India Morning Roundup

7 June 2016

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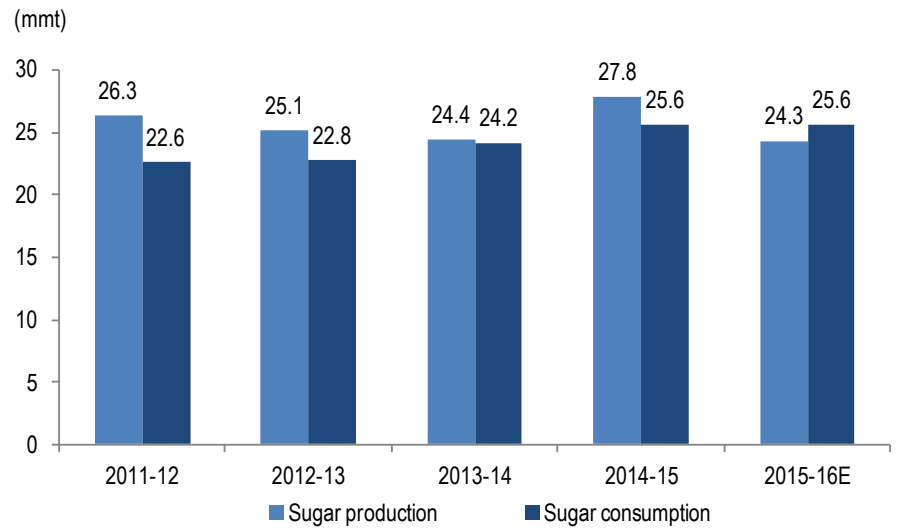
Chart of the Day

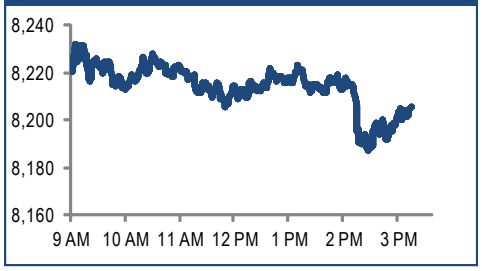
India's sugar production and consumption trend



Source: ISMA

India is likely to become a net importer of sugar in 2016-17, as back-to-back drought years, dry irrigation channels has resulted in sugarcane output in Maharashtra dropping over 40%.

Local Indices			
(Chg %)	Close	Daily	YTD
BSE Sensex	26,777	(0.2)	2.5
NSE Nifty	8,201	(0.2)	3.2
Sectoral Indices			
(Chg %)	Close	Daily	YTD
CNX Mid-Cap	13,255	(0.0)	(1.1)
CNX Bank Nifty Index	17,671	(0.1)	4.4
CNX Metal Index	2,050	0.1	12.2
CNX FMCG Index	20,888	(0.1)	3.4
CNX Infrastructure Index	2,748	(0.4)	(0.8)
CNX Auto Index	8,764	0.2	6.2
CNX IT Index	11,396	(0.6)	1.6
World Indices			
Dow Jones	17,920	0.6	2.8
S & P 500	2,109	0.5	3.2
FTSE 100	6,273	1.0	0.5
Nasdaq	4,969	0.5	(0.8)
Hang Seng	21,244	1.0	(3.1)
Shanghai Comp	2,927	(0.2)	(17.3)
Net Investment			
	7-Jun	1M	3M
FIIs (US$mn)	89.7	(112.8)	164.7
MFs (US$mn)	(203.7)	82.2	(221.1)
DII turnover (Rsmn)	(393.2)	179.8	(533.1)
Volume			
	7-Jun	US$bn	Chg%
Cash (NSE + BSE)	1.0	1.0	(28.4)
F&O (net)	4.0	0.4	1.6
Forex/Money Markets			
	7-Jun	1 D	1 M	3M
Rs/US$	67.0	67.3	66.6	67.1
Rs/EUR	76.0	75.0	76.0	73.7
Rs/GBP	96.5	97.0	96.5	94.8
10 yr G-Sec	7.5	7.5	7.4	7.6
Call Money	6.6	6.1	6.3	7.7
Commodities & others			
	7-Jun	1 D	1 M	3 M
Gold (US$/ounce)	1,244	1,246	1,266	1,262
Brent Crude (US$/bbl)	50	51	46	43
Aluminimum (US$/mt)	1,553	1,544	1,598	1,587
Copper (US$/mt)	4,688	4,688	4,810	5,028



Source: Bloomberg, NSE, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

Corporate News

- **ICICI Bank** to seek shareholders nod to raise up to Rs250bn. The capital will be raised over a period of one year from the date of passing of the resolution. The bank plans to raise the money by way of issue of non-convertible securities including but not limited to bonds and NCDs in one or more tranches.

- **Prism Cement** said it will acquire 15.23% stake in BLA power Pvt Ltd for Rs210mn to reduce the firm's production costs. The company will enter into a power supply agreement with BLA Power for the purchase and consumption of 25mw of RTC power.

- **Vedanta Resources** to invest US$500mn (nearly Rs33.5bn) in its zinc business, which is about half of its total capex for the current fiscal.

- **Larsen & Toubro** JV wins US$135mn contract to develop Qatar stadium. L&T and Al Balagh Trading & Contracting's joint venture has been appointed the main contractor to build a 40,000-seater stadium in Qatar.

- **Yes Bank** is looking to raise US$800mn via qualified institutional placements. The bank recently got approval from Cabinet Committee on Economic Affairs to raise foreign holding to 74%.

- **Crompton Greaves Consumer Electricals Ltd** said its shareholders have approved raising up to Rs7,000mn through the issuance of non-convertible debentures on private placement basis.

- **National Buildings Construction Corporation** on Monday said that it has secured businesses worth Rs19bn in May. year.

Global/Local News

- The Bombay High Court on June 6 asked Union Ministry of Road Transport and Highways to inform on June 20 what progress has been made in the probe made by a committee into the recall of Chevrolet Tavera cars by General Motors in 2013.

- Prices of 56 important medicines used in treatment of cancer, diabetes, bacterial infections and high blood pressure may come down, with the government fixing their ceiling prices under the drug pricing control mechanism.

- Eight special economic zone developers and units, including Gulf Oil Corporation and Lanco Solar have sought more time from the government for implementing their projects

- Government to come out with revised IIP and WPI indices by the end of this year with a new base year of 2011-12 in order to make them more representative of the changing economic scenario.

- Foreign investors invest more than Rs25bn in stock markets last month on forecast of above-normal monsoon this year. FPIs had invested Rs84bn in April and Rs211bn in March.

- The Civil Aviation Ministry is likely to announce soon new norms for ticket cancellation, baggage and denied boarding, amid the increasing number of complaints on these issues.

Cognizant Technology Solutions

7 June 2016

Bloomberg: CTSH US

Industry Update

Seems Committed To Grow Ahead Of Peers

Recent investor events that Cognizant Technology Solutions (CTS) attended gave greater insights into the latest trends in the offshore IT services industry and CTS's own strategy. With a business model that is similar (in some ways, if not all) to that of its Indian peers, detailed discussions on trends in the industry were quite educative. Some key highlights are given below:

- CTS seems committed to getting back to higher-than-industry growth as quickly as it can. CY16 low growth in its scheme of things is a one-off. Therefore, it is unlikely to go down the path of increasing payouts to shareholders as it actively scouts for acquisitions in certain niche areas to build its capabilities.
- With indications that healthcare payer space consolidation is likely to conclude only by the end of CY16, growth at the upper end of the 10%-13% guidance given post 1Q results looks ambitious. As stated in our 1Q result update Steep CQGR Asking Rate Even At 10% Revenue Growth, we believe that there is a fair probability of the guidance being lowered.
- While captive units have traditionally gone through cycles in the past (they are initially built out and then as costs rise and customers are not able to extract further value they are sold off), we believe some of the in-sourcing being done now (driven by regulation) could be more permanent in nature.
- CTS allayed fears about custom application development losing out in the era of cloud and As-a-Service economy. Bespoke application development, in its view, will continue to exist as long as customers want to differentiate themselves on the basis of technology.
- Based on CTS, we believe that the 'pricing to win' strategy is cooling off as vendors who propounded in FY16 (Infosys definitely) pull back as they realise that they will not be able to deliver the benefits of automation as quickly as was initially anticipated. The management of Infosys, in its recent media interviews, also pushed back expectations on when automation will become a material part of its delivery - in FY17 and beyond. The impact of automation is going to be evolutionary and not revolutionary, but expect it to be a significant component five years down the line.
- While CTS is not very well known in the market for its IMS skills, that part of the business seems to have gained critical mass (>US$1bn in revenues per year) and growing very fast, which could put market share pressure on players like HCL Technologies and TCS.
- While platforms seem to be critical component of every Tier-1 vendor's strategy, we believe these will have to be created internally or bought from customers who are open to sell them (or co-own them). The sense we get is that there are no significant independent industry platforms (of Trizetto kind) that are out there in the market for sale. After the healthcare payer space, CTS seems to focus on Banking and Life Sciences to build its platforms. Currently, it seems to have developed (or in the process of developing) about 30 platforms. Many of these will be small revenue generators.
- 60% of the work being done by CTS can be classified as Change the Business kind of work currently, which we believe will come under pressure if the economic scenario that we have laid out in our report Downside Risks Open Up - It Is That Time Of The Cycle! plays out.
- CTS is encouraging its sales force to cannibalise revenues hoping to capture the saved dollars on Change the Business type of work that customers would outsource. While some part of the business would contract – say in Run the Business side there are other parts that are expanding at a rapid pace. On a net basis, the overall opportunity is growing according to CTS.
- One of the key reasons of success of CTS, according to its top management, is keeping an eye on emerging technologies, investing in building capabilities in them and taking them to customers. CTS currently believes that artificial intelligence or AI and Cognitive computing are two key areas of the future that would impact IT services.
- With outsourcing in US becoming mature, Run the Business opportunity is possibly larger in Europe going forward than in US.
- In application maintenance business, only 20%-30% of it is ERP-related and could be at risk of shifting to the cloud and witness value compression, but a very large of enterprise applications is still custom built and needs to be managed. Even those that get shifted to the cloud require maintenance.

NOT RATED

Sector: Information Technology

CMP: US$60.35

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Please refer to the disclaimer towards the end of the document.

We have a negative view on IT sector driven by: (1) Our belief that there will be below-trend growth in US over the next 12-24 months. This, in our view, will have a deleterious impact on Global 2000 corporations' sales growth - key driver of Indian IT sector's revenue growth. (2) We believe volume growth, pricing and margins are all likely to disappoint amid intense competition because of convergence of capabilities and strategies among Tier-1 Indian players. (3) We see revenue cannibalisation from automation to accelerate as the entire industry is in a challenger-defender paradigm and some players have already factored in aggressive assumptions on gains from it and therefore have to deliver unless they want to witness material margin downside. (4) We do not believe digital business is material enough to offset the pressure one expects in traditional business. (5) We see significant P/E multiple compression for the sector (as witnessed in past down cycles). We believe consensus expectation of USD revenue growth rebounding to a low-teen level for Tier-1 players over FY16E-FY18E implicitly assumes that US will continue to grow at 2.0%-2.5% over 2015-17. Based on our base case view (explicit) on US GDP growth (1%-2% in 2016 and 0%-1% in 2017), we expect Tier-1 players to grow 5.0%-8.5% over FY16E-FY18E in USD revenue terms (with the growth markedly expected to slow down to 2.9%-4.9% in FY18E). We have elaborated on our thesis in our sector update: Downside Risks Open Up - It Is That Time Of The Cycle!

Valuation Of Companies In Our Coverage Universe

Automobile

Gaurant Dadwal (gaurant.dadwal@nirmalbang.com)

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US$mn)	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
					FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	Sales	EBITDA	PAT	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
Maruti Suzuki	4,142	4,479	Buy	18,719	577,463	673,625	792,334	89,785	98,717	116,573	45,714	56,335	67,657	17.1	13.9	21.7	151.3	186.5	224.0	27.4	22.2	18.5	13.8	12.6	10.5	4.6	4.2	3.6	18.0	19.8	20.9	23.4	23.0	24.5
Bajaj Auto	2,630	2,594	Acc	11,385	222,527	236,164	268,435	47,795	48,616	55,373	36,523	38,596	44,134	9.8	7.6	9.9	126.2	133.4	152.5	20.8	19.7	17.2	15.5	14.9	12.7	6.2	5.4	4.6	31.8	29.1	28.7	37.6	33.5	33.1
Hero MotoCorp	3,113	3,104	Acc	9,300	285,993	315,790	357,591	44,470	47,421	53,777	31,324	33,961	38,754	11.8	10.0	11.2	156.9	170.1	194.1	19.8	18.3	16.0	3.4	3.1	2.6	7.8	6.7	5.6	43.2	39.3	37.8	53.9	47.7	46.0
TVS Motor	295	245	Sell	2,095	112,439	128,534	146,325	7,508	9,908	12,058	4,322	5,820	7,271	14.1	26.7	29.7	9.1	12.3	15.3	32.4	24.1	19.3	19.6	14.8	12.2	7.2	6.0	4.8	24.1	27.2	27.8	22.4	27.7	29.5
Swaraj Engines	1,099	1,152	Buy	204	5,259	6,354	7,819	736	966	1,290	513	671	887	21.9	32.4	31.6	41.3	54.0	71.4	26.6	20.3	15.4	12.2	9.1	6.7	6.4	6.1	5.6	24.1	30.7	38.0	18.1	23.4	29.2
Atul Ataito	505	592	Buy	166	5,310	5,826	6,876	763	889	1,046	474	551	648	13.8	17.1	16.9	21.6	25.2	29.6	23.4	20.1	17.1	14.3	12.3	10.4	7.2	6.3	5.2	34.4	33.3	33.4	35.6	34.6	34.8

Banking

Hatim Broachwala (hatim.broachwala@nirmalbang.com)

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US$mn)	Net Interest Income (Rsmn)			Op Profit (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			P/ABV (X)			RoE (%)			RoA (%)		
					FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBITDA	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Axis Bank	533	470	Acc	19,010	168,329	184,877	212,256	150,830	169,382	198,018	82,227	81,278	96,936	12.3	14.6	8.6	34.5	34.1	40.7	15.4	15.6	13.1	2.5	2.3	2.0	16.8	14.4	15.3	1.7	1.4	1.4
HDFC Bank	1,171	1,315	Buy	44,312	275,915	328,511	399,702	213,635	251,772	309,120	122,962	142,455	174,660	20.4	20.3	19.2	48.6	56.4	69.1	24.1	20.8	17.0	4.1	3.6	3.1	18.3	18.2	19.3	1.9	1.8	1.8
ICICI Bank	244	280	Buy	21,185	212,242	224,119	253,478	199,597	206,248	229,134	97,264	116,263	127,090	9.3	7.1	14.3	20.9	20.9	23.0	8.9	8.9	8.1	1.6	1.5	1.5	11.4	12.4	12.5	1.4	1.5	1.5
State Bank of India	199	240	Buy	23,099	568,818	617,244	715,696	382,403	415,202	493,156	99,506	151,078	182,872	12.2	13.6	35.6	12.8	19.5	23.6	10.6	7.0	5.8	1.3	1.1	1.0	7.3	10.0	11.1	0.5	0.6	0.7
Bank of Baroda	143	130	Sell	4,945	127,398	129,468	155,402	76,369	78,131	95,794	(53,954)	37,759	47,731	10.4	12.0	-	-23.4	16.3	20.7	(6.1)	8.8	6.9	2.0	1.8	1.3	(13.5)	9.0	10.6	(0.8)	0.5	0.6
Punjab National Bank	77	55	Sell	2,262	153,117	179,512	198,108	114,892	123,776	138,412	(39,744)	24,612	35,438	13.7	9.8	-	(20.2)	12.5	18.0	(3.8)	6.1	4.3	39.6	2.0	1.1	(10.3)	6.3	8.6	(0.6)	0.3	0.5
IndusInd Bank	1,122	1,335	Buy	9,986	45,166	56,592	72,926	40,082	48,321	62,478	22,864	28,263	36,467	27.1	24.8	26.3	38.4	47.5	61.3	29.2	23.6	18.3	3.8	3.4	2.9	16.2	14.9	16.7	1.8	1.8	1.9
Federal Bank	54	67	Buy	1,378	25,042	27,273	31,913	12,958	16,031	19,737	4,757	8,502	10,711	12.9	23.4	50.1	3.8	6.2	7.2	14.2	8.6	7.4	1.3	1.2	1.2	6.0	10.1	11.8	0.5	0.9	0.9

NBFC

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Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US$mn)	Net Interest Income (Rsmn)			Op Profit (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			P/ABV (X)			RoE (%)			RoA (%)		
					FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBITDA	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
SKS Microfinance	680	750	Buy	1,295	6,356	9,082	12,120	4,326	6,623	8,955	3,031	4,532	6,005	38.1	43.9	40.8	23.8	35.6	47.2	28.5	19.1	14.4	4.7	3.9	3.2	25.0	27.8	27.6	5.1	5.4	5.4
Capital First	553	565	Buy	755	8,175	11,618	14,919	4,884	7,050	9,212	1,661	2,564	3,602	35.1	37.3	47.3	18.2	28.1	39.5	30.4	19.7	14.0	3.1	2.8	2.4	10.1	14.1	17.2	1.3	1.6	1.8

Capital Goods and Consumer Electricals

Chirag Muchhala (chirag.muchhala@nirmalbang.com)

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US$mn)	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
					FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBITDA	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Apar Industries	514	598	Buy	296	50,800	53,879	61,547	3,633	3,977	4,669	1,196	1,524	2,098	10.1	13.4	32.4	31.1	39.6	54.5	16.5	13.0	9.4	6.0	5.5	4.6	2.3	2.0	1.7	20.5	16.7	20.0	26.3	28.1	31.2
BHEL	118	105	Sell	4,324	256,300	285,755	331,707	(19,585)	5,715	15,922	(9,134)	6,293	14,316	13.8	NA	NA	-3.7	2.6	5.8	NA	45.9	20.2	NA	34.0	12.0	0.9	0.9	0.8	(2.7)	1.9	4.2	(8.6)	(1.2)	1.7
Bajaj Electricals	220	290	Buy	332	46,120	52,534	60,274	2,594	2,936	3,424	956	1,422	1,834	14.3	14.9	38.5	9.5	14.1	18.2	23.2	15.6	12.1	9.1	7.9	6.6	3.0	2.6	2.3	13.3	17.8	20.4	23.0	27.1	30.1
KEC International	135	175	Buy	521	85,163	93,404	103,871	6,793	7,846	9,141	1,915	2,618	3,457	10.4	16.0	34.4	7.4	10.2	13.4	18.2	13.3	10.1	8.4	7.1	5.9	2.3	2.0	1.8	13.5	16.2	18.7	15.9	17.5	19.9
Power Mech Projects	584	790	Buy	128	13,838	15,730	19,001	1,827	2,050	2,511	755	869	1,163	17.2	17.2	24.1	51.3	59.1	79.0	11.4	9.9	7.4	5.5	4.8	3.8	1.5	1.3	1.1	16.6	14.6	16.8	20.7	20.0	23.3
Thermax	763	690	Sell	1,360	55,015	53,770	58,115	4,481	4,839	5,521	2,769	3,144	3,575	2.8	11.0	13.6	23.1	26.4	30.0	33.0	28.9	25.4	19.8	18.4	16.0	3.9	3.6	3.3	10.8	12.0	12.6	11.6	12.5	13.6
Triveni Turbine	110	140	Buy	544	7,963	9,226	11,580	1,698	2,032	2,619	1,076	1,391	1,841	20.6	24.2	30.8	3.3	4.2	5.6	33.8	26.1	19.7	21.2	17.6	13.4	12.4	10.0	7.9	36.8	38.1	40.1	49.2	47.7	49.4
TD Power Systems	219	409	Buy	109	5,068	5,411	6,514	67	553	780	(92)	350	544	13.4	241.6	NA	(2.8)	10.5	16.4	NA	20.8	13.4	79.1	9.3	6.1	1.5	1.5	1.4	(1.9)	7.1	10.4	(4.3)	4.7	8.5
Voltas	333	322	Acc	1,650	58,574	62,706	69,850	4,369	4,852	5,845	3,404	4,025	4,839	9.2	15.7	19.2	10.3	12.2	14.6	32.4	27.4	22.8	25.4	22.7	18.4	4.6	4.1	3.6	17.1	15.8	16.9	16.6	16.2	18.1
V-Guard Industries	1,370	1,451	Buy	617	18,623	21,306	24,706	1,780	2,144	2,616	1,117	1,426	1,747	15.2	21.2	25.1	37.1	47.4	58.1	36.9	28.9	23.6	23.1	19.1	15.4	8.8	7.2	5.8	26.3	27.3	27.2	34.6	36.9	37.2

Cement

Mangesh Bhadang (mangesh.bhadang@nirmalbang.com)

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (US$mn)	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
					FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBITDA	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
ACC	1,535	1,659	Buy	4,311	116,574	128,814	151,683	13,672	18,511	25,734	5,909	9,407	14,692	14.1	37.2	57.7	31.4	50.1	78.2	48.8	30.7	19.6	20.1	14.4	9.9	3.4	3.4	3.2	7.1	11.1	16.7	8.0	12.5	18.9
Ambuja	229	236	Accumulate	5,314	94,318	107,593	123,174	15,215	21,450	28,057	7,976	12,551	17,119	14.3	35.8	46.5	5.1	8.2	11.2	44.5	27.8	20.4	21.1	15.0	11.1	3.4	3.3	3.1	7.8	12.0	15.7	8.3	13.6	18.6
UltraTech	3,227	3,307	Accumulate	13,250	269,270	318,334	360,852	49,614	70,156	74,974	24,603	37,715	41,902	15.8	22.9	30.5	89.7	137.4	152.7	36.0	23.5	21.1	18.5	12.8	11.5	4.2	3.6	3.2	12.2	16.5	15.9	12.7	17.9	18.3
JK Lakshmi	337	413	Buy	593	26,108	34,306	41,031	2,959	5,646	6,394	(207)	1,779	2,778	25.4	47.0	-	(1.8)	15.1	23.6	(192.1)	22.3	14.3	18.9	9.8	8.2	3.1	2.8	2.5	(1.6)	13.3	18.6	4.1	12.0	14.1
Mangalam Cement	268	411	Buy	107	8,900	10,574	11,990	459	1,501	1,850	(142)	547	820	16.1	100.7	-	-5.3	20.5	30.7	(50.4)	13.1	8.7	22.9	6.9	5.4	1.4	1.3	1.2	(2.8)	10.5	14.1	1.0	12.6	16.3
KCP Ltd.	85	122	Buy	165	6,684	7,471	8,317	1,325	1,515	1,637	439	622	768	11.5	11.1	32.3	3.4	4.8	6.0	25.1	17.7	14.3	11.0	9.1	7.9	2.8	2.5	2.2	11.7	15.0	16.3	11.9	14.3	15.9

FMCG

Aditya Joshi (aditya.joshi@nirmalbang.com)

Company	CMP	TP (Rs)	Current	M-cap	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
	(Rs)		Rating	(US$mn)	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBITDA	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Colgate Palmolive	855	984	Buy	3,523	41,623	45,785	51,508	9,313	10,531	12,156	6,078	6,593	7,649	11.2	14.2	12.2	22.3	24.2	28.1	38.2	35.3	30.4	24.6	21.6	18.6	22.8	20.6	18.5	67.9	61.4	64.2	67.1	60.4	63.1
PGHH	6,195	6,571	Acc	3,047	25,336	29,328	34,784	5,954	6,599	8,383	4,111	4,468	5,620	17.2	18.7	16.9	126.5	137.5	172.9	49.0	45.1	35.8	32.1	28.6	22.1	14.0	12.2	10.4	30.9	29.0	31.4	31.3	29.4	31.8
Britannia Inds.	2,774	2,513	Sell	5,035	86,789	95,033	106,437	12,265	12,896	14,518	8,164	8,301	9,239	10.7	8.8	6.4	68.2	69.3	77.1	40.7	40.0	36.0	26.7	25.2	22.4	18.8	14.4	11.6	54.2	40.7	35.7	47.5	37.4	33.1
Nestle India	6,479	6,168	Acc	9,465	81,233	103,166	123,799	16,152	21,562	26,864	10,847	12,617	16,022	23.5	29.0	21.5	96.4	96.4	96.4	67.2	67.2	67.2	38.1	28.2	22.3	21.5	18.2	15.6	45.6	38.4	42.0	34.6	35.1	37.2
Glaxo Consumer	5,677	5,510	Acc	3,621	43,087	46,103	50,714	8,349	8,575	9,433	6,869	7,210	7,854	8.5	6.3	6.9	163.3	171.4	186.7	34.8	33.1	30.4	25.4	24.4	21.9	9.8	8.5	7.4	30.1	27.4	26.0	27.1	24.6	23.4
United Breweries	726	635	Sell	2,907	50,758	57,103	65,668	7,241	8,456	9,893	2,951	3,458	4,195	13.7	16.9	19.2	11.2	13.1	15.9	64.9	55.4	45.7	27.0	23.3	19.8	9.1	8.0	6.9	14.9	15.3	16.2	12.0	13.1	13.6
Jubilant Foodworks	997	1,287	Buy	991	24,380	29,621	36,938	2,771	3,584	5,319	1,048	1,525	2,582	23.1	38.5	57.0	15.9	23.1	39.0	62.6	43.1	25.6	23.2	17.6	11.5	9.0	7.7	6.2	15.2	19.2	26.8	14.6	18.3	25.7
Westlife Development	238	280	Buy	724	8,334	10,690	14,250	426	1,037	2,024	(206)	306	1,097	30.8	117.9	N/A	0.2	2.0	7.1	N/A	N/A	33.7	83.1	34.1	17.4	6.9	6.5	5.4	(5.3)	(3.8)	5.5	(4.5)	(3.1)	4.5

Information Technology

Girish Pai (girish.pai@nirmalbang.com)

Company	CMP	TP (Rs)	Current	M-cap	Net sales (Rsmn)			EBIT (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
	(Rs)		Rating	(US$mn)	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBIT	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
TCS	2,613	2,055	Sell	77,012	1,086,462	1,222,180	1,316,985	287,901	317,685	334,550	242,149	270,104	284,161	10.1	7.8	8.3	123.2	137.9	145.1	21.2	18.9	18.0	17.7	16.1	15.3	7.0	6.0	5.3	36.7	34.0	31.3	39.1	35.9	33.2
Infosys	1,267	1,010	Sell	43,529	624,410	718,497	778,902	156,190	175,003	187,298	134,900	146,777	160,362	11.7	9.5	9.0	59.0	64.2	70.2	21.5	19.7	18.1	16.5	14.5	13.3	4.7	4.2	3.8	23.2	22.4	21.9	32.2	31.6	30.5
Wipro	535	489	Sell	19,779	516,307	568,888	609,885	97,021	102,997	113,064	88,922	94,335	104,777	8.7	8.0	8.5	36.1	38.3	42.5	14.8	14.0	12.6	12.5	11.6	10.3	2.8	2.6	2.4	20.3	19.2	19.5	17.1	15.2	15.1
HCL Tech*	725	719	Sell	15,291	311,360	475,864	516,392	63,700	89,297	99,858	56,670	77,718	88,227	28.8	25.2	24.8	40.1	55.0	62.4	18.1	13.2	11.6	14.3	9.8	8.3	3.6	3.2	2.7	53.7	55.1	62.6	53.5	55.0	62.4
Tech Mahindra	540	409	Sell	7,833	264,941	292,602	311,146	35,716	40,400	41,742	31,160	33,501	35,326	8.4	8.1	6.5	35.8	38.5	40.6	15.1	14.0	13.3	13.8	12.2	11.3	3.6	3.3	2.9	22.2	22.8	21.9	33.8	35.6	34.7
Persistent	725	558	Sell	868	23,123	30,657	34,597	3,206	3,826	4,641	2,974	3,430	4,135	22.3	20.3	17.9	37.2	42.9	51.7	19.5	16.9	14.0	17.7	14.5	11.6	3.5	3.1	2.8	21.1	21.9	23.5	21.0	21.8	23.5
Just Dial**	664	-	Under Review	690	6,908	8,261	10,040	1,706	1,596	2,439	1,419	1,320	1,970	20.6	19.6	17.8	20.4	19.2	28.2	32.5	34.7	23.5	26.8	27.9	17.7	6.9	6.0	4.8	21.5	17.8	22.2	21.1	27.8	38.9

Note: * June year-end;

Note: ** EBITDA, instead of EBIT; BBG Estimates

Midcap

Chitvan Oza (chitvan.oza@nirmalbang.com)

Company	CMP	TP (Rs)	Current	M-cap	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
	(Rs)		Rating	(US$mn)	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBITDA	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Arvind	309	-	UR	1,193	83,050	92,442	104,503	10,401	12,388	14,294	3,445	4,390	5,480	12.2	17.2	26.1	13.3	17.0	21.2	23.2	18.2	14.6	11.2	9.5	8.3	2.7	2.4	2.1	12.1	13.9	15.3	9.6	10.5	11.3
Bata India	558	550	Acc	1,088	24,181	27,269	30,923	2,706	3,302	4,002	2,187	1,938	2,354	13.1	21.6	3.7	12.1	15.1	18.3	47.2	37.8	31.1	25.8	20.5	16.7	6.2	5.6	5.0	19.8	15.5	17.0	14.2	15.7	17.2
CARE	982	1,429	Buy.	431	2,752	3,057	3,454	1,778	1,942	2,160	1,209	1,322	1,657	12.0	10.2	17.1	41.7	45.6	57.2	23.6	21.5	17.2	14.2	13.0	11.7	8.0	8.1	7.9	33.7	37.3	46.5	33.7	37.3	46.5
CCL Products	236	238	Buy	469	9,321	10,990	12,100	2,036	2,471	2,654	1,221	1,590	1,665	13.9	14.2	16.8	9.2	12.0	12.5	25.7	19.8	18.9	16.1	13.4	12.8	6.2	5.0	4.2	26.2	28.1	24.3	19.7	22.3	19.2
Crisil	2,281	2,070	Acc.	2,427	13,799	15,922	18,725	3,996	4,856	5,805	2,852	3,533	4,221	16.5	20.5	21.7	40.0	49.5	59.1	57.1	46.1	38.6	39.3	31.9	26.2	19.0	16.7	14.9	33.5	38.6	40.9	33.5	38.6	40.9
Greenply Inds	220	-	UR	397	16,569	17,730	20,157	2,448	2,695	3,144	1,306	1,450	1,668	10.3	13.3	13.0	10.8	12.0	13.8	20.3	18.3	15.9	11.4	10.3	9.6	4.4	3.6	2.9	23.9	21.5	20.3	18.6	18.7	17.2
Havells India	360	316	Acc.	3,357	54,190	60,600	60,600	7,322	8,370	9,825	7,360	6,040	7,311	5.7	15.8	-0.3	11.8	9.7	11.7	30.5	37.2	30.7	30.4	26.0	21.9	11.5	10.1	8.5	22.7	30.4	33.1	21.4	29.8	32.6
ICRA	4,285	4,374	Buy	640	3,507	4,031	4,709	1,083	1,300	1,531	788	1,026	1,215	15.9	18.9	24.2	78.8	102.6	121.5	54.4	41.8	35.3	35.7	29.2	24.3	8.9	7.8	6.8	17.3	19.9	20.7	18.0	19.9	20.7
Kajaria Ceramics	1,170	-	UR	1,388	24,185	28,669	32,690	4,633	5,352	6,162	2,291	2,783	3,279	16.3	15.3	19.6	28.8	35.0	41.3	40.6	33.4	28.4	20.6	17.6	15.1	10.1	8.1	6.6	27.6	26.9	25.7	22.4	22.8	23.3
La Opala RG	555	-	UR	460	2,834	3,647	4,190	861	1,137	1,441	537	728	937	21.6	29.4	32.1	9.7	13.1	16.9	57.4	42.3	32.9	34.8	25.9	20.1	13.4	10.5	8.1	25.8	27.9	27.5	25.6	27.9	27.5
Supreme Inds	877	-	UR	1,662	28,909	46,470	46,470	4,206	6,785	7,994	1,762	3,115	3,849	26.8	37.9	47.8	18.5	24.5	30.3	47.4	35.7	28.9	27.3	17.0	14.5	9.0	8.1	7.3	19.2	23.9	26.7	16.1	18.4	21.0
V Mart	496	-	UR	134	8,200	9,670	11,686	662	819	1,071	291	391	539	19.4	27.2	36.1	16.1	21.7	29.9	30.7	22.8	16.6	13.2	10.5	7.8	3.9	3.3	2.8	13.3	15.7	18.4	13.0	15.6	18.4

Note: Estimate for Just Dial are Under Review, We have dropped Coverage on PEBS

Mid-cap

Sameer Panke (sameer.panke@nirmalbang.com)

Company	CMP	TP (Rs)	Current	M-cap	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
	(Rs)		Rating	(US$mn)	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBITDA	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
LMW	3,650	4,442	Buy	614	25,283	27,681	30,440	3,186	3,469	3,810	2,199	2,450	2,634	9.7	9.4	9.4	195.2	217.5	233.8	18.7	16.8	15.6	9.7	8.3	6.9	2.9	2.6	2.3	16.4	16.1	15.3	10.6	10.5	10.5
Timken India	560	650	Buy	568	10,619	12,303	14,373	1,625	1,810	2,147	919	1,062	1,261	16.3	15.0	17.2	13.5	15.6	18.6	41.4	35.8	30.2	23.2	20.8	17.4	7.3	6.2	5.3	18.7	20.2	20.6	20.4	21.2	22.2
NRB Bearings	114	133	Buy	165	6,574	7,242	8,192	956	1,147	1,393	413	547	718	11.6	20.7	31.9	4.3	5.6	7.4	26.7	20.2	15.4	13.8	11.3	9.4	3.7	3.3	2.8	19.4	20.4	20.5	12.5	14.3	15.3
SKF India	1,219	1,320	Accumulate	960	29,979	27,433	31,348	3,639	3,241	3,698	2,571	2,294	2,785	2.3	0.8	4.1	39.0	43.5	52.8	31.2	28.0	23.1	15.7	16.3	13.7	4.1	3.8	3.4	17.2	14.0	15.5	14.8	12.3	13.2

Midcap

Akhil Parekh (akhil.parekh@nirmalbang.com)

Company	CMP	TP (Rs)	Current	M-cap	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
	(Rs)		Rating	(US$mn)	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBITDA	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Vinati Organics	488	589	Buy	376	6,309	7,311	9,176	2,068	2,256	2,672	1,316	1,403	1,687	20.6	13.7	13.2	25.5	27.2	32.7	19.1	17.9	14.9	11.9	10.9	8.8	4.7	3.8	3.2	27.0	23.5	23.3	29.3	27.8	28.6

Pharmaceutical

Sumit Singhania (sumit.s@nirmalbang.com)

Company	CMP	TP (Rs)	Current	M-cap	Net sales (Rsmn)			EBITDA (Rsmn)			PAT (Rsmn)			CAGR FY16E-FY18E			EPS (Rs)			P/E (X)			EV/EBITDA (X)			P/BV (X)			RoE (%)			RoCE (%)		
	(Rs)		Rating	(US$mn)	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	Sales	EBITDA	PAT	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Aurobindo Pharma	779	900	Buy	6,821	138,961	163,406	184,309	31,396	38,376	44,746	19,820	24,496	29,246	15.2	19.4	21.5	33.9	41.9	50.0	23.0	18.6	15.6	15.6	12.6	10.4	6.5	4.8	3.7	32.5	29.7	26.9	25.4	26.3	27.6
Cipla	467	-	UR	5,609	136,782	157,392	183,288	25,010	29,782	36,322	15,059	17,499	22,057	15.8	20.5	21.0	18.7	21.8	27.5	24.9	21.4	17.0	16.7	14.2	11.5	3.2	2.8	2.4	13.3	13.8	15.3	12.8	12.9	14.8
Divis Labs	1,142	-	UR	4,536	37,213	42,496	50,995	13,961	16,148	19,378	11,077	12,228	14,835	17.1	17.8	15.7	41.7	46.1	55.9	27.4	24.8	20.4	21.7	18.6	15.5	14.1	12.0	10.1	28.4	26.1	26.8	31.4	30.2	31.0
Glenmark Pharma	782	-	UR	3,300	73,804	89,445	105,492	15,454	23,359	26,859	7,635	13,929	16,588	19.6	31.8	47.4	27.1	49.4	58.8	28.9	15.8	13.3	15.6	10.1	8.6	4.6	3.6	2.8	19.0	25.0	23.3	18.5	26.5	27.6
Lupin	1,419	-	UR	9,570	142,085	173,698	200,736	37,333	45,027	52,620	22,707	29,613	34,789	18.9	18.7	23.8	50.4	65.7	77.2	28.2	21.6	18.4	18.7	14.9	12.5	5.8	4.8	4.0	22.9	24.3	23.6	23.5	21.7	25.2
Natco Pharma	528	-	UR	1,375	11,416	13,617	15,149	2,697	3,105	3,514	1,552	1,974	2,247	15.2	14.1	20.3	8.9	11.3	12.9	59.2	46.5	40.9	34.3	29.8	26.3	7.1	6.3	5.5	14.5	14.3	14.4	17.2	16.6	16.8
Strides	1,121	-	UR	1,498	30,764	43,018	47,896	5,327	8,796	9,997	2,613	5,428	6,061	24.8	37.0	52.3	29.3	60.8	67.9	38.3	18.4	16.5	21.9	13.7	11.7	3.5	3.0	2.5	13.1	17.5	16.6	10.0	11.6	12.6

Disclaimer

Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to15%

SELL < -5%

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