounce from the current level could be n the offing. To support the point the momentum indicator, the 14 period RSI is pointing northwards with a reading of 46 above the RSI average of 41 on daily charts. Contracting Bollinger band is also indicating the stock may take support around the major levels of 230 and may see stock resuming its uptrend. The immediate support for the stock is placed at 230 levels, below which stock is expected to test levels of 215, while the resistance is seen at 258 levels and above which 265 levels will act as stiff resistance for the stock.

MAHINDRA & MAHINDRA LTD

Bloomberg Code: MM IN

Strongly Placed to Play Auto Sector Downturn.....

Product mix augurs well: Company's presence in PV with a UV share of 92% and CV with LCV share of 95% is poised to be the fastest growing segment in the industry. With the product profile, M&M is uniquely positioned. With the mixed product line, M&M was able to contain the volume decline during the current sharp slowdown in the auto industry. Company's domestic PV and CV volume decline came in at 14.3% and 15.4% YoY when compared decline of 20%+ and 25% + among the peers. Upon revival in the auto industry which is quite visible in the MoM numbers, M&M is well placed to gain the market share from other players.

Tractor segment to boost the performance: M&M is poised to realise the benefits of its diversified presence across the automotive and farm equipment segments. The domestic tractor industry is seen posting flattish to negative single digit growth in FY20E on the back of a high base courtesy ~50% rise in industry volumes in FY16-19, slowing farm incomes and inherent industry cyclicality. However, in the short-term, excellent monsoons and expected subsidy support from various state governments are seen aiding industry volumes in future. M&M being the dominant player in the industry (~40%+ domestic market share) would also benefit, with the segment supporting total company volumes while automotive sector drags.

Medium term growth opportunity for tractors still remains sizeable. The current penetration levels stand at 45% with incremental usage of tractors in non agricultural activities. Overall industry growth is likely to be down 7-9% in FY20 (vs. YTD -11% negative) and FY21 should be positive growth (low to mid-single digit) after a year of down cycle.

Valuation and Risks: While M&M still remains a strong play amid a slowdown in the Auto industry with a perfect product mix strategy, revival in volume turnout is unpredictable. Valuations however offer a comfort. The stock remains one of the most inexpensive stocks amongst large cap auto companies in India. We maintain **"BUY"** rating on the stock with a price target of Rs. 682 (PER of 12x FY21 EPS + Rs 307 subsidiary valuations).

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	413779	475774	528482	476863	527909
EBITDA	54042	70434	75301	62910	70273
EBITDA Margin (%)	13.1	14.8	14.2	13.2	13.3
Adj. Net Profit	33754	41896	54239	39526	43907
EPS (Rs.)	26.7	34.1	38.8	28.1	31.3
RoE (%)	13.4	14.5	16.6	10.8	11.1
PE (x)*	10.1	7.9	6.9	9.5	8.6

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	547
Target Price	682
Upside(%)	25

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	679529 / 9579
52-wk High/Low (Rs.)	743 / 503
3M Avg.daily value (Rs. Mn)	2001.2
Beta (x)	1.1
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	1243.2
Face Value (Rs.)	5.0

SHAREHOLDING PATTERN (%)

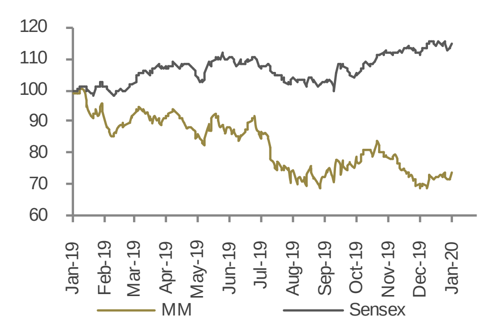
Promoters	51.6
FIIs	7.6
DIIs	27.1
Others	13.7

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	8	(3)	(12)	(25)
Relative to Sensex	5	(12)	(19)	(35)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

Mahindra & Mahindra Ltd. is an India-based mobility products and farm solutions provider. The Company's segments include Automotive, Farm Equipment, Financial Services, Real Estate, Hospitality and Others. Automotive segment comprises of sale of automobiles, spares, mobility solutions and construction equipment. Its Farm Equipment segment comprises sale of tractors, implements and spares. Financial Services segment comprises of offering financial products ranging from retail and other loans, housing finance, mutual funds and insurance broking services. Real Estate segment comprises of projects, project management and development, and operating of commercial complexes. Its Hospitality segment comprises of sale of timeshare and vacation ownership. Other segments include after-market, defense and steel trading. It provides taxi service through its subsidiary Meru Travel Solutions Pvt Ltd.

M&M: Technical View

The stock has bounced from the support zone of 505- 510 levels. The bounce in the stock from the said lower levels has seen supportive volume formation on daily charts. Which indicates the resumption of up move in the stock. The immediate support is placed around 485 levels and below that is 470 levels. Whereas resistance is placed around 580 levels and above that are 625 levels. The stock is expected to maintain it's up move and any minor dip in the stock is advisable to add the stock for medium to near term perspective. The 14 period RSI is pointing northwards and indicating strength in the stock.

RELIANCE INDUSTRIES LTD

Bloomberg Code: RIL IN

Upbeat on Earnings

Earnings re-rating on the cards: We expect to see re-rating in RIL's earnings in the near term due to a) lower tax rate b) higher realization for Jio due to better ARPU post tariff hikes and c) possibility of deleveraging of balance sheet due to impending completion of deals subject to regulatory approvals. We also believe Reliance to be the biggest beneficiary of the new IMO guidelines given the fact that it is one of the most complex refiners in the region. We believe this should give more clarity on the earnings growth going forward and increase investor confidence on the stock.

Balance sheet deleveraging on the cards: RIL management has indicated its strategy to lower debt by FY21 by adopting a multi-pronged strategy of divesting assets and lowering capex. Assuming that the management gets regulatory approvals for proposed stake sale to Saudi Aramco and a significant reduction in capex lowering capital requirement should improve FCF position over next couple of years.

Value unlocking potential through stake sale of digital assets: RIL recently announced major changes to its digital business by creating a wholly owned subsidiary to hold all digital assets including existing apps, tech capabilities and investments in other tech companies. Through this change in structure coupled with a capital infusion of Rs. 1.08 Tn through optionally convertible preference shares, management has created a deleveraged digital entity. In effect Reliance Jio will have a lower debt to the extent of Rs. 250 Bn towards spectrum and another Rs. 250 Bn towards short term debt.

We believe improved EBITDA would further deleverage the new subsidiary's balance sheet. We expect RIL's valuations would further improve because of this newly formed wholly-owned subsidiary due to a) strong and market leading digital assets, b) deleveraged balance sheet with simplified capital structure c) strong execution capabilities as it turned market leader within a short span of time.

Valuation and Risks: We value RIL on SOTP based consensus valuation and recommend a **"BUY"** with a target of Rs. 1827, an upside of 18%.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	3053820	3916770	5671350	6036915	6720260
EBITDA	463070	643150	840010	941112	1182944
EBITDA Margin (%)	15.2	16.4	14.8	15.6	17.6
Net Profit	261931	324581	378072	474620	616457
EPS (Rs.)	88.6	54.8	63.8	77.5	101.3
RoE (%)	12.1	13.0	1.6	10.0	9.8
PE (x)*	13.0	14.5	20.4	20.0	15.3

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	1548
Target Price	1827
Upside(%)	18

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	9810868 / 138296
52-wk High/Low (Rs.)	1618 / 1086
3M Avg.daily value (Rs. Mn)	13142.5
Beta (x)	1.3
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	6339.2
Face Value (Rs.)	10.0

SHAREHOLDING PATTERN (%)

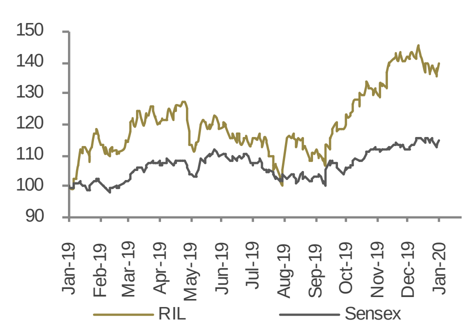
Promoters	50.0
FIIs	23.8
DIIs	12.2
Others	14.0

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	(1)	14	21	40
Relative to Sensex	(4)	3	12	21

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

Reliance Industries Limited is India's largest and most profitable private sector company. It continues to be a significant global player in the integrated energy value chain while establishing leadership positions in the retail and digital services business in India. The company is engaged in the business of Refining & Marketing, Petrochemicals, Retail, Digital Services and Media & Entertainment. The company has launched Fibre-to-the-home (FTTH) Jio fiber broadband services which would add a new revenue stream.

RIL operates two highly complex refineries with crude processing capacity of 1.24 million metric barrels per day (MMBPD), located at Jamnagar, Gujarat. RIL's petrochemical businesses broadly include polyesters, polyolefin, chemicals and elastomers. The petrochemical business is fully integrated with a focus on specialty products and commands amongst the lowest operating costs in the industry. RIL runs a combination of gas, naptha and ethane-based crackers and enjoys a dominant leadership position in almost all the product segments. RIL's global upstream portfolio includes 10 blocks, which includes 6 conventional blocks (5 domestic blocks and 1 international block), 2 CBM blocks in India and 2 Shale gas blocks in the USA.

RELIANCE: Technical View

RELIANCE has bounced well after finding support around 1172 levels. The primary trend in the stock reflects a strong uptrend after a lengthy consolidation in price around 460 levels. The recent movement in the stock has placed the stock around the major moving averages. The stocks sustainability above 1400 levels can be used for accumulation in the medium to long term. The historical price action in the stock also reflects that any meaningful dip in the stock may attract market participants which will help the stock resume its upward movement. On technical setup, the 14 period RSI is pointing northwards and this indicates strength in the stock. The immediate support is placed around 1498 levels and below that is 1400 levels whereas, the resistance is placed around 1620 levels and above that at 1700 levels.

STATE BANK OF INDIA

Bloomberg Code: SBIN IN

Adequately Capitalized...

We believe SBI is rightly positioned to be a major beneficiary of credit growth revival. With a CAR of 12.89%, the bank is well capitalized. Also, bank's ongoing tier I and tier II bonds issue proceeds from Essar Steel and impending share sale plans of SBI Cards and SBI General Insurance should give it the growth capital it needs without dependence on the government's capital infusion and equity dilution. We believe SBI's NIM to improve further despite a cut in the RBI rate as interest rate on savings accounts and cash credit above 1 lakh are directly linked to repo rates.

Asset quality to improve further: During Q2FY20, SBI reported stable asset quality. GNPA and Net NPA ratios were at 7.53% and 3.07% respectively around the same levels during Q4FY19. Provision coverage ratio stood at 79% showing robust improvement over past quarters. Now that the bank is done with NPA recognition, with a PCR of 79% and NPA target ratio of 1%, we expect asset quality to improve further.

SBI has a total exposure of Rs. 38450 Cr to NCLT accounts. SBI has provided for 98% on NCLT 1 accounts and 75% on NCLT 2 accounts. It has made 100% provision on the other 25 NCLT accounts. Given the high provision coverage and some of the NCLT accounts in advanced stage of resolution with an expected recovery rate of 65% on these accounts, management expects recoveries of Rs. 5000 Cr every quarter going forward. We expect further improvement in reported GNPA and NNPA ratio.

Valuation and Risks: SBI with its vast branch network will gain from market consolidation as customers preferring large banks post default of few entities in the industry. This will help it raise low cost retail deposits with little effort. The bank is the largest lender to most of the distressed assets stuck in the NPA cycle and will also be the biggest beneficiary from resolution of insolvent and bankrupt companies. The bank currently trades at 1.2x adj. book value on FY21E basis. We value the bank at 1.5x P/BV and assign a consensus based target price of Rs. 420.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Interest Income	625481	741816	865728	1001000	1136000
Net Profit	104841	(65475)	8622	217247	319547
EPS (Rs.)	13.4	(7.7)	1.0	21.1	35.4
BVPS (Rs.)	236.1	245.5	247.5	248.2	279.7
P/E (x)*	21.8	-	330.7	15.8	9.4
P/BV (x)*	1.2	1.0	1.3	1.3	1.2
RoE (%)	6.3	(3.2)	0.4	8.4	13.0
RoA (%)	0.4	(0.2)	0.0	0.5	0.7

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	332
Target Price	420
Upside(%)	27

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	2965202 / 41798
52-wk High/Low (Rs.)	374 / 244
3M Avg.daily value (Rs. Mn)	12380.3
Beta (x)	1.5
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	8924.6
Face Value (Rs.)	1.0

SHAREHOLDING PATTERN (%)

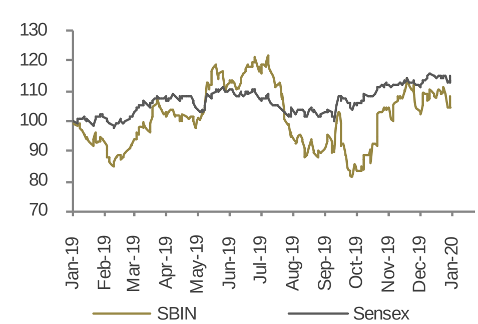
Promoters	57.7
FIIs	11.0
DIIs	24.5
Others	6.8

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	6	31	(6)	9
Relative to Sensex	3	19	(13)	(6)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

SBI provides a wide range of financial products and financial services to a wide range of customers. Today SBI has the largest branch network and customer touchpoints. With a branch network of 22090 and ATM network of 58350, it has one of the largest customer base of 42.42 crores in India with 57.3 Mn internet users and 13.26 Mn mobile banking users.

Over a period of past 10 years, SBI has improved both its advances and deposits at a CAGR of 14%. Presently, SBI enjoys a market share of 22.84% in deposits and 19.92% in advances. Over the period of its existence, it has developed into a financial conglomerate with subsidiaries across the financial services like insurance, asset management, capital markets, factors, etc. It has also set up subsidiaries overseas to cater to the overseas customers.

SBIN: Technical View

SBIN has bounced well after finding support around 244 levels. The primary trend in the stock reflects a consolidation pattern with a positive bias. Prior to that, the stock has seen a sharp fall from its swing high of 373 levels which has dragged the stock to the low of 244 levels. The recent movement in the stock has placed the stock around the medium and long term moving averages. The stock's sustainability above 308 levels will be a fresh trigger for the stock which indicates a strong breakout in the stock and the stock is expected to resume its up move in the short to medium term. The historical price action in the stock also reflects that any meaningful dip in the stock may attract market participants which will help the stock resume its upward movement. On the technical front, the 14 period RSI is pointing northwards indicating strength in the stock. The immediate support is placed around 308 levels and below that is 260 levels whereas, the resistance is placed around 350 levels and above that at 375 levels.

UPL LTD

Bloomberg Code: UPLL IN

A Niche Player in Crop Protection Industry

Diversified Business: UPL has been consistently gaining market share over the past few years by launching relevant products. The market share gain was supported by cost leadership has given in-house manufacturing and backward integration. Company has 16 Manufacturing facilities ranging from API to formulations. The cost leadership is backed by the lowest material conversion cost across the industry also supported by low investment Indian facilities compared to foreign manufacturing facilities. Over the years, the company has successfully created incremental capacity at a cost lower than the prevailing average ensuring competitiveness in the market.

UPL + Arysta = New UPL: UPL will also see the integration of its own manufacturing organization with Arysta's R&D capabilities to create a more balanced geographical, crop and portfolio mix. The complementary business model for both companies with strong management teams should help achieve guided revenue and cost synergies of $350Mn/$225Mn, respectively, over next three years. Since this deal has increased UPL's leverage (net debt/pro-forma EBITDA 3.8x), the ability to achieve the synergies remains key for earnings and deleveraging. The opportunities from the complementary operating models of UPL and Arysta will strengthen the core business and gradually increase UPL market share.

UPL's complete solution portfolio across crops and a larger basket of innovative products will lead to higher share of customer's wallet in Key markets. UPL's strength is in row crops (corn, soybean, cotton, rice, sugar, beet, etc.), while Arysta's portfolio has a strong presence in specialty crops like fruits & vegetables, sugarcane, cereals, sunflower, cocoa, etc. This will de-risk application presence and allow deeper geographical penetration for the company over time.

Valuation and Risks: UPL currently trades at 11.2/9.9x to FY20/21E PE ratio respectively. After acquisition of Arysta UPL has entered growth phase providing clear visibility of growth. These factors and the margin expansion opportunity from the Arysta deal synergies should support earnings growth over the medium term. We value UPL at 15.7x PE multiple for a target price of Rs. 708.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	160102	176976	198460	349858	382810
EBITDA	31917	34647	40878	71814	84510
EBITDA Margin (%)	19.9	19.6	20.6	20.5	22.0
Adj. Net Profit	17728	20159	22231	24757	34219
EPS (Rs.)	24.0	26.4	29.6	32.3	45.1
RoE (%)	23.3	24.8	22.2	16.0	19.0
PE (x)*	17.6	21.8	15.0	11.2	9.9

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	600
Target Price	708
Upside(%)	18

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	458575 / 6464
52-wk High/Low (Rs.)	709 / 495
3M Avg.daily value (Rs. Mn)	1532.0
Beta (x)	1.2
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	763.9
Face Value (Rs.)	2.0

SHAREHOLDING PATTERN (%)

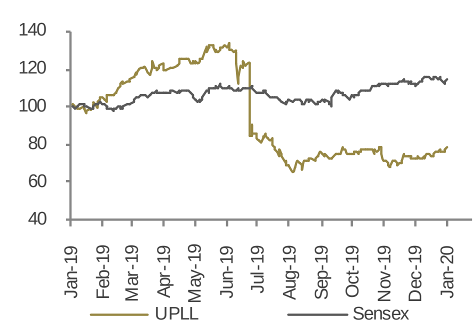
Promoters	27.9
FIIs	43.9
DIIs	10.9
Others	17.3

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	8	3	(5)	16
Relative to Sensex	4	(6)	(12)	1

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

UPL started as a manufacturer of phosphorous-based industrial chemicals in 1969. Over the last 2 decades, UPL has transformed into a global crop protection giant and specialty chemicals player with more than 25 acquisitions. As of FY18, India accounted for <20% of its revenue with UPL having a strong presence LatAm, North America and Western Europe. UPL has developed a well diversified product portfolio through both organic as well as inorganic means. UPL's portfolio has been focused on off-patent generics where the company has cost leadership driven by backward integration and in-house manufacturing of active ingredients (AIs). UPL has a strong manufacturing presence with plants in 48 global locations including 16 facilities in India. The Indian manufacturing facilities have capabilities in the entire range from APIs to formulations and are ~30-40% cheaper than global facilities with lower labor costs. Post the Arysta acquisition in Feb-2019, UPL became among the largest post-patent player in the agricultural solutions industry with pro-forma revenue of $4.6bn and pre-synergy margins of 21%.

UPL: Technical View

UPL has witnessed good recovery from its recent correction to a swing low of 500 odd levels and is currently placed around 580-590 levels. The stock has gained more than 16% over the last few months; we expect this outperformance to continue for the next month as well. Over last four months, the stock has broken its long term down trend cycle and has moved into the cycle of higher highs and higher lows and is on the verge of making double bottom and reversal from these levels indicate the end of the down trend. The price action, trading volumes and delivery volumes over last couple of weeks are higher on the up moves, which also adds to our bullish view. Currently, the stock price is trading consistently above its all major short and medium term moving averages and the volumes on each up day are higher than on the down days, at the same time, every minor dip is being bought with good volumes, indicating strong hands are accumulating it. On the daily charts, the RSI is hovering around 60 levels and this supports our bullish view. On the Bollinger Band set up on daily chart, the stock is trading in the upper band for the last few weeks and the band has expanded indicating burst in volatility and the current upward momentum is likely to continue.

Wealth Maximizer - Large cap (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 detailed in this product in our opinion, reflect superior businesses with consistent future cash flows, operating efficiency and growth potential.

We also track short-term price distortions that create long-term value, driven by sound economic fundamentals of the company. This reflects that stocks that have a 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 outperformance.

The stocks' 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 the report.

KARVY
STOCK BROKING

VALUE INVEST

JANUARY 2020

CYIENT LTD

Bloomberg Code: CYL IN

Turnaround in the Offing...

Cyient is currently trading at cheaper valuations than its peers' due to sub-par growth and lower margin levels. However, we believe a turnaround is possible in the coming quarters. We expect margin expansion to sustain in the future quarters as well. While restructuring costs are expected to be incurred every quarter till Q4FY20, we believe margin expansion will continue due to containment of SG&A costs and strong improvement in gross margins

Revenue growth to pick up: Despite soft Q2FY20 performance, we believe performance will continue to improve in the future quarters. We expect services revenue growth will be far better than current levels driven by strong momentum in A&D, Communication and E&U (Energy & Utilities). Despite weakness in Aerospace due to industry backlog, we believe Cyient will not be hit due to its strong presence in MRO and after sales service. While 5G deployment will be delayed, we believe the growth of Communication vertical will be driven by the emergence of new technologies. Management expects strong momentum in E&U vertical to continue going forward.

Margins to improve due to cost optimization program: Consolidated EBIT for Q2FY20 was at Rs. 1110 Mn, an increase of 10.4% sequentially. EBIT margin stood at 9.6% up by 35 bps on a quarterly basis. Ongoing NBA program and the cost optimization exercise are affecting EBIT margins, which are lower than IT industry's standards. During Q2FY20 EBIT was positively impacted by cost optimization (129 bps), volume impact (73 bps) and operational efficiency (55 bps), totaling to 257 bps. It was also negatively affected by wage hike (107 bps) and one-time restructuring costs (85 bps). We expect margins to improve further on the back of the cost optimization program. Management indicated that despite further restructuring costs in future; they will be absorbed by Q4FY21 due to benefits of cost optimization which will lead to margin expansion by 200-300 bps.

Valuation and Risks: We recommend a **"BUY"** rating for Cyient with a target price of Rs. 605, an upside potential of 40%, based on the 3-year (FY16-FY18) historical average target P/E of 13x to its FY21E EPS of Rs. 46.7.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	36065	39175	46175	46456	50465
EBITDA	4772	5354	6328	5788	7297
EBITDA Margin (%)	13.2	13.7	13.7	12.5	14.5
Adj. Net Profit	3396	4031	4771	4245	5277
EPS (Rs.)	30.6	36.0	42.4	37.5	46.7
RoE (%)	17.3	17.7	19.4	15.8	17.9
PE (x)*	15.6	19.3	15.3	11.3	9.1

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	431
Target Price	605
Upside(%)	40

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	47403 / 668
52-wk High/Low (Rs.)	694 / 380
3M Avg.daily value (Rs. Mn)	58.4
Beta (x)	0.6
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	110.0
Face Value (Rs.)	5.0

SHAREHOLDING PATTERN (%)

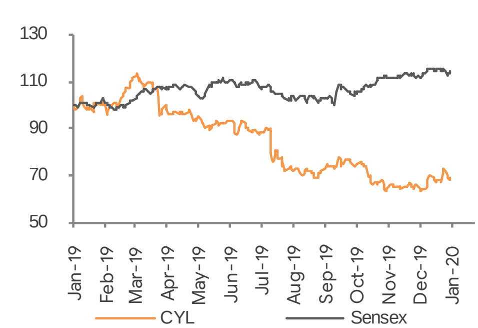
Promoters	22.7
FIIs	20.1
DIIs	45.6
Others	11.6

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	11	(5)	(20)	(29)
Relative to Sensex	7	(14)	(26)	(38)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

Cyient Limited provides geospatial, engineering design, information technology (IT) solutions and data analytics services in India and internationally. Thus, it has Services business and Design-led Manufacturing business (DLM). It serves aerospace and defense, communications, rail transportation, medical technology and healthcare, utilities, navigation, heavy equipment and industrial, power generation, oil and gas, semiconductor, mining and infrastructure industries. The company was formerly known as Infotech Enterprises Limited and changed its name to Cyient Limited in May 2014. Cyient was founded in 1991 and is headquartered in Hyderabad, India.

CYIENT: Technical View

CYIENT has corrected over 50% from its all time high of 887 odd levels and is in the cycle of making lower lows and lower highs indicating inherent weakness in the counter. At the same time looking at a larger picture the stock has halted near to its long term support of 360-370 zone and witnessed a sign of reversal. The bounce from the recent swing low is being backed by an increase in average traded volumes indicating strong hands accumulating the stock at these levels. On technical parameters, the 14 period RSI has seen a reversal in its trend from the region of oversold and is currently placed around 38-45 levels post positive crossover on the weekly basis. Also, the stock has seen consolidation in the past few trading sessions suggesting long accumulation in the counter. On the daily chart the stock is placed above its short term moving averages and has retraced around 33% on the Fibonacci retracement drawn from the recent break down around 510 levels to the recent swing low 375 levels indicating some sign of a reversal in the trend. Hence looking at all the mentioned data points and technical parameters it is advisable to utilize the opportunity and to go long in the counter from medium to long term perspective.

KEC INTERNATIONAL LTD

Bloomberg Code: KECI IN

Revival in T&D Business...

Order inflow momentum gains strength: KEC till date has seen a strong order inflow of Rs 32800 Mn. KEC's outstanding order book is at Rs 180000 Mn standing at 1.8x of FY19 revenues. Also, the company has around Rs 3000 Mn of orders in pipeline. The strong order book gives strong visibility for the revenues to grow at 14% CAGR during FY19-21E.

T&D business to revive: The management expects the T&D business to perform well with higher contribution from international T&D projects from countries like SAARC, Africa and Brazil. In the SAE region all the three major EPC projects are under execution. Management maintains a guidance of 15-20% growth in FY20E. The focus in domestic market is likely to be on SEB orders (transcoms have healthy balance sheet vs discoms) and green energy corridor (under TBCB route). The second phase tendering pipeline for the Green Energy Corridor stands at ~Rs. 30,000-34,000, Cr providing healthy order inflow outlook for KEC. Internationally, Competitive intensity has also reduced as liquidity crunch has forced several fringe players out of the bidding arena. The overall business opportunity of upgrading ht transmission network is around Rs 400-Rs450 Bn.

Humoungous growth in non T&D business to sustain: In the Civil segment, order book has surged by 80% YoY but the execution is slower. Due to slowdown in the Civil business the management has cut down its civil business growth to 60-70%. The company has entered into railway sub segments like RRTS and civil works and currently has L1 orders of Rs. 10 Bn. Management expects the railways and civil business to grow by 35% and 20% respectively for FY20. The drive for 100% electrification of railway tracks has led to massive increase in ordering activities doubling the revenues of EPC players. Civil business forms a very small part but is a scalable business.

Valuation and Risks: We expect the existing strong order book to boost revenues at 14% CAGR during FY19-21E. The non T&D business segments are also expected to post good numbers and are expected to grow at 21% CAGR during FY19-21E. We value KEC on 13x to FY21 EPS for a target price of Rs. 364 reiterating our **"BUY"** rating for an upside potential of 15%.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	87550	100964	110005	127975	142441
EBITDA	8468	10466	11725	13518	15159
EBITDA Margin (%)	9.7	10.4	10.7	10.6	10.6
Adj. Net Profit	3048	4604	4864	6264	7127
EPS (Rs.)	11.9	17.3	18.9	24.4	27.7
RoE (%)	19.2	23.0	20.0	21.4	20.0
PE (x)*	17.6	21.8	15.0	11.2	9.9

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	318
Target Price	364
Upside(%)	15

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	81677 / 1151
52-wk High/Low (Rs.)	341 / 230
3M Avg.daily value (Rs. Mn)	98.6
Beta (x)	1.2
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	257.1
Face Value (Rs.)	2.0

SHAREHOLDING PATTERN (%)

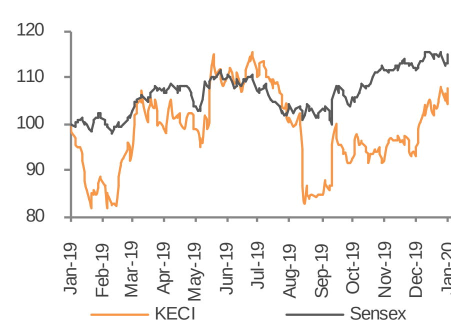
Promoters	51.6
FIIs	7.6
DIIs	27.1
Others	13.7

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	16	18	(1)	10
Relative to Sensex	12	7	(8)	(5)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

KEC International Limited is the flagship company of RPG group having a presence in India and overseas. It's Power Transmission and Distribution business includes providing end-to-end solutions in power transmission and distribution. Its Cables service offerings include extra-high voltage (EHV) cabling solutions provided through Cable Selection and Cabling System, and manufacturing of a range of power cables (high tension and EHV cables), control, telecommunication and instrumentation cables. It offers services in all the functional segments of railways infrastructure including construction of civil infrastructure, including bridges, tunnels, platforms, station buildings, along with workshop modernization. Its water services include waste water treatment, including treatment of sewage and industrial effluent, and water resource management, including building of canals, construction of dams and water system, and civil works related to thermal power projects. The company has over seven decades of experience in transmission EPC and has executed projects in over 60 countries across geographies including South Asia, the Middle East, Africa, Central Asia, the Americas and Southeast Asia.

KEC: Technical View

KEC after finding strong support around the levels of 265 has seen a stellar rally in the past few weeks. Stock has seen taking support around 265 on multiple occasions and bouncing sharply. Currently, the stock is trading above all moving averages on both weekly and daily charts. Rising volumes in the recent past supports our view that stock is been in clear up move after a decent correction the stock has witnessed in previous 2 to 3 quarters. On technical indicators, the 14-period RSI is pointing northwards above the levels of 60 and average line indicating the overall strength in the stock. Based on Bollinger bands we expect the stock to consolidate in the near term before resuming its up move. Immediate support for the stock is seen at 298 levels, below which the next support is at 276. On the upside, the resistance is seen at 333 levels and beyond which stock is likely to test levels of 355.

KNR CONSTRUCTIONS LTD

Bloomberg Code: KNRC IN

Strong Positioning in the Industry

Despite KNR's strong order book, asset monetization and lean balance sheet due to FY19's high earnings base, we expect the earnings to normalize during FY19-21E with revenue growth of 19.6% CAGR and EBITDA margin of around 16.5%. Current OB of Rs. 51.5 Bn combined with anticipated order inflow of around Rs. 65 Bn in the next 2 years provides revenue visibility. In view of the opportunity along with strong financials and KNR's ability to maintain healthy profitability levels during lower execution times, we reiterate a **"BUY"** rating with a target price of Rs. 325.

OB & Revenue Outlook: Company has a total OB of Rs. 51.5 Bn, Current OB (2.3x to TTM revenue) provides a cushion for the revenue outlook. In view of the NHAI's announcement of awarding 6000 km of projects for the FY20, we expect KNR to witness an order inflow of Rs. 25 Bn & Rs. 40 Bn for FY20 & FY21 respectively with revenue CAGR of 19.6% for FY1-21E.

Healthy Margins & Financial Position: KNR has a consistent margin profile with around 15% EBITDAM, RoE & RoCE at >15%. We expect the trend to continue in future. Historically, KNR has always maintained a strong balance sheet with D/E < 0.2x levels. Standalone liability stands at Rs. 3.4 Bn (promoter loan of Rs. 2.1 Bn). KNR has always maintained a lean WC cycle (42 days as of Q1FY20), especially a control on receivables.

Asset Monetization: KNR is in the process of monetizing its stake in various projects. As a part of the strategy, KNR entered into a SPA with Cube Highways and Infrastructure for 3 of its SPVs at an expected return of 1.8x to the expected equity infusion of Rs. 145.35 Cr. The transaction is contemplated to be completed in two stages.

Valuation and Risks: At CMP of Rs. 278, KNR Construction is trading at 14.5x to FY21E standalone EPS. The stake sale exercise will result in de-leveraging of the balance sheet to a great extent. Considering the order book and execution rates, we recommend a BUY and value the company at 17x FY21E EPS to arrive at the value of Rs. 326 per share.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	15411	19317	21373	25772	30588
EBITDA	2296	3862	4270	4217	5006
EBITDA Margin (%)	14.9	20	20	16.4	16.4
Adj. Net Profit	1573	2721	2633	2139	2703
EPS (Rs.)	11.2	19.4	18.7	15.2	19.2
RoE (%)	17.6	23.5	18.6	13.1	14.2
PE (x)*	35.0	12	13.9	16.1	12.7

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	278
Target Price	326
Upside(%)	17

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	39127 / 552
52-wk High/Low (Rs.)	303 / 187
3M Avg.daily value (Rs. Mn)	49.9
Beta (x)	1.1
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	140.6
Face Value (Rs.)	2.0

SHAREHOLDING PATTERN (%)

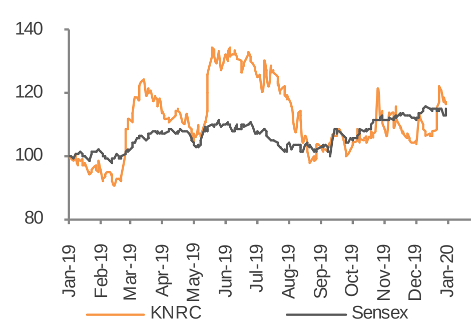
Promoters	55.2
FIIs	3.2
DIIs	30.2
Others	11.4

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	23	24	3	28
Relative to Sensex	19	13	(5)	11

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

KNRCL is a multidomain infrastructure project development company providing (EPC) engineering, procurement and construction services across various fast growing sectors namely roads & highways, irrigation and urban water infrastructure management. The company's execution strength primarily is in road transportation engineering projects namely construction and maintenance of roads, highways, flyovers and bridges wherever integral to the projects undertaken.

Over the years, KNR has developed a significant and diversified presence across the construction and infrastructure domains in India.

KNRCON: Technical View

The stock is in uptrend and making higher highs on daily and weekly charts. The historical price action in the stock suggests that any meaningful dip in the stock attracts market participants. The bounce in the stock has seen supporting volume formation on daily charts. The immediate support is around 255 levels and below that is at 245 levels. The resistance is placed around 305 levels and above that at 315. The stock is expected to maintain it's up move and any minor dip in the stock is advisable to add the stock for medium to near term prospective. The 14 period RSI is pointing northwards and indicating strength in the stock.

K.P.R. MILL LTD

Bloomberg Code: KPR IN

Garment Business Continues to Flourish

Growth in garment division continues to be the backbone of KPR's growth with the segment contributing 46% of the revenue mix in H1FY20 vs. 38% in the same period last fiscal. Interestingly, for the first time in many years, contribution of domestic sales is higher than exports, pointing towards good traction for the domestic innerwear segment 'FASO', launched at the end of Q1FY20. In H1FY20, 62% sales were contributed by the domestic market, the highest in the last 5 fiscals. Garment sales are up 25% over the same period at Rs. 7680 Mn. Higher share of garment sales (46% of revenue) and higher internal consumption of fabric aided in improvement of gross margins by 320 bps in H1FY20 (40 bps improvement in Q2FY20) on YoY basis, despite winding down the sugar inventory. Owing to good performance post FASO's launch in the domestic garment space, we raise our revenue estimates by 4.8% and 4.2% and our EBITDA margins improve by 110 bps and 190 bps for FY20E and FY21E. Adjusting the shares for the recently concluded buy-back, we raise our target price to Rs. 836 and recommend **'BUY'**.

Buyback of shares completed: Recently, post the rollback of buy-back tax levied by GoI, KPR completed buyback of 3.75 Mn shares (of face value Rs. 5) at a price of Rs. 702 amounting to Rs. 2632.5 Mn. This was initially proposed prior to the union budget but executed recently as the GoI. had levied a 20% tax on Buy-back which was subsequently revoked. The Buy-back would raise the EPS and return ratios which warrants well for the shareholders. The company has also paid out 15% on the face value as dividend in recent years including FY20.

Valuation and Risks: Given the market penetration, margin profile and the high return ratios, the stock warrants a premium valuation. The stock trades at 1 year forward P/E of 10x. and we upgrade our target multiple to 12x (near the 5 year average 1 year forward P/E) and recommend '**BUY'** with a revised target price of Rs. 836. Risks to the call include slowdown in the garmenting division expansion on the back of lower consumer sentiments and lower acceptance of the new brand in the rest of India.

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	706
Target Price	836
Upside(%)	18

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	48590 / 685
52-wk High/Low (Rs.)	715 / 511
3M Avg.daily value (Rs. Mn)	10.3
Beta (x)	1.0
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	68.8
Face Value (Rs.)	5.0

SHAREHOLDING PATTERN (%)

Promoters	75.0
FIIs	1.2
DIIs	16.6
Others	7.2

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	7	28	17	32
Relative to Sensex	3	16	8	15

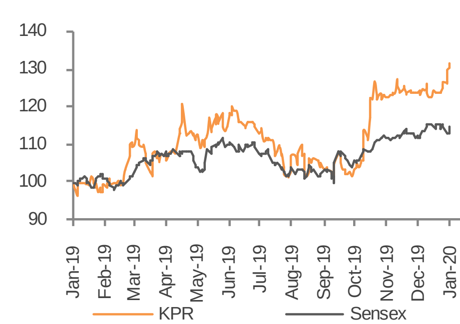
Source: Bloomberg

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	28166	30245	33840	36338	40926
EBITDA	5633	5753	6118	7377	8676
EBITDA Margin (%)	20.0	19.0	18.1	20.3	21.2
Adj. Net Profit	2868	2925	3374	3916	4792
EPS (Rs.)	38.1	39.6	46.5	56.9	69.6
RoE (%)	17.7	20.1	20.1	21.8	24.3
PE (x)*	17.3	16.1	12.5	12.4	11.4

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

KPR Mill Ltd. is an apparel manufacturing company engaged in the production of yarn, knitted fabric and readymade garments. It has one of the largest vertically integrated manufacturing capacities in India, enabling the company to utilize and customize the products as per client specifications. Building on its maiden business in 1984, the company currently has 0.35 Mn spindles to produce 90,000 MT of yarn per annum, knitting facility to produce 27,000 MT per annum and garmenting facility to produce 115 Mn pieces per annum (one of the largest garment manufacturers in India). The power requirements are met through the company owned 66 wind mills and through green power through a Co-gen Cum Sugar Factory with capacity of 30 MW and 5000 Tons Crushed per Day (TCD).

The board, including Chairman Mr. K.P. Ramasamy and Mr. K.P.D. Sigamani, the Managing Director, has vast experience in the textile industry, which has aided in the company's evolution into fabric and garment segments over the past few years.

KPRMILL: Technical View

The stock is in strong momentum and broke out around 680 levels. The above said breakout in the stock has seen supportive volume formation on daily charts. The immediate support is placed around 650 levels and below that is 630 levels. Resistance is seen around 770 levels and above that at 795 levels. The stock is expected to maintain it's up move and is advisable to aquire stock on any minor dip for medium to near term prospective. The 14 period RSI is pointing northwards and indicates strength in the stock.

SBI LIFE INSURANCE COMPANY LTD

Bloomberg Code: SBILIFE IN

Lion's Share Among Peers

SBI Life is expected to grow APE by ~20% in which protection business will grow by 15% YoY with present protection share at 14% with opex ratio to remain steady at ~11.5% even with high ULIP and protection share in the business and AUM growth is expected to be at ~17% with debt: equity at 77:23 with 91% of debt investments in AAA and Sovereign instruments. ULIP surrender ratio (Surrender/Average AuM) is steadily decreasing by ~17.65% CAGR from the last 4 years depicts the relevance and value creation by saving products which unlike its peers are grappling with. The company is significantly undervalued despite a strong distribution channel of both agents and bancassurance to support strong new business value growth (~20% CAGR over next two years) with present 57% of NBP from banca and 18% from agency and EV growth of ~19% with dividend payout ratio of 12% with support from expected growth of ANW by ~35.5% even though expected VIF margin to drop to ~27% due to further cut in FR.

Valuation and Risks: We have valued SBI Life on (std+1) 1-year forward 3.3x P/EV and 40.5x P/VNB with a premium of 1.02x against industry average 3.85x P/EV and 43.29x P/VNB makes it undervalued. We initiate coverage on SBI Life Insurance Ltd. (SBILIFE) with **"BUY"** rating for TP Rs. 1160 and the potential upside of 17%. The potential downside risk is the failure to keep up the drive on retail ULIP and big ticket ULIP for HNIs with expected business mix of 58% which can put pressure on 49th month persistency. The potential downside risk is failure to keep up the drive on retail ULIP and big ticket ULIP for HNIs with expected business mix of 58% can put pressure on 49th month persistency and par with expected business mix of 17%. Upside risk will emanate from both ~50% of incremental flows from bond and balanced funds and rest from equity funds for ULIPs and increasing yield on 30-40 years of long term bonds for annuity business. Underwriting margin will improve with a brake on rate cut in already 135 bps and revival in FPI inflows will improve the equity market on government efforts will be positive for non-par saving surplus to further increase the PAT.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
APE	66009	84220	95300	115236	136718
VNB	10363	15700	19155	23969	29531
VIF	83270	103620	124260	126168	130580
ANW	-	86669	113040	153898	204817
RoEV(%)	27.2	22	17.6	18	19.8
EPS(Rs.)	9.6	11.5	13.3	16.4	17.6
DPS (Rs.)	1.5	2.0	2.0	2.0	2.1
Solvency Margin (%)	204.0	206.0	213.0	219.3	224.2

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (RS.)

CMP *(as on 10 Jan, 2020)*	989
Target Price	1160
Upside(%)	17

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	989004 / 13941
52-wk High/Low (Rs.)	1030 / 510
3M Avg.daily value (Rs. Mn)	3269.0
Beta (x)	0.7
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	1000.0
Face Value (Rs.)	10.0

SHAREHOLDING PATTERN (%)

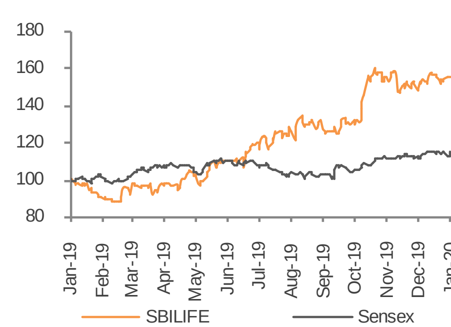
Promoters	62.8
FIIs	23.7
DIIs	6.9
Others	6.6

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	4	20	33	56
Relative to Sensex	1	9	24	35

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

SBI Life Insurance Company (SBI Life) was established as a joint venture between State Bank of India and BNPPC, an insurance subsidiary of BNP Paribas (BNP Paribas was a top 10 global financial institution in terms of revenues in 2016) in 2001. SBI Life has individual and group products which include savings and protection plans with multi-channel distribution network comprising of bancassurance channel with SBI, and now with Syndicate Bank, Repco Home Finance, and Indian Bank created a combined strength of over 22,000 branches across the country. SBI Life also has a large and productive agent network comprising of 121,137 agents, as on June 30, 2019. The Company's other distribution channels include direct sales and sales through corporate agents, brokers, insurance marketing firms and other intermediaries. The Company had an AuM of Rs. 1, 469.5 Bn as of June 30, 2019.

SBILIFE: Technical View

SBILIFE has bounced well after finding support around 485 levels. The primary trend in the stock reflects a strong uptrend after a lengthy consolidation around 645 levels. Post recent upmove, he stock is trading around the major moving averages. The stock's sustainability above 770 levels can be used for accumulation in the medium to long term. The historical price action in the stock also reflects that any meaningful dip in the stock may attract market participants which will help the stock resume its upward movement. On technical setup, the 14 period RSI is pointing northwards indicating strength in the stock. The immediate support is placed around 910 levels and below that the next support is around 860 levels. The tsock mar see resistance around 1030 levels and above that at 1200 levels.

SHRIRAM TRANSPORT LTD

Bloomberg Code: SHTF IN

Betting on CV Sector Revival...

The new CV sales outlook for FY20 is neutral with potential pre-buying ahead of the implementation of BS-VI (from April 2020 onwards) as vehicle prices are expected to increase 10-12% post BS-VI with expected the AUM to grow at a CAGR of 12% over FY20-22E to reach Rs. 1391 Bn due to expansion in its branch network by adding 150-250 branches on a yearly basis which on a base of 1669 branches translates to physical infrastructure growth of 9-15% which would broadly support AUM growth. Management has guided at a credit cost of 2% for FY20E whereas we have assumed 2.2% in our financial projections. STFC's PAT grew by a modest 2.9% CAGR during FY12-19 owing to the significant increase in provision for non-performing assets due to transition from 180 dpd to eventual 90 dpd basis. However, post transition to 90 dpd provision norms there is stability observed in provisioning amount and going forward growth in net interest income will translate to PAT growth. PAT for FY20-22E is expected to be 15.3% CAGR owing to moderation in provisioning amount and on account of stability in credit cost, growth in interest income will lead to improvement in return ratios during FY19-22E. We expect ROAA to improve from 2.5% in FY19 to 2.8% in FY21E with ancillary loans capped around 5~6% of AUM. Expectation on loan asset yield will be flattish and sustain around 15% due to expansion in high yield rural market and in-line with AUM growth we expect interest income to touch Rs. 209 Bn by FY22. During FY20-22E management expects half of borrowings to come from NCDs and securitization and a quarter from deposits and foreign currency borrowings. Going ahead, we expect slight increase in borrowing cost in FY20. We expect spread to be in the range of 7.3-7.4%.

Valuation and Outlook: STFC is attractively priced trading at 1.2x FY21E BV and we initiate coverage on STFC with **"BUY"** recommendation and a target price of Rs. 1332 per share, with upside potential of 18%. Risk concentration in single asset class with weak industrial growth to have negative impact on freight generating sectors and lower-than-expected growth in CV segment will deteriorate asset quality leading to a spike in credit cost.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY18	FY19	FY20E	FY21E	FY22E
Net Interest Income	68480	79464	82387	92877	104094
Non Interest Income	630	233	1111	1228	1345
Total Net Income	69109	79697	83499	94105	105439
PAT	24605	25640	29307	34274	38949
EPS (Rs.)	108.0	113.0	129.0	151.0	172.0
BVPS (Rs.)	598.0	698.0	813.0	949.0	1105.0
P/E (x)	13.3	11.3	8.8	7.5	6.6
P/BV (x)	2.4	1.8	1.4	1.2	1.0

*Source: Bloomberg, Karvy Research, *Represents multiples for FY18 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	1131
Target Price	1332
Upside(%)	18

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	256570 / 3617
52-wk High/Low (Rs.)	1297 / 909
3M Avg.daily value (Rs. Mn)	964.0
Beta (x)	1.5
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	226.9
Face Value (Rs.)	10.0

STOCK INFORMATION

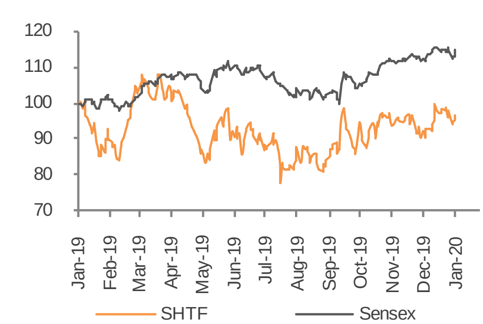
Promoters	26.3
FIIs	60.8
DIIs	4.8
Others	8.2

SHAREHOLDING PATTERN (%)

	1M	3M	6M	12M
Absolute	5	5	9	(5)
Relative to Sensex	2	(5)	1	(17)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg: *Index 100*

Company Background

Shriram Transport Finance Company (STFC) is an asset financing NBFC headquartered in Mumbai. Established in 1979, STFC has played an important role by offering affordable finance on pre-owned commercial vehicles to under-banked first-time-buyer (FTB) and driver-turned-owner (DTO). STFC is one of the largest asset financing NBFC in India with AUM of Rs. 1081 Bn. STFC has leading market share in organized financing of pre-owned CVs with strategic presence in 5-10 years age bracket. STFC has a pan India footprint comprising 1669 branches, 853 rural centers, 28,500+ employees and customer base of 2+ Mn.

SRTRANSFIN: Technical View

Shriram Transport Finance, after bouncing from lows of sub 1000 in the month of October last year is seen consolidating in the broad range of 1025-1175. Stock has been very volatile in the recent past. Big single day candles on the charts clearly shows that stock seems to bounce very sharply on every meaningful dip indicating buying interest in the stock which is supported by the increased participation as visible through the volumes on day to day basis. Currently the stock is trading above its major moving averages on daily as well as on weekly charts. While the expanding Bollinger band indicates stock to remain in consolidation mode for some more time before any meaningful break out on the upside. On momentum oscillators, the 14 period RSI is trading around the signal line with reading of 50. While MACD line is trading comfortably above the ZERO line indicating the stock to remain in buy on dips mode. Immediate support for the stock is seen at 1100 levels below which the stock may test levels of 1060, while on the upside 1190 will act as resistance for the stock, above which 1240 levels will be a strong resistance.

SUNTECK REALTY LTD

Bloomberg Code: SRIN IN

Strong Pipeline and Expanding its Footprint

Sunteck Realty Ltd (SRL) is engaged in the business of developing, designing and managing high-end and premium residential and commercial properties predominantly in the Mumbai Metropolitan Region (the "MMR"). In the last decade, the company has developed a project portfolio of ~30 mnsft spread over 25 projects, with ~12 msf to be completed by FY23. SRL has a strong cash flow visibility on back of strong project portfolio in MMR.

Bandra-Kurla Complex (BKC) and Oshiwara District Center (ODC) – core assets of the company: The company has carved a niche for itself in the ultra-luxury and luxury segment by differentiating itself in each micro-market through brand positioning with a different product offering. While the projects in BKC are residential projects catering to ultimate luxury and premium customers, ODC project will be a mixed-use development project with residential, commercial and retail space. A significant amount of operating cash flow - Rs. 31 bn - is expected to be realized from these two projects over a period of 3-4 years.

Expanding its footprint across Mumbai: Having successfully established its presence across all the segments from ultra uber luxury to aspirational luxury residential segment at Bandra-Kurla Complex (BKC), Oshiwara District Centre (ODC) and Naigaon, Sunteck is now focusing on building a premium commercial and retail portfolio of 3 Mn sqft (approx.) in ODC,1.5 to 2 mn sqft (approx.) in and around BKC, and 1 mn sqft (approx.) in Naigaon. Thus a total of over 6 mn sqft (approx.). of projects are under the pipeline. Furthermore, Sunteck has acquired a premium project near Lokhandwala for mixed use development. The project has a development potential of 1.1 Mnsft and it can generate Rs. 2500 cr of revenue in 4-5 years.

Valuation and Risks: We believe the company will be a key beneficiary of the current environment wherein organized players are expected to gain market share. Improved sales and launch of subsequent phases at ODC and Naigaon will be a key trigger for the company over the next 12 months. We value the company at par to its NAV of Rs. 511 and assign **"BUY"** rating on the stock.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	9522	8883	8568	14262	15206
EBITDA	3481	3720	3780	5951	6649
EBITDA Margin (%)	36.6	41.9	44.1	41.7	43.7
Adj. Net Profit	2202	2233	2402	4131	4665
EPS (Rs.)	15.0	15.3	16.4	28.2	31.9
RoE (%)	12.3%	8.5%	8.5%	12.8%	12.7%
PE (x)*	26.5	26.1	24.3	14.1	12.5

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (RS.)

CMP *(as on 10 Jan, 2020)*	441
Target Price	511
Upside(%)	16

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	64589 / 910
52-wk High/Low (Rs.)	533 / 320
3M Avg.daily value (Rs. Mn)	91.8
Beta (x)	1.4
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	146.3
Face Value (Rs.)	1.0

SHAREHOLDING PATTERN (%)

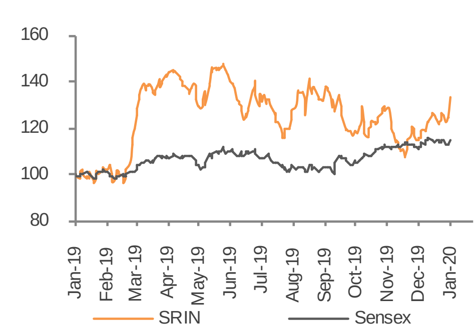
Promoters	67.2
FIIs	26.7
DIIs	2.7
Others	3.5

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	13	10	(3)	30
Relative to Sensex	9	0	(10)	13

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

SRL is one of the leading real estate development companies of the country with a focus on city-centric developments well spread-out across Mumbai Metropolitan Region (MMR). The company's business focuses on designing, developing and managing premium residential and commercial properties.

The company has carved a niche for itself in the ultra-luxury and luxury segment by differentiating itself in each micro-market through brand positioning with different product offering, brand partnerships and having different reputed channel partners for each product.

SRL started the residential development business with its iconic project "Signature Island" in BKC. The company chose BKC to start its residential foray at a time when other industry players were focused on making commercial footprints in the area. Post the successful launch of Signature Island, the company launched two more projects viz. "Signia Isles" & "Signia Pearl" in BKC.

SUNTECK: Technical View

Sunteck realty has been trading in the broad range of 380-480 levels for the past 8-10 months, Stock was seen taking very strong support around the levels of 360 and bouncing above 420 levels. Stock has seen making higher highs and higher lows, indicating the momentum in the stock to remain on buy side on any meaning full correction in the stock. Stock is comfortably placed above its major moving averages on daily as well as weekly charts. On technical momentum indicators, the 14 period RSI is above the signal line with a reading of 60 levels, indicating the stock strength. MACD is comfortably is trading above the zero line and placed above the average line indicating the bullishness in the stock. Immediate support for the stock is seen at 416 levels, below which stock may test the levels of 392, on the upside resistance is seen around 464 levels, above which stock is likely to test the levels of 496.

THYROCARE TECHNOLOGIES LTD

Bloomberg Code: THYROCAR IN

Strong FCF Generation to Continue...

Low capex requirements: Thyrocare is among India's largest diagnostics companies specializing in cost-effective pathological biochemical testing. We believe companies volume-led growth strategy with tight control on costs, low capex requirements when compared to the competition and lower tax incidence would aid profitability and lead to strong FCF generation. Going forward increasing focus on preventive healthcare, rising prevalence of evidence-based treatment, a shift towards organized players and the company's expanding product portfolio would drive future growth.

Strong Q2FY20 performance: During Q2FY20, Thyrocare reported a growth of 12%, 21% and 37% in Sales, EBITDA and PAT. 330 bps improvement in EBITDA margin was aided by tight control on SG&A costs due to lower employee costs. Revenue growth was led by the Diagnostics business, which grew by 13% as imaging testing services grew by 5% YoY. Overall revenue growth of 13% for Q2FY20 is in line with the company's guidance of 13% for FY20, which is lower than historical run rate due to increased competition intensity led by players backed by PE players in B2B segment. B2B segment contributes 75% of Thyrocare's revenue.

Lower valuation and improving profitability makes it an attractive bet. While management has guided for a growth rate of 13% for FY20, we see upside risks to it due to favorable seasonality and low base effect. While diagnostics players with B2C focus have traded at attractive valuations, we believe Thyrocare with low valuations would continue to perform well due to improvement in profitability, thanks to lower tax incidence – 25.2% in FY20E vs. 34% in FY19. This coupled with lower capex requirements when compared to the competition and continued improvement in profitability would make it an attractive bet.

Valuation and Risks: Given Thyrocare's valuation is at a sharp discount to its peers and earning improvement going forward, we recommend a **"BUY"** on the stock with a target price of Rs. 646. We value company at a consensus-based FY21E PE estimate of 25.2x.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY17	FY18	FY19	FY20E	FY21E
Net Sales	3044	3583	4029	4589	5169
EBITDA	1152	1447	1542	1910	2122
EBITDA Margin (%)	37.8	40.6	38.3	41.6	41.1
Adj. Net Profit	428	933	851	1228	1359
EPS (Rs.)	8.1	17.4	15.9	23.0	25.6
RoE (%)	10.8	21.9	19.4	27.0	27.4
PE (x)*	88.0	34.6	33.7	23.4	25.2

*Source: Bloomberg, Karvy Research, *Represents multiples for FY17 - FY19 are based on historic market price*

RECOMMENDATION (RS.)

CMP *(as on 10 Jan, 2020)*	530
Target Price	646
Upside(%)	22

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	28014 / 395
52-wk High/Low (Rs.)	605 / 407
3M Avg.daily value (Rs. Mn)	19.1
Beta (x)	0.7
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	52.8
Face Value (Rs.)	10.0

SHAREHOLDING PATTERN (%)

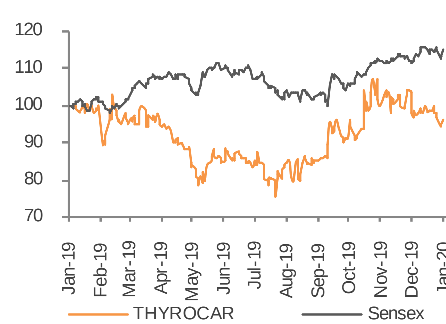
Promoters	66.1
FIIs	11.0
DIIs	14.4
Others	8.5

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	(1)	1	15	(4)
Relative to Sensex	(4)	(8)	7	(16)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

Thyrocare Technologies Limited is India's first and most advanced Totally Automated Laboratory having its strong presence in more than 2000 cities / towns in India and internationally. Thyrocare is India's first fully automated diagnostic laboratory with a focus on providing quality at affordable costs to laboratories and hospitals in India and other countries. Thyrocare operates with a Centralized Processing Laboratory (CPL) in Mumbai for esoteric tests; and Regional Processing Laboratory in major metro cities of India and other parts of Asia. Focus on strong technologies, strong brands and strong systems enable all laboratories to give their clients the best of science and technology at an affordable cost. Thyrocare has set up India's first fully automated diagnostic centre running 24X7 covering over 2,00,000 sq. ft. floor space that ensures error-free processing of over 50,000 specimens and over 2,00,000 Clinical Chemistry investigations per night. Many laboratories and hospital brands in India, Middle East and South East Asian countries, use Thyrocare to complete their menu and deliver quality at an affordable cost.

THYROCARE: Technical View

The stock is in an uptrend and has seen short term reversal from the support of 510- 515 levels. The price action in the stock indicates that any dip in the stock attracts market participants. Which helps stock to resume its up move. The immediate support is placed around 485 levels and below that is 475 levels. Whereas, resistance is placed around 580 levels and above that are 600 levels. The stock is expected to maintain it's up move in the near term and meaning full dip in the stock can be used for buying opportunity for the investors. The stock is expected to maintain it's up move and any minor dip in the stock is advisable to add the stock for medium to near term perspective.. The 14 period RSI is pointing northwards and is indicating strength in the stock.

TRIVENI TURBINE LTD

Bloomberg Code: TRIV IN

Inflows to Gain Pace; Leadership to Sustain

Triveni offers products and services for stream turbines under 30MW in which it has a market share of 60% in domestic and 22% in international market. Order booking in domestic segment grew by 107% to Rs. 1.6 Bn and export inflows accounted for 23% of inflows. Order backlog stood at Rs. 6.9 Bn by the end of Q2 and exports accounted for 42%.

Ethanol blending improves visibility for domestic business: Biofuels policy targets 20% & 5% blending of ethanol in petrol & diesel respectively by 2030. There are ~100 proposals for new ethanol plants awaiting GoI approval. As a rule of thumb, a 160 kld ethanol facility requires 10-12 MW of captive power to be viable.

Domestic order backlog stood at Rs. 3.95 Bn spread across sectors like molasses-based distilleries, sugar co-generation, food and beverages, pharma, pulp & paper and waste heat recovery in the cement industry.

Large international opportunity opening up: Triveni has developed American Petroleum Institute (API) compliant turbines for use in the petroleum sector which opens up a large market. Despite the economic downturn in the crude oil economies, we expect Triveni to gain market share by maintaining cost leadership. This apart, we expect strong traction for refurbishment business which accounts for 16% of order backlog and also carries a better margin profile than any other product or service line. Overall exports backlog stood at Rs. 2.91 Bn driven by sectors such as renewable energy, palm oil, combined cycle power plants and process co-generation.

Valuation and Risks: Market opportunity, revenue and margin visibility are supported by a strong balance sheet and lean working capital cycle. We accommodate for changes in tax rates and revise earnings by 4%-7% for next two years. We recommend **'BUY'** rating on Triveni by valuing it at 24x FY21E earnings (4 year fwd earnings average) of Rs. 4.9 for a target of Rs. 117. Key downside risk to our call is order inflow momentum and pace of execution.

KEY FINANCIALS (Rs. Mn)

YE Mar	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	7511	8400	9534	10907	12205
EBITDA	1578	1513	1916	2225	2526
EBITDA Margin (%)	21.0	18.0	20.1	20.4	20.7
Adj. Net Profit	960	1002	1349	1576	1777
EPS (Rs.)	3.0	3.1	4.2	4.9	5.5
RoE (%)	22.4	22.6	28.1	27.5	26.5
PE (x)*	33.8	34.8	22.0	18.9	16.7

*Source: Bloomberg, Karvy Research, *Represents multiples for FY18 - FY19 are based on historic market price*

RECOMMENDATION (Rs.)

CMP *(as on 10 Jan, 2020)*	99
Target Price	117
Upside(%)	18

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	32023 / 451
52-wk High/Low (Rs.)	123 / 81
3M Avg.daily value (Rs. Mn)	12.6
Beta (x)	0.8
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	323.3
Face Value (Rs.)	1.0

SHAREHOLDING PATTERN (%)

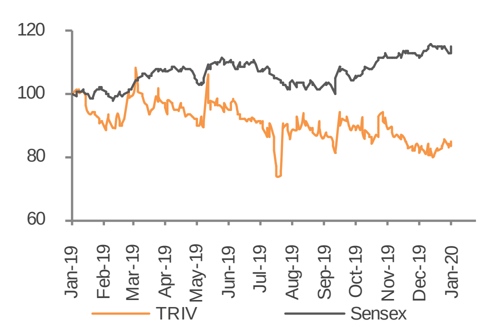
Promoters	67.8
FIIs	11.1
DIIs	16.6
Others	4.5

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	8	(1)	(3)	(12)
Relative to Sensex	4	(10)	(10)	(24)

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

Triveni Turbine Ltd is India's largest industrial steam turbine manufacturer with market share of over 60% in the upto 30MW steam turbine segment. Turbines business between 30-100MW ranges is handled by General Electric- Triveni Turbine Ltd JV, GE Triveni Limited (GETL). TTL manufactures steam turbines, back pressure steam turbines which find its application in process co-generation industry and condensing steam turbines are used in power generation and co-generation. User industries range from Sugar, Paper & paper products, Chemicals, Petroleum products, Cement, Steel, Aluminium, etc. TTL apart from building strong products portfolio is also building robust aftermarket services business composing of erection and commissioning, operation and maintenance, refurbishments and sale of spare parts to turbines of all kinds. TTL has over 2,500 installations across 50 countries like Europe, Africa, Central and Latin America, South East Asia and neighbouring countries.

TRITURBINE: Technical View

TRIVENI has bounced well after finding support around 48 levels. The primary trend in the stock reflects a consolidation pattern with a positive bias. Prior to that, the stock has seen a sharp fall from its swing high of 78.50 levels which has dragged the stock to the low of 48 levels. The recent movement in the stock has placed the stock around the medium and long term moving averages. The stocks sustainability above 58 levels will be a fresh trigger for the stock which indicates a strong breakout in the stock and the stock is expected to resume its up move in the short to medium term. The historical price action in the stock also reflects that any meaningful dip in the stock may attract market participants which will help the stock resume its upward movement. On technical setup, the 14 period RSI is pointing northwards indicating strength in the stock. The immediate support is placed around 60 levels and below that is at 50 levels, whereas the resistance is placed around 79 levels and above that at 98 levels.

VARUN BEVERAGES LTD

Bloomberg Code: VBL IN

Sowing for Future Thirst

Buy-back of shares completed: VBL's optimistic approach of continuous expansion in highly under-penetrated areas has created its presence in 5 overseas territories (excluding India), 27 Indian states, 7 UT with strong Pepsico brand recall. It now also holds franchisee rights for West and South territories of India, which should lead to significant volume growth for the consolidated business in the coming fiscals.

Strong affection with PepsiCo's #SWAG: PepsiCo has been the talk of the town in the Indian beverages market since it came in India and has positioned the PepsiCo brand so well in consumers' mind. Varun beverages ltd which is the second largest PepsiCo's global franchisee (outside the US) has grown its volume at a CAGR of 17.2% in the past 5 years & accounts for 80%+ of PepsiCo India's beverage sales volumes from 51% last year.

Ameliorating RoCE: Currently, VBL is operating at 60% of capacity utilization and has no further plans to look at any major capital expansion for at least next two years. The company is aiming at better capacity utilization for the next few years which could definitely enhance the return on capital employed (RoCE) for the group company and we expect healthy growth in the return ratios and also a significant increase of ~360 bps for CY20.

Recent QIP action: Recently, the QIP allotment of 14.7 Mn Equity Shares of face value Rs. 10/- was undertaken at the price of Rs. 612 aggregating to Rs. 900 Cr., thereby raising the paid-up capital to ~Rs. 2886 Mn. We foresee this to be positive for the company in two ways (a) will aid in international acquisitions (b) Lower long term debt to enhance their return ratios.

Valuation and Risks: We reckon sufficient growth levers in favor of VBL aided by the acquisition of under penetrated territory & product innovation. We expect Varun Beverages to report revenue and EBITDA CAGR growth at 31% & 36% respectively so we value the stock at a P/E of 32x on CY20E EPS and recommend **"BUY"** with a target price of Rs. 890.

KEY FINANCIALS (Rs. Mn)

YE Dec	CY16	CY17	CY18	CY19E	CY20E
Net Sales	38612	40035	51053	70507	87992
EBITDA	7960	8359	10066	14947	18742
EBITDA Margin (%)	20.3	20.9	19.7	21.2	21.3
Adj. Net Profit	474	2141	2999	5237	8038
EPS (Rs.)	3.3	11.7	16.4	18.1	27.8
RoE (%)	2.8	12.1	15.0	15.7	19.8
PE (x)*	130.3	56.7	49.0	47.5	41.2

*Source: Bloomberg, Karvy Research, *Represents multiples for CY16 - CY18 are based on historic market price*

RECOMMENDATION (RS.)

CMP *(as on 10 Jan, 2020)*	735
Target Price	890
Upside(%)	21

STOCK INFORMATION

Mkt Cap (Rs.Mn/US$ Mn)	212143 / 2990
52-wk High/Low (Rs.)	789 / 490
3M Avg.daily value (Rs. Mn)	226.7
Beta (x)	0.7
Sensex/Nifty	41600 / 12257
O/S Shares(mn)	288.7
Face Value (Rs.)	10.0

SHAREHOLDING PATTERN (%)

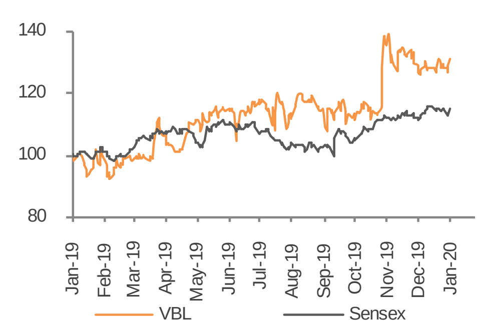
Promoters	68.4
FIIs	19.4
DIIs	6.3
Others	5.9

STOCK PERFORMANCE (%)

	1M	3M	6M	12M
Absolute	6	21	16	34
Relative to Sensex	3	10	7	17

Source: Bloomberg

RELATIVE PERFORMANCE*



*Source: Bloomberg; *Index 100*

Company Background

Varun Beverages ltd is the second largest PepsiCo's global franchisee (outside the US) engaged in producing and distributing a wide range of CSD (Carbonated Soft Drink) and NCD (Non-carbonated Drink) including packaged drinking water. The state of the art facility constitutes of 36 manufacturing facility with 90 plus well managed depots, 2500+ owned vehicle and 750,000 visi-coolers having widespread domestic presence in 5 countries, 27 Indian states 7 UT(except J&K and Andhra Pradesh) along with 5 international territories (Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe).

Recent acquisition: VBL in Sep 2019. acquired 20% equity stake in Lunarmech Technologies Private Ltd for Rs. 15 Cr. Post-acquisition VBL will hold 55% of the effective Equity Share Capital of Lunarmech. Lunarmech Technologies Private Ltd. (having presence in India) was incorporated on May 26, 2009 headquartered in New Delhi and engaged in the business of manufacturers, processors, buyers, sellers, importers, exporters or otherwise deal in all kinds of pet bottle caps and crown caps.

VBL: Technical View

VBL has been making higher highs and higher lows on all time frames indicating inherent strength in the counter. The stock has also witnessed good bounce from the recent swing low of 630-640 levels, colliding with the 200 DEMA and is being able to sustain above the same from the past few consecutive weeks. On technical parameters, 14 period RSI is placed around the comfort zone of 60-64 levels on the weekly chart post positive crossover and has been trading in the same range from past few months. The current technical set up is looking positive to surge towards the higher levels of 80. On the daily chart the stock is placed above all the major moving averages suggesting inherent strength in the counter and at the same time, any correction towards the mentioned support zone has witnessed increase in demand in the past. On the Bollinger band (20 ,2) the stock price has seen a bounce from the lower band and at the same time the band is getting narrower suggesting a burst is expected in the near future. From medium term perspective, the crucial support is around 600-640 levels while the resistance is around its all time high levels of 789-790, beyond which the stock is well equipped to enter the uncharted territory in near future. Hence it is recommended to stay long in the counter from medium to long term perspective.

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The 10 midcap 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.

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