TOP 10 PICKS FOR 2018

26th DEC, 2017

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FROM SMC RESEARCH DESK ....

Indian stock markets saw another spectacular year with benchmark indices gaining close to 25 percent on the back of reforms initiated by the government and increasing appetite for equities of domestic investors. As a matter of fact domestic mutual funds poured in about twice the money in equities put in by the foreign institutional investors amounting to close to $ 8 billion. The gains in the domestic markets were in line with the major global markets indicating firmness in growth going in 2018 with some agencies predicting best growth in 2018 since seen in the year 2011. With Benchmarks Nifty 50 and Nifty Midcap 150 trading at 26 and 54 times to earnings, these benchmarks are trading at premium of about 26 percent and 116 percent to their historical five year average. Actually, rise in domestic and global liquidity led to P/E re-rating in the market. On the flip side, since the Gujarat state election win was not an easy win for Bhartiya Janta Party (BJP), we expect government to embrace more populist measures and focus on completing the reforms undertaken in the last three years.

Now talking about the risks going in 2018, the first risk coming from the global arena would be the major central bankers would be on course to trim their balance sheet and also they would hike interest rates given the firmness in growth they are experiencing. While major central banks are calibrating their moves in such a manner that there should not be any disruption in financial markets but all of this can mean trouble for emerging markets in the sense that there would be liquidity constraint and also may see withdrawal from bond markets. As a matter of fact Foreign Institutions have pumped nearly $8 billion in equities and $23 billion in debt market so far in 2017. The other risks would be sustenance of high oil prices and additional spending by government ahead of 2019 elections thereby leading to challenge for fiscal deficit and continuation of neutral stance by the Reserve bank of India in response to commitment to keep inflation close to 4 percent.

2018 is expected to be another good year — with the results of all policy initiatives taken in the last 2 years beginning to take shape. The government is expected to outline a roadmap on NPA resolution and frame a better outlook going forward with PSU banks. The clean-up and recapitalization of public sector banks (PSU) and its positive impact on overall earnings growth is expected to be the major drivers of the stogck market in 2018. On the economy front, after 7.1% growth in 2016 and a projected 6.7% uptick in 2017, the Indian economy is expected to grow 7.4% next year with government policies shifting towards the stress-ridden rural landscape. Modi government has enacted Goods and Services Tax (GST), a de-monetization plan, a new bankruptcy law, an inflation-targeting framework for its central bank, a Real Estate Regulation Act and many more in the last two years, and there is an expectation that government would try to give shape to these initiatives. The upcoming budget is expected to be focused on farmers, creating jobs and infrastructure while making all attempts to follow a fiscal prudence path. A long Term investors should remain invested.

Happy Investing

TOP 10 PICKS - 2018

SR.NO.	CO_NAME	SECTOR	CLOSE PRICE*	TARGET (RS.)	UPSIDE POTENTIAL (%)
1	Larsen & Toubro	Construction & Engineering	1266.65	1450	15
2	Zee Entertainment	Broadcasting & Cable TV	574.10	667	16
3	Tech Mahindra	IT Consulting & Software	492.55	569	16
4	Bharat Electron	Defence	188.55	213	13
5	NHPC Ltd	Power Generation & Distribution	30.35	38	24
6	Indian Bank	Banks	391.25	448	15
7	Engineers India	Infrastructure Developers & Operators	205.00	239	17
8	Swaraj Engines	Auto Parts & Equipment	2036.10	2384	17
9	Ahluwalia Contr.	Realty	373.40	473	27
10	Gati	Transportation - Logistics	137.65	158	15

***CMP as on 22nd December 2017**

Performance of report " TOP 10 PICKS - 2017" released on 29th December 2016

SR.NO.	CO_NAME	RECOMENDED PRICE	TARGET (RS.)	STATUS/ CMP*	RETURN (%)
1	Reliance Inds.	526.10	628	Target Met	19
2	NTPC	160.80	185	Target Met	15
3	Power Grid Corpn	180.00	226	Target Met	26
4	Bharat Electron	123.59	154	Target Met	25
5	P I Inds.	810.85	1107	956.90	11
6	Arvind Ltd	331.10	412	Target Met	24
7	J B Chem & Pharm	342.40	494	322.05	-14
8	Navneet Educat.	109.85	131	Target Met	19
9	Suprajit Engg.	182.50	224	Target Met	23
10	Guj Inds. Power	94.90	116	Target Met	22
	Average Price				**17**

"SMC Retail Research came out with a report "" TOP 10 PICKS - 2017"" on 29th December 2016. It is a pleasure to share with you that out of ten stocks recommendation, eight stocks met the targets given in the report for one year perspective.The average return generated is 17%."

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LARSEN & TOUBRO LIMITED

RECOMMENDATION: BUY

CMP: Rs. 1266.65 | **Target: Rs. 1450.00** | **Upside Potential : 15%**

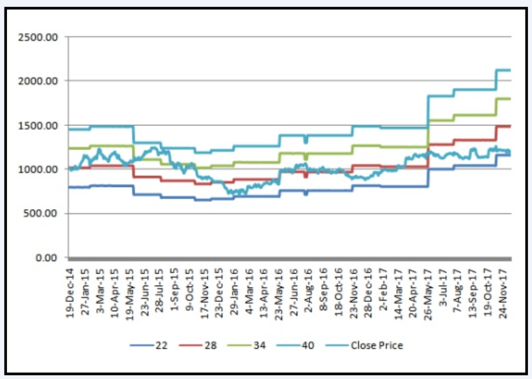
VALUE PARAMETERS

Current Mkt.Price (Rs.)	1266.65
Face Value (Rs.)	2.00
52 Week High/Low	1274.00/868.00
M.Cap (Rs. in Cr.)	177461.67
EPS (Rs.)	53.00
P/E Ratio (times)	23.90
P/B Ratio (times)	3.50
Dividend Yield (%)	1.10
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	19.76
Institutions	39.29
Govt holding	0.21
Non Promoter Corporate Holding	7.53
Promoters	0
Public & Others	33.22

P/E CHART



INVESTMENT RATIONALE

- Larsen & Toubro is a major Indian multinational engaged in technology, engineering, construction, manufacturing and financial services, with global operations. Its products and systems are marketed in over 30 countries worldwide. A strong, customer–focused approach and the constant quest for top-class quality have enabled L&T to attain and sustain leadership in its major lines of business for over seven decades.
- Consolidated order book stood at Rs 257526 crore, up by 2% YoY. International order book constitutes around 26% of total order book. Public sector continued to drive the capex. Order wins in Infrastructure segment, Hydrocarbon and Heavy Engineering segments contributed to the order flow during the year. Order inflow in Sep 17 quarter stood at Rs 28732 crore down by 8% YoY. International order inflow accounted for around 36% of total order inflows and was largely due to hydrocarbon orders. Sep 17 quarter revenue growth was led by water, services and heavy engineering businesses.
- The Company will continue to focus on reducing the working capital levels by emphasis on speedy customer collections, accelerating invoicing of work completed and reducing inventory levels.
- The Company collaborates with technology partners to participate in some large programs being launched for augmentation of defence equipment for the Army and the Navy. During Fy16-17, the Company also received a large order for manufacture of tracked artillery guns and its shipyard at Kattupalli augments the ability of the Group to bid for large naval orders. Defence is a major focus area for the Company and the management expects large prospects in the coming years.
- The company expects that the various reforms and economic measures over the past year would take some time to stoke growth. Focus for the company continues to remain on improvement of return on equity through reduction of working capital and higher operational efficiencies.
- Management expects order inflow to grow by around 12-15% and net sales growth of around 10-12% in FY 18. Moreover, it has completely come out from the legacy orders in hydrocarbon space.

VALUATION

The Company continues to focus on profitable execution of the large Order Book, selective order picking, on-time deliveries & operational excellence through digitalization. The management is also emphasizing on cost competitiveness, continuous optimization of working capital, restructuring of its business portfolio and value creation with an aim to enhance its Return on Equity. The Government's determined efforts to revive the investment sentiment and globally, the developed economies appear hopeful of a recovery and better growth prospects. The investment climate in the company's focus market Middle East continues to provide some selective opportunities despite the oil price shock and the geo political risks. Thus, it is expected that the stock will see a price target of Rs.1450 in 8 to 10 months time frame on a 1 year average P/Ex of 26.05x and FY19 EPS of Rs.55.68.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	110,011.00	120,817.20	136,008.00
EBITDA	11,074.70	13,076.30	15,327.70
EBIT	8,704.80	10,975.70	12,905.10
PRE-TAX PROFIT	8,765.90	10,859.80	12,405.40
NET INCOME	5,919.80	6,881.70	7,802.40
EPS	42.19	49.11	55.68
BVPS	358.83	404.38	450.06
RoE	12.54	12.86	13.24

Source: Company's Website, Reuters & Capitaline

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ZEE ENTERTAINMENT ENTERPRISES LIMITED RECOMMENDATION: BUY

CMP: Rs. 574.10 **Target: Rs. 667.00** **Upside Potential : 16%**

VALUE PARAMETERS

Current Mkt.Price (Rs.)	574.10
Face Value (Rs.)	1.00
52 Week High/Low	595.85/428.50
M.Cap (Rs. in Cr.)	55139.64
EPS (Rs.)	14.68
P/E Ratio (times)	39.12
P/B Ratio (times)	7.58
Dividend Yield (%)	0.44
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	44.09
Institutions	6.52
Non Promoter Corporate Holding	3.23
Promoters	43.07
Public & Others	3.10

P/E CHART

INVESTMENT RATIONALE

- Zee Entertainment Enterprises Limited is one of India's leading media and entertainment companies. It is amongst the largest producers and aggregators of entertainment content in the world, with an extensive library housing over 250,000 hours of television content. With rights to more than 4,200 movie titles from foremost studios and of iconic film stars, ZEEL houses the world's largest Hindi film library. Through its strong presence worldwide, ZEEL entertains over 1.3 billion viewers across more than 170 countries.
- The company's overall market share has risen from 16.9% in Q1 to 18.3% in Q2. In the Hindi pay GEC space, its market share has risen from 22.7% to 25.5%. The company continues to see good ad spend from FMCG vertical. The E-commerce vertical also remains strong.
- ZEEL's consolidated advertising revenue in Q2FY18 grew by 2.9% YoY to Rs. 9,867 million. Despite the adverse impact of GST on advertising, domestic advertising grew by 5.8% YoY, on a comparable basis (excluding sports, RBNL and IWPL) to Rs.9,028 million.
- Domestic and international subscription revenues for the quarter declined by 13.5% YoY and 16.1% YoY respectively, on account of sale of sports business. On a like for like basis, the domestic subscription revenue grew by 7.2%. Domestic subscription revenue for Q2 FY17 had benefitted from early closure of content contracts with our distributors, resulting in a high base.
- The Company has entered into a definite agreement to acquire 6 music channels from 9X Media and its subsidiaries. The channels include 3 Hindi music channels (9XM, 9X Jalwa, 9X Bajao) and one each in Punjabi(9x Tashan), Marathi (9x Jhakas) and English (9XO). The acquisition will significantly strengthen ZEEL's television music portfolio in Hindi and regional languages. It will also complement the Company's movie and music business.
- 2 HD channels - Zee Tamil HD and premium English movie channels & privé HD were launched taking the count of HD channels to 11.

VALUATION

The company has entered into newer geographies both domestically and globally, launched multiple channels, strengthened distribution, expanded the genres and widened its audience profile. Moreover, the management focuses towards expansion and it is expected that market share would give strong growth to the company in coming years. Thus, it is expected that the stock will see a price target of Rs.667 in 8 to 10 months time frame on a target P/E of 38x and FY19 (E) earnings of Rs.17.54.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	6434.10	6566.10	7562.70
EBITDA	1926.90	2080.10	2487.10
EBIT	1811.60	1980.60	2361.10
PRE-TAX PROFIT	2901.00	2207.40	2548.30
NET INCOME	998.20	1418.20	1688.90
EPS	10.39	14.62	17.54
BVPS	69.31	83.67	96.84
RoE	17.42	19.16	19.67

Source: Company's Website, Reuters & Capitaline

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TECH MAHINDRA LIMITED

RECOMMENDATION: BUY

CMP: Rs. 492.55 | **Target: Rs. 569.00** | **Upside Potential : 16%**

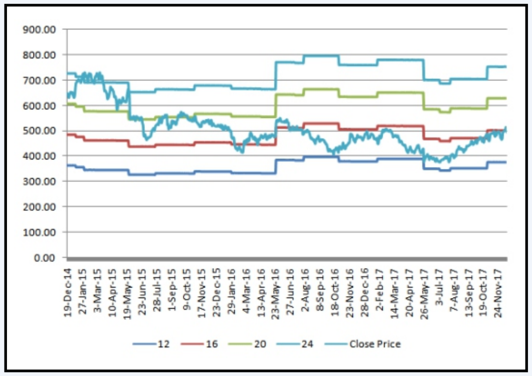
VALUE PARAMETERS

Current Mkt.Price (Rs.)	492.55
Face Value (Rs.)	5.00
52 Week High/Low	517.00/357.60
M.Cap (Rs. in Cr.)	48126.66
EPS (Rs.)	31.37
P/E Ratio (times)	15.70
P/B Ratio (times)	2.82
Dividend Yield (%)	1.64
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	38.38
Institutions	12.83
Non Promoter Corporate Holding	1.89
Promoters	36.14
Public & Others	10.76

P/E CHART



INVESTMENT RATIONALE

- Tech Mahindra is a specialist in digital transformation, consulting and business re-engineering solutions. It has major focus on two key verticals, telecommunications and manufacturing that account for 70% of its revenue. It also serves other verticals like BFSI, technology, media, retail and logistics.
- The company is getting aggressive on new age technologies and has trained 11,000 employees on automation technologies. It also plans to train additional 10,000 people in areas such as artificial intelligence, machine learning and automation; it has added 21 active clients, taking its overall active client base to 885. The company added 7 clients under US$10 million category, 8 in US$5 million band and 13 in US$1 million band.
- Attrition rate (LTM) for the quarter declined to 16 per cent from 17 per cent in previous quarter and has added 1,250 employees in the quarter. IT utilization in the second quarter improved to 81 per cent from 77 per cent on sequential basis while IT utilization (excluding trainees) was unchanged at 81 per cent quarter on quarter.
- On the development front, Tech Mahindra and PTC open an Industrial IoT Center of Excellence to showcase the technologies that companies can utilize for its digital transformations.
- Tech Mahindra has transformed itself into a full range IT service provider, with presence in all verticals across multiple geographies. It has a fairly distributed market in US, Europe and emerging markets such as Australia, Middle East and LATAM.
- During Q2FY17, Consolidated net profit grew 29.7 per cent year-on-year to Rs 836 crore from Rs 644.73 crore in the July-September quarter last year, backed by improvement in operational performance. Its revenue from operations was up 6.1 per cent at Rs 7,606.38 crore during the quarter as compared with Rs 7,167.41 crore in the same period last year. In dollar terms, the net profit was up nearly 34 per cent to $129.3 million, while revenue was up 10 per cent to $1.17 billion in the second quarter.

VALUATION

According to the management, the company would focus on Digital, Domain and Execution to transform it from IT (Information Technologies) to DT (Digital Technologies). It has once again proved that despite the occasional headwinds, geopolitical uncertainties and changing demands, it would rise to grow. With its DAVID (Digitalization, Automation, Verticalization, Innovation, and Disruption) Strategy at play, it has posted reasonably good growth in the quarter across revenue, profit and new business. Thus, it is expected that the stock will see a price target of Rs.569 in 8 to 10 months time frame on a two year average P/E of 15.12x and FY19 (E) earnings of Rs.37.66.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	29140.80	30758.50	33838.20
EBITDA	4184.40	4426.80	5108.70
EBIT	3206.40	3459.00	4036.40
PRE-TAX PROFIT	3853.00	4306.00	4580.00
NET INCOME	2850.90	3218.10	3407.30
EPS	31.64	35.82	37.66
BVPS	168.74	204.49	230.55
RoE	18.51	18.37	17.46

Source: Company's Website, Reuters & Capitaline

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BHARAT ELECTRONICS LIMITED (BEL)

RECOMMENDATION: BUY

CMP: Rs. 188.55 | **Target: Rs. 213.00** | **Upside Potential : 13%**

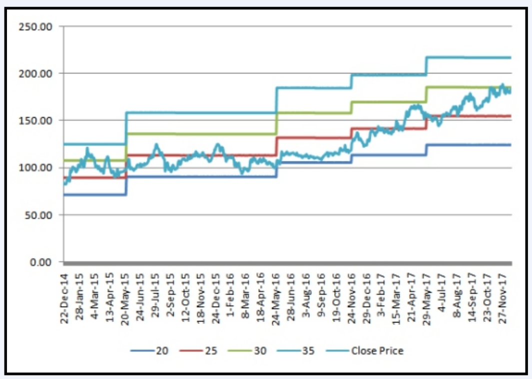
VALUE PARAMETERS

Current Mkt.Price (Rs.)	188.55
Face Value (Rs.)	1.00
52 Week High/Low	192.95/120.88
M.Cap (Rs. in Cr.)	46326.55
EPS (Rs.)	6.20
P/E Ratio (times)	30.43
P/B Ratio (times)	5.99
Dividend Yield (%)	1.08
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	8.11
Institutions	16.14
Non Promoter Corporate Holding	3.53
Promoters	67.94
Public & Others	4.28

P/E CHART



INVESTMENT RATIONALE

- Bharat Electronics Limited is a multi-product, multi-technology, multi-unit Navratna company providing the techonology and product as per the needs of defence in diverse fields in India and outside india.
- BEL would be the prime beneficiary of government initiatives in defence sector through "MAKE IN INDIA" and to take the benefit as it has enhanced its focus on procurement of new capital equipments. Moreover, its Increased focus on R&D, system integrator and outsourcing to increase long term sustainability of business.
- The company plans a capex of Rs. 2000 crore over the next five years which includes Defence System Integration Complex, Product development centre, Opto-Electronic manufacturing facility etc.
- An impressive order book Rs 41746 crore as on September 2017, which reflect the five times a order book to sales ratio, is a key positive for the company. The management has guided 7-8% growth in order book in coming years. Moreover, It has planned to increase 'Contribution from Indian Industries' to 36% (current level 32%) in next 5 years.
- Being a 'zero debt' public sector firm , it could support working capital requirement of the company to increase its scale of business .
- In long term, the company has plan to focus on building healthy pipeline on orders in network systems, tank electronics, radars, guns, electronic warfare and avionics, increased thrust on exports, offset orders, and new offerings in areas of Indian defence security system , smart city elements, etc.
- The company has registered 19% growth in its net profit to Rs 412.39 crore for the quarter ended Sep 2017. Strong growth in bottom-line can be attributed to good operating performance. On higher sales up 45% to Rs 2476.22 crore, the operating margin expanded by 410 bps to 24%.

VALUATION

Government's greater emphasis on 'Make in India' initiative in Defence sector provides a great opportunity for the Company to enhance its indigenisation efforts and to address the opportunities in Indian Defence sector. Healthy order book and orders in pipeline, capacity enhancements and creation of new test facilities has helped the company in achieving the targeted growth and also would continue to drive the growth in the coming 4 to 5 years. Thus we expect the stock to see a price target of Rs 213 in 8 to 10 months time frame on a 1 year average P/E of 26.46 and FY19 (E) earnings of Rs.8.05.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	8,336.60	10,730.20	12,427.70
EBITDA	1,772.60	2,220.70	2,526.60
EBIT	1,561.00	1,916.60	2,194.10
PRE-TAX PROFIT	2,008.90	2,254.80	2,550.40
NET INCOME	1,523.60	1,684.20	1,919.20
EPS	94	6.93	8.05
BVPS	35.61	41.07	45.94
RoE	18.22	20.26	20.60

Source: Company's Website, Reuters & Capitaline

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NHPC LIMITED

RECOMMENDATION: BUY

CMP: Rs. 30.35 | **Target: Rs. 38.00** | **Upside Potential : 24%**

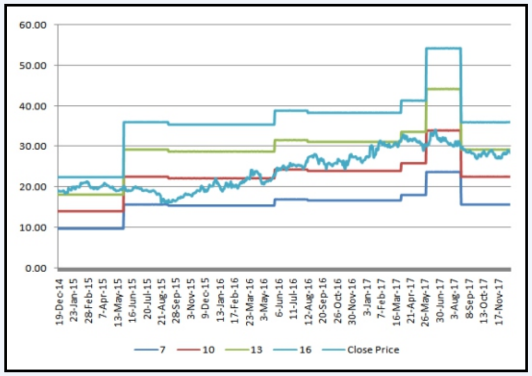
VALUE PARAMETERS

Current Mkt.Price (Rs.)	30.35
Face Value (Rs.)	10.00
52 Week High/Low	34.50/25.60
M.Cap (Rs. in Cr.)	31137.04
EPS (Rs.)	2.25
P/E Ratio (times)	13.49
P/B Ratio (times)	1.07
Dividend Yield (%)	5.93
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	4.43
Institutions	10.52
Non Promoter Corporate Holding	4.91
Promoters	74.50
Public & Others	5.65

P/E CHART



INVESTMENT RATIONALE

- NHPC is India's premier hydropower company, with 15% share of installed hydro-electric capacity in India. Government of India (GoI) holds 74.5% stake in NHPC (as per the shareholding pattern as on 30 September 2017).
- NHPC has 22 Power Stations with an installed capacity of over 6,691 MW (including 2 power stations of 1520 MW of NHDC, a JV company of NHPC and Govt of Madhya Pradesh) with another 3 Projects of 3,130 MW under construction. During the year 2016-17, NHPC has commissioned its first 50 MW wind power project in Jaisalmer, Rajasthan and is also in the process of establishing a 50 MW Solar Power Project at Dindigul / Theni District of Tamilnadu.
- The Company is exploring new opportunities for diversification to other areas of generation of power namely Thermal, Wind, Solar etc. Government of India has set a target for capacity addition of 1,75,000 MW in 5 years' time. Renewable energy and pumped storage schemes have immense opportunities for the development.
- Recently, the company has announced a plan to set up a solar project in Odhisha with capacity in the range of 100-200 Mw.
- The Company possesses rich experience and expertise in implementation of hydro-electric projects. It has a competent and committed workforce. Its executives have extensive experience in the industry with capabilities and expertise in conceptualization, construction, commissioning and operation of hydro power projects. Their skills, industry knowledge and operating experience provides significant competitive advantage to the Company.
- NHPC is actively exploring opportunities for the development of pumped storage schemes in potential rich states like Maharashtra, Karnataka, Odisha etc. The Company has identified some projects in Maharashtra and Karnataka and is under discussion with respective state governments for DPR preparation and subsequent development of pumped storage projects.

VALUATION

The Company has taken some very effective steps for its capacity addition to meet the annual demand for power and growth. It has adopted new technologies in the areas of Electrical and Civil Engineering for improvement in planning and investigation, which will reduce delays in construction and problems of siltation. Thus, it is expected that the stock will see a price target of Rs.38 in 8 to 10 months time frame on a current P/E of 13.12x and FY19 (E) earnings of Rs.2.88.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	8416.50	9095.10	10672.40
EBITDA	4843.30	5065.80	6164.60
EBIT	3381.60	3790.80	4744.10
PRE-TAX PROFIT	3814.70	3770.00	4143.70
NET INCOME	2310.60	2546.50	2966.40
EPS	2.09	2.47	2.88
BVPS	28.28	29.30	32.00
RoE	7.62	8.51	10.84

Source: Company's Website, Reuters & Capitaline

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INDIAN BANK

RECOMMENDATION: BUY

CMP: Rs. 391.35 | **Target: Rs. 488.00** | **Upside Potential : 15%**

VALUE PARAMETERS

Current Mkt.Price (Rs.)	391.35
Face Value (Rs.)	10.00
52 Week High/Low	428.00/196.20
M.Cap (Rs. in Cr.)	18796.21
EPS (Rs.)	29.05
P/E Ratio (times)	13.47
P/B Ratio (times)	1.28
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	8.55
Institutions	6.49
Non Promoter Corporate Holding	0.40
Promoters	82.11
Public & Others	2.46

P/E CHART

INVESTMENT RATIONALE

- The Bank expects to improve its loan growth to above 15% by end March 2018. Bank aims to reduce gross Non Performing Assets (NPA)_ ratio below 6% and net NPA ratio below 3% by March 2018. The bank proposes to further improve its provision coverage ratio by 2 to 3 percentage points to 67-68% by March 2018.
- The bank has posted healthy 22% growth in non interest income driven by 50% growth in the core of income. As per the bank, fee income growth is driven by acceleration in loan growth, while sale of Priority Sector Lending Certificates (PSLCs) also contributed fee income of Rs 22 crore in Q2FY2018.
- On the business front, the bank has showed healthy 12% growth in the balance sheet end September 2017 over September 2016. The deposits of the bank increased 11.5% driven by 24% growth in current account savings account deposits. The bank has recorded substantial improvement in its Casa deposits ratio to 37% end September 2017 from 33% end September 2016.
- The bank has reported healthy 14.2% growth in its advances end September 2017. Within the loan book, retail advances grew 21%, agriculture 13% and MSME 29%. The corporate loan book of the bank has also expanded 7.8% end September 2017 over September 2016.
- On asset quality front, the bank has exhibited substantial decline in fresh slippages of loans to Rs 356 crore in Q2FY2018, while reduced gross NPA ratio to 6.67% and net NPA ratio to 3.41% end September 2017. The bank has also showed decline in its stressed asset ratio to below 10% at 9.69% end September 2017.
- Bank's Customer touch points as of September 30, 2017 was 8593 including 2695 Domestic branches, 3 Overseas branches, 3202 ATM/BNAs and 2693active Business Correspondents. 1442 Domestic branches (54%) are in semi-urban and rural areas.

VALUATION

The bank enjoys a healthy strong balance sheet with very good capital adequacy ratio, healthy assets and extremely low and controlled non-performing assets ratio. Hence, the bank is expected to do well in near future. Thus, it is expected that the stock will see a price target of Rs.448 in 8 to 10 months time frame on a target P/Bv of 1.35x and FY19 BVPS of Rs.331.97.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
NET INT INCOME	5146.10	6101.90	7026.90
EBITDA	1572.50	4484.10	4624.70
EBIT	1758.20	4876.40	5212.20
PRE-TAX PROFIT	1758.20	2372.60	3222.30
NET INCOME	1405.70	1675.00	2243.90
EPS	29.27	34.65	45.87
BVPS	357.32	281.26	331.97
RoE	6.63	10.26	12.47

Source: Company's Website, Reuters & Capitaline

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ENGINEERS INDIA LIMITED

RECOMMENDATION: BUY

CMP: Rs. 205.00 | **Target: Rs. 239.00** | **Upside Potential : 17%**

VALUE PARAMETERS

Current Mkt.Price (Rs.)	205.00
Face Value (Rs.)	5.00
52 Week High/Low	206.00/140.95
M.Cap (Rs. in Cr.)	12954.18
EPS (Rs.)	5.22
P/E Ratio (times)	39.26
P/B Ratio (times)	4.59
Dividend Yield (%)	1.56
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	7.19
Institutions	22.08
Govt. Holding	0.00
Non Promoter Corporate Holding	3.91
Promoters	54.17
Public & Others	12.66

P/E CHART

INVESTMENT RATIONALE

- Engineers India Limited (EIL) provides engineering consultancy and EPC services, mainly to the oil and gas and petrochemical industries. The company has also diversified into sectors like infrastructure, water and waste management, solar and nuclear power and fertilizers to leverage its strong technical competencies and track record. The government of India holds 58.87% (as per shareholding pattern as on 30 September 2017).
- Order book as end of Sep 30, 2017 stood at Rs 8881 crore and of which about 54% is consultancy orders and balance 46% is turnkey orders. Orders bagged in Q2FY18 were Rs 1608.4 crore and that for H1FY18 were Rs 1952.2 crore. Of the Q2FY18 order intake about Rs 1373.4 crore was consultancy orders and of which about Rs 1101.2 crore is domestic consultancy order. Turnkey orders bagged in Q2FY16 were Rs 479.7 crore. Most of orders were secured from Hydrocarbon sector. Q2FY18 is good in-terms of order intake and for FY19; the management of the company expects 25% growth in consultancy revenue.
- The company is also venturing into infrastructure projects such as the Namami Gange Scheme - a project to clean up the Ganga River spanning 2,500 km across five states with a budget of Rs 20,000 crore.
- It has registered 27% growth in its standalone revenue for the quarter ended Sep 2017 to Rs 429.09 crore. Higher sales together with 470 bps expansion in operating profit margin facilitated 48% jump in operating profit to Rs 138.95 crore. Eventually the PAT stood higher by 27% to Rs 119.17 crore as moderated by lower other income.

VALUATION

The company has a healthy balance sheet and strong cash balance. The company is best placed to benefit from revival in Oil & Gas capex, given its dominant position in the segment. The company's order inflows have improved in the last one-two years. The company has a healthy mix of domestic and overseas orders. Thus, it is expected that the stock will see a price target of Rs.239 in 8 to 10 months time frame on a 2 year average P/E of 32x and FY19 (E) earnings of Rs.7.48.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	1448.60	1747.10	2285.00
EBITDA	525.90	414.60	545.90
EBIT	279.70	467.70	609.30
PRE-TAX PROFIT	500.20	579.80	719.80
NET INCOME	325.00	386.70	479.30
EPS	7.82	6.04	7.48
BVPS	41.19	42.21	45.45
RoE	11.95	14.20	17.69

Source: Company's Website, Reuters & Capitaline

Moneywise. Be wise.

SWARAJ ENGINES LIMITED

RECOMMENDATION: BUY

CMP: Rs. 2036.10 | **Target: Rs. 2384.00** | **Upside Potential : 17%**

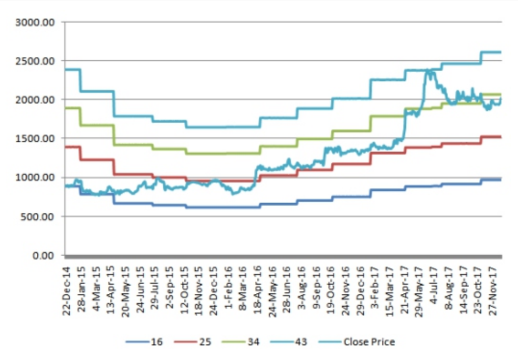
VALUE PARAMETERS

Current Mkt.Price (Rs.)	2036.10
Face Value (Rs.)	10.00
52 Week High/Low	2545.00/1290.00
M.Cap (Rs. in Cr.)	2529.13
EPS (Rs.)	60.85
P/E Ratio (times)	33.46
P/B Ratio (times)	9.57
Dividend Yield (%)	2.11
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	6.83
Institutions	12.58
Govt holding	0
Non Promoter Corporate Holding	3.09
Promoters	50.61
Public & Others	26.89

P/E CHART



INVESTMENT RATIONALE

- Swaraj Engines Limited (SEL) is engaged in manufacturing engines for fitment into Swaraj tractors, which is manufactured by Mahindra & Mahindra Ltd. (M&M) at its Swaraj Division. It is also supplying high-technology engine components to SML Isuzu Ltd. for assembly of commercial vehicle engines. Its business activities relate to diesel engines, diesel engine components and spare parts. Till date, it has supplied approximately 720,000 engines for fitment into Swaraj tractors.
- The company has completed the capacity enhancement project which has increased its capacity to 120000 p.a from 105000 p.a and commercialization of the same will happen in H2 of FY'18. This capacity expansion has been fully financed through the internal resources.
- The company has been a direct beneficiary of consistent industry outperformance by Swaraj tractors and continued market share gain by swaraj tractors translated the company's strong financial growth as well as substantial increase in market share.
- On the development front, the company undertakes continuous innovation and technology up gradation to meet the changing engine requirements at the Swaraj division at M&M. It is also developing engines in the >50 HP segment that will further help augment sales at SEL. All expenses for the aforesaid development were undertaken from internal accruals.
- During Q2FY18, it has reported a 17% increase in net sales to Rs 208.66 crore. Its engine sales witnessed a growth of 11.6% YoY and stood at 24984 units and PAT for quarter ended Sep 17 stood at Rs 23.50 crore as compared to PAT of Rs 19.25 crore, reported 22% growth.
- Increase current tractor penetration level, agri-mechanization, generating rural employment opportunities through various schemes, scarcity of farm labour especially during the sowing season, shortened replacement cycle, healthy credit availability, momentum in infrastructural projects etc. would be the positive drivers for tractor industry in long term.

VALUATION

The management of the company expects good growth for demand of domestic tractor due to Government's continued thrust on agri and rural sector, which would help the company to increase market share and financial growth of the company. The central government has time and again reiterated its aim to double farm income by 2022, which has envisaged to be attained through better productivity and enhanced farm realizations. SEL is a leading supplier of engines for the tractors to market leader i.e. M&M. The company is one of the key players to benefit from this transition. Thus, it is expected that the stock will see a price target of Rs.2384 in 8 to 10 months time frame on a 2 year average P/Ex of 29.49x and FY19 EPS of Rs.80.83.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	683.30	794.40	900.20
EBITDA	121.60	133.30	152.20
EBIT	105.30	110.50	127.00
PRE-TAX PROFIT	105.50	133.90	153.20
NET INCOME	68.83	87.32	100.40
EPS	55.38	70.82	80.83
BVPS	228.16	240.51	253.04
RoE	25.18	29.72	31.89

Source: Company's Website, Reuters & Capitaline

Moneywise. Be wise.

AHLUWALIA CONTRACTS LIMITED

RECOMMENDATION: BUY

CMP: Rs. 373.40 | **Target: Rs. 473.00** | **Upside Potential : 27%**

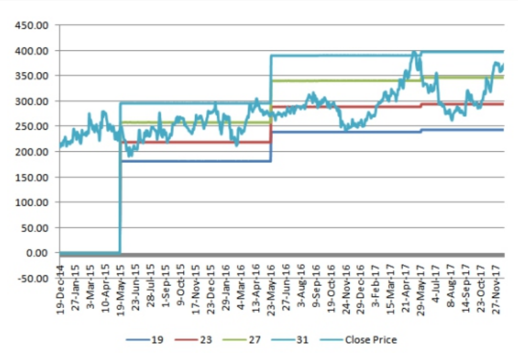
VALUE PARAMETERS

Current Mkt.Price (Rs.)	373.40
Face Value (Rs.)	2.00
52 Week High/Low	409.00/236.00
M.Cap (Rs. in Cr.)	2501.32
EPS (Rs.)	12.84
P/E Ratio (times)	29.09
P/B Ratio (times)	4.92
Dividend Yield (%)	0.00
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	19.93
Institutions	15.04
Non Promoter Corporate Holding	3.53
Promoters	57.96
Public & Others	3.55

P/E CHART



INVESTMENT RATIONALE

- Ahluwalia Contracts (India) Limited is an India-based integrated construction company. The Company's project portfolio encompasses projects across residential and commercial complexes, hotels, institutional buildings, hospitals and corporate offices, information technology (IT) parks and industrial complexes, metro station and depot, power plants and automated car parking lot, among others.
- Recently, the company has bagged new construction orders worth almost Rs 311 crore for construction of institutional, hospital and commercial. Orders include electrical, plumbing and firefighting services. The company has also received new orders worth of Rs 170.99 crore for construction of 300 beds hospital in existing premises of ESIC Hospital Kolkata and worth Rs 140 crore for other construction work. The total order inflow during the current fiscal stands at Rs 866.76 crore.
- The company is bidding only for selective projects as some contracts terms are not skewed towards contractors. Moreover, the management is expected to secure decent orders on the back of likely up-tick affordable housing and institutional segments. Further, it is in the process of extending projects from existing clients also.
- The management is planning to reduce its debt and expects the Company to be debt-free in the coming years. This improving balance sheet position is expected to increase profitability levels going forward. Further, margins are also expected to improve driven by a higher proportion of government orders, better operating efficiencies along with better utilizations of capital equipment.
- The past couple of years have witnessed increasing opportunities in building construction like residential & commercial space and educational & medical facilities, largely driven by public sector spending. It is believed that Ahluwalia Contracts (ACIL) is likely to be key beneficiaries of this construction boom, anchored by their extensive experience and burgeoning opportunities in the segment.

VALUATION

The strong order backlog, combined with proven execution capabilities and low-geared balance sheet would help the company to deliver healthy growth in the foreseeable future. The government's increasing focus on the construction industry is expected to generate better order flows going forward. Thus, it is expected that the company would see good growth going forward and the stock will see a price target of Rs.473 in 8 to 10 months time frame on a one three year average P/E of 21.41x and FY19 (E) earnings of Rs.22.1.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	1426.50	1680.10	1906.60
EBITDA	173.00	216.90	252.60
EBIT	148.90	197.30	237.50
PRE-TAX PROFIT	130.60	177.90	219.80
NET INCOME	85.99	119.30	148.00
EPS	12.84	17.79	22.10
BVPS	75.82	91.92	111.99
RoE	18.50	21.10	21.48

Source: Company's Website, Reuters & Capitaline

Moneywise. Be wise.

GATI LIMITED

RECOMMENDATION: BUY

CMP: Rs. 137.65 | **Target: Rs. 158.00** | **Upside Potential : 15%**

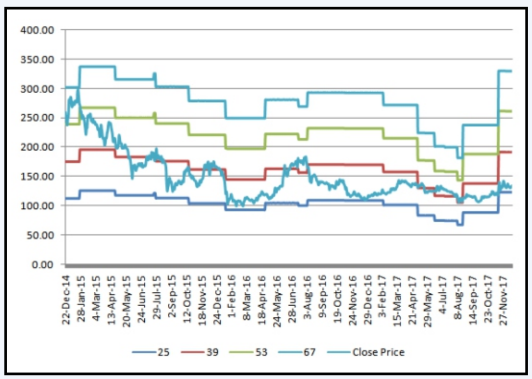
VALUE PARAMETERS

Current Mkt.Price (Rs.)	137.65
Face Value (Rs.)	2.00
52 Week High/Low	148.50/101.60
M.Cap (Rs. in Cr.)	1491.39
EPS (Rs.)	4.92
P/E Ratio (times)	27.95
P/B Ratio (times)	2.11
Dividend Yield (%)	0.47
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'17	% Of Holding
Foreign	9.96
Institutions	21.76
Non Promoter Corporate Holding	6.02
Promoters	29.82
Public & Others	32.44

P/E CHART



INVESTMENT RATIONALE

- Gati Limited is a pioneer and leader in Express Distribution and Supply Chain Solutions in India and delivers over 6 million packages a month. The company has now grown into an organization with more than 5,000 business partners and a network reach of 672 out of total 676 districts in India. It has a 5000 plus fleet including refrigerated vehicles and world class warehousing facilities across India.
- Recently, government has granted infrastructure status to the logistics sector and this is expected to attract more funding at competitive rates.
- On a consolidated basis, the company's net profit jumped 179.17% to Rs 20.77 crore on 4.62% decline in net sales to Rs 405.97 crore in Q2 September 2017 over Q2 September 2016. The second quarter is generally a strong period due to increased spending during the festivals.
- The introduction of GST in July 2017, as anticipated, led to a short term dip in the general business environment. As the initial teething troubles of GST settle, the management of the company remains confident that the medium and long-term benefits of GST will start reflecting in performance going forward.
- Gati has a strong market presence in the Asia Pacific region and South Asian countries. It has offices in India, Singapore, Hong Kong, China, Nepal and Thailand.
- In November 2016, the company has invested in BrownTape, a technology platform that helps online sellers on multiple e-Commerce marketplaces to manage their orders from a single window. The alliance will work on the vision of simplifying e-Commerce for all levels (small, medium, and large) of online sellers, who will be able to manage their e-Commerce ecosystem seamlessly.

VALUATION

With its comprehensive integrated service portfolio, Gati is distinctively positioned to support the consequent supply chain realignment. Moreover, the company's pan-India reach has been already designed on a hub and spoke model for efficiency and speed. Over the last few years, the company has undertaken significant initiatives to fortify its stronghold to deliver consistently to customers, by developing end-to-end solutions, enhancing technology capabilities and augmenting operations quality processes. Thus, it is expected that the stock will see a price target of Rs.158 in 8 to 10 months time frame on a target P/E of 25x and FY19 (E) earnings of Rs.6.31.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	1,691.00	1,766.70	1,966.60
EBITDA	124.90	139.10	162.70
EBIT	90.13	119.70	142.10
PRE-TAX PROFIT	50.24	93.54	93.20
NET INCOME	29.51	68.04	68.15
EPS	2.49	6.28	6.31
BVPS	65.08	58.93	65.24
RoE	5.19	10.91	9.74

Source: Company's Website, Reuters & Capitaline

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