



TOP PICKS

JANUARY 2018

SMC RETAIL DESK



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HCL TECHNOLOGIES LIMITED



Target Price **1046**

Upside Potential **9%**

VALUE PARAMETER

Current Mkt.Price (Rs.)	957.75
Face Value (Rs.)	2.00
52 Week High/Low	965.00/778.05
M.Cap (Rs. in Cr.)	133334.89
EPS (Rs.)	49.81
P/E Ratio (times)	19.23
P/B Ratio (times)	5.13
Dividend Yield (%)	2.54
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Dec, 2017	% Of Holding
Foreign	26.09
Institutions	10.51
Non Promoter Corporate Holding	0.34
Promoters	60.19
Public & Others	2.88

CHART



Investment Rationale:

- HCL Technologies is a leading global IT services company that helps global enterprises re-imagine and transform their businesses through digital technology transformation. HCL operates out of 32 countries.
- As per the company's outlook (consolidated), it's financial year ending March 2018 (FY 2018) revenues are expected to grow between 10.5% to 12.5% in constant currency. The above constant currency guidance translates to 12.1% to 14.1% in USD terms based on 30 September 2017 rates. FY 2018 expected Operating Margin (EBIT) range is from 19.5% to 20.5%. The Operating Margin guidance assumes USD-INR currency rate of \$1 = Rs. 65.5 and other currencies at FY 2017 average exchange rates.
- Strong client addition continues (on YoY basis), it has added \$5+ Mn clients up by 24, \$10+ Mn clients up by 11, \$20+ Mn clients up by 2, \$40+ Mn clients up by 3, \$50+ Mn clients up by 5 and \$100+ Mn clients up by 1 during September quarter.
- It has expanded its relationship with IBM to collaboration solutions, which include Notes, Domino, Smart Cloud Notes, Verse and Same time with an objective to provide superior business value and support to the larger customer base.
- Its services attrition rate increased to 18.6 percent in the quarter ended September 2017 compared with 16.20 percent sequentially on trailing 12 month basis.
- Total employees stood at 1,19,040 at the end of September quarter, up from 1,17,781 headcount it had as of June 30. Blended utilisation improved to 85.8 percent from 85.6 percent on sequential basis.
- Its profit for October-December quarter increased 0.3 percent sequentially to Rs 2,194 crore and maintained full year constant currency revenue guidance. Revenue during the quarter increased 3 percent quarter-on-quarter to Rs 12,808 crore and dollar revenue rose 3.1 percent to USD 1,988 million with constant currency growth at 3.3 percent. The software services provider has maintained its guidance for full year constant currency revenue at 10.5-12.5 percent and operating margin (EBIT) at 19.5-20.5 percent. Constant currency growth in dollar terms also maintained at 12.1-14.1 percent.

Valuation

Overall performance reported by the Company is quite healthy, a well-balanced capital allocation strategy through a combination of capital expenditure, dividends and acquisitions. Return on Equity for the Year continues to be robust at 28%. Its investments in BEYONDigital, IoT WoRKS and Next-Gen ITO helped it to improve its financials. According to management of the company, it has significantly enhanced its strengths in new age services and domain leadership through strategic client acquisitions. Thus, it is expected that the stock will see a price target of Rs.1046 in 8 to 10 months time frame on a 3 year average P/E of 15.62x and FY19 (E) earnings of Rs.66.99.

THE RAMCO CEMENTS LIMITED



Target Price **918**

Upside Potential **18%**

VALUE PARAMETER

Current Mkt.Price (Rs.)	778.80
Face Value (Rs.)	1.00
52 Week High/Low	839.95/612.00
M.Cap (Rs. in Cr.)	18346.72
EPS (Rs.)	28.11
P/E Ratio (times)	27.71
P/B Ratio (times)	4.83
Dividend Yield (%)	0.39
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Dec, 2017	% Of Holding
Foreign	14.26
Institutions	19.05
Non Promoter Corporate Holding	6.85
Promoters	42.75
Public & Others	17.10

CHART



Investment Rationale:

- The Ramco Cements Limited, formerly Madras Cements Limited, manufactures cement, ready-mix concrete and dry mortar products. The Company operates in two segments: Cement and Power generation from Windmills. It is also engaged in the sale of surplus electricity generated from its windmills and thermal power plants.
- The company is planning to increase its capacity through satellite grinding plants and this would enable the company to increase its presence in Andhra Pradesh, Odisha and West Bengal. The plans are to increase the capacity to 7.1 mtpa from 4 mtpa. The expansion will be taken up at Vizag, Kolaghat and with a new grinding unit in Odisha. The proposed expansion will be completed in 18 months and the cost will be met through internal accruals and borrowings. The aggregate estimated cost of expansion is Rs 1,095 crore.
- With the increased spending by the government on infrastructure and affordable housing scheme, it is expected to propel the growth for the cement demand in future. It is among the best plays in the southern cement market with its high operating margin and signs of volume pick-up.
- The Company believes in continuous upgradation of technology to improve the quality of its production and productivity to achieve newer and better products for its clients.
- Going forward, the company believes that the volume growth is expected to sustain due to Government's focus on low-cost "Housing for All" scheme, higher infrastructure spend in AP & Telangana, off-take in Government projects of irrigation coupled with development of smart cities and affordable housing sector demand in East.
- The company has been reducing debt. In FY17, its debt fell to Rs 1437.22 crore from Rs 2140.81 crore in FY16. The Company manages its capital structure and makes adjustments in the light of changes in economic conditions and the requirements of the financial covenants.

Valuation

Going forward, it is expected that the company is well placed with surplus capacity to tap the robust demand growth potential in its core market coupled with changing geographical mix. Thus, it is expected that the company would see good growth going forward and the stock will see a price target of Rs.918 in 8 to 10 months time frame on a two year average P/E of 27.14x and FY19 (E) earnings of Rs.33.82.

Previous Recommendation

SR. NO.	REPORT NAME	REPORT DATE	PARTICULARS	CMP	RECOMMENDED PRICE	TARGET	UPSIDE	DATE	STATUS	REMARKS	ACTUAL / RUNNING GAIN / LOSS (%)
1	Top Picks for 2018	26-Dec-17	Larsen & Toubro Limited	1371.95	1266.65	1450	15%		Open Call		8
2	Top Picks for 2018	26-Dec-17	Zee Entertainment Enterprises Limited	599.65	574.10	667	16%		Open Call		4
3	Top Picks for 2018	26-Dec-17	Tech Mahindra Limited	552.60	492.55	569	16%	22-Jan-18	Target met		16
4	Top Picks for 2018	26-Dec-17	Bharat Electronics Limited	172.75	188.55	213	13%		Open Call		-8
5	Top Picks for 2018	26-Dec-17	NHPC Limited	29.80	30.35	38	24%		Open Call		-2
6	Top Picks for 2018	26-Dec-17	Indian Bank	381.30	391.25	448	15%		Open Call		-3
7	Top Picks for 2018	26-Dec-17	Engineers India Limited	180.45	205.00	239	17%		Open Call		-12
8	Top Picks for 2018	26-Dec-17	Swaraj Engines Limited	2052.85	2036.10	2384	17%		Open Call		1
9	Top Picks for 2018	26-Dec-17	Ahluwalia Contracts (India) Limited	375.10	373.40	473	27%		Open Call		0
10	Top Picks for 2018	26-Dec-17	Gati Limited	137.40	137.65	158	15%		Open Call		0
11	Top Picks - Nov 2017	15-Nov-17	Power Grid Corporation of India Limited	196.00	206.75	258	25%		Open Call		-5
12	Top Picks - Nov 2017	15-Nov-17	Tech Mahindra Limited	552.60	488.80	564	15%	17-Jan-18	Target met		15
13	Diwali Crackers 2017	16-Oct-17	ICICI Prudential Life Insurance Company Ltd	429.45	405.05	490.00	21%		Open Call		6
14	Diwali Crackers 2017	16-Oct-17	Gujarat State Petronet Limited	212.70	196.25	237	21%		Open Call		8
15	Diwali Crackers 2017	16-Oct-17	K P R Mill Limited	810.90	759.75	868	14%		Open Call		7
16	Diwali Crackers 2017	16-Oct-17	Techno Electric & Engineering Company Ltd	393.20	350.10	450	28%		Open Call		12
17	Diwali Crackers 2017	16-Oct-17	HT Media Limited	108.40	94.00	127	35%		Open Call		15
18	Top Picks - Sep-2017	11-Sep-17	Engineers India Limited	180.45	159.90	187	17%	30-Oct-17	Target met		17
19	Top Picks - Sep-2017	11-Sep-17	HT Media Limited	108.40	100.45	127	26%		Open Call		8
20	Top Picks - Sep-2017	11-Sep-17	Jain Irrigation Systems Limited	135.80	103.85	144	39%	28-Dec-17	Book Profit	Booked@127.5	
21	Top Picks - Sep-2017	11-Sep-17	Suprajit Engineering Limited	307.05	278.50	349	25%	5-Jan-18	Book Profit	Booked@338	21
22	Top Picks - Sep-2017	11-Sep-17	Techno Electric & Engineering Company Ltd	393.20	356.80	461	29%		Open Call		10
23	Top Picks - Aug 2017	22-Aug-17	Arvind Limited	448.35	365.10	464	27%	19-Nov-17	Book Profit	Booked@420	15
24	Top Picks - Aug2017	22-Aug-17	Axis Bank limited	590.25	494.15	631	28%		Open Call		19
25	Top Picks - Aug 2017	22-Aug-17	Larsen & Toubro Limited	1371.95	1126.50	1377	22%	19-Nov-17	Target met		22
26	Top Picks - Aug 2017	22-Aug-17	Bharat Electronics Limited	172.75	179.20	213	19%		Open Call		-4
27	Top Picks - Aug 2017	22-Aug-17	ICICI Prudential Life Insurance Company Ltd	429.45	420.55	481	14%		Open Call		2

E-mail: researchfeedback@smcindiaonline.com



Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor , Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court, Gate No.- 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

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