TOP PICKS

NOVEMBER 2017

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SMC RETAIL DESK

Current Recommendation

SR.NO.	PARTICULARS	CMP	TARGET PRICE	UPSIDE
1	PowerGrid	206.75	258	25%
2	Tech Mahindra Limited	488.80	564	15%

Previous Recommendation

DATE	PARTICULARS	CMP	RECOMMENDED PRICE	TARGET PRICE	UPSIDE
22-Aug-17	Axis Bank limited	546.25	494.15	631	28%
22-Aug-17	Larsen & Toubro Limited	1209.85	1126.50	1377	22%
22-Aug-17	Bharat Electronics Limited	175.60	179.20	213	19%
22-Aug-17	ICICI Prudential Life Insurance Company Limited	371.75	420.55	481	14%
11-Sep-17	Engineers India Limited	183.70	159.90	187	17%
11-Sep-17	HT Media Limited	98.40	100.45	127	26%
11-Sep-17	Jain Irrigation Systems Limited	102.85	103.85	144	39%
11-Sep-17	Suprajit Engineering Limited	278.90	278.50	349	25%
11-Sep-17	Techno Electric & Engineering Company Ltd	381.60	356.80	461	29%

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POWER GRID CORPORATION OF INDIA LIMITED

Target Price	258
Upside Potential	25%

VALUE PARAMETER

Current Mkt.Price (Rs.)	211.40
Face Value (Rs.)	10.00
52 Week High/Low	226.40/176.65
M.Cap (Rs. in Cr.)	110595.81
EPS (Rs.)	13.58
P/E Ratio (times)	15.57
P/B Ratio (times)	2.22
Dividend Yield (%)	1.19
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Sep, 2017	% Of Holding
Foreign	25.80
Institutions	9.74
Non Promoter Corporate Holding	2.91
Promoters	57.90
Public & Others	3.65

CHART

Investment Rationale:

- Power Grid Corporation of India Limited (PGCIL) is a state run electric power transmission utility company. As on Sep 17, the company has 142990 ckm of Transmission lines, 311100 MVA of substation capacities and Availability rate of about 99.83%. The Government of India holds 57.9% stake in the firm as at 30th September 2017.
- As on Sep 17, the company has ongoing projects of around Rs 88000 crore and new projects of around Rs 3000 crore and Tariff Based Competitive Bidding (TBCB) project of Rs 18000 crore as its total work in hand.
- The total capex aimed for FY 18 is around Rs 25000 crore which can further increase as one move ahead in 13th 5 year plan. The company aims to capitalize around Rs 30000-32000 crore worth of assets.
- Total capitalization in Sep 17 quarter stood at Rs 9974 crore as compared to Rs 6688 crore for Sep 16 quarter. Total capitalization for H1 FY 18 stood at Rs 13516 crore as compared to Rs 9150 crore. Total capex incurred by the company stood at Rs 11949 crore for H1 ended Sep 17 which is up by 10% on YoY basis.
- As per the management, majority of the ordering for the capex over the next 3 to 3.5 years has already been completed and hence a cyclical slowdown in ordering is imminent. As PGCIL gets nominated for more transmission lines and wins more competitive bids for lines beyond FY20 (over the next 3 years), ordering could pick up once again.
- The company has achieved all the 12th five year plan targets in every year and is entering 13th 5 year plan and despite base getting higher, management is confident of reasonable growth going forward as well.
- While PGCIL continued to keep its thrust on transmission segment, it is continuously working on the emerging opportunities which include intrastate transmission, telecom, opportunities in international market, railway electrification, smart cities etc.
- For development of Smart Grid in India, company has undertaken various initiatives and is providing consulting services for projects covering distribution infrastructure, advanced metering infrastructure, intelligent outage management, power quality management, distributed generation, net metering etc.

Valuation

With the higher capitalisation in coming years owing to huge capex, steady regulated RoE, we believe that PGCIL's fundamentals would continue to remain strong aided by least exposure to operational risks. Thus, it is expected that the company would see good growth going forward and the stock will see a price target of Rs.258 in 8 to 10 months time frame on a target average P/E of 15x and FY18 (E) earnings of Rs.17.21.

- Company is playing a crucial role in the integration of Renewable Energy Resources with the grid and is undertaking development of Green Energy Corridors as well as transmission schemes for Ultra Mega Solar Parks in a numbers of states. In addition, it is also establishing Renewable Energy Management Centers (REMC) in certain renewable rich states which would facilitate forecasting of renewable resources and efficient management of variable renewable generation ensuring grid stability & security.

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TECH MAHINDRA LIMITED

Tech Mahindra

Target Price	**564**
Upside Potential	**15%**

VALUE PARAMETER

Current Mkt.Price (Rs.)	491.60
Face Value (Rs.)	5.00
52 Week High/Low	515.30/357.60
M.Cap (Rs. in Cr.)	48003.94
EPS (Rs.)	31.39
P/E Ratio (times)	15.66
P/B Ratio (times)	2.82
Dividend Yield (%)	1.65
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Sep, 2017	% Of Holding
Foreign	38.38
Institutions	12.83
Govt. holding	0.22
Non Promoter Corporate Holding	1.89
Promoters	36.14
Public & Others	10.54

CHART

Investment Rationale:

- Tech Mahindra is a specialist in digital transformation, consulting and business re-engineering solutions. Its having 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 out of added 7 clients under $10 million category, 8 in $5 million band and 13 in $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 ₹836 crore from ₹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 ₹7,606.38 crore during the quarter as compared with ₹ 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.564 in 8 to 10 months time frame on a target P/E of 15.34x and FY18 (E) earnings of Rs.36.78.

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AXIS BANK LIMITED

AXIS BANK

Target Price	631
Upside Potential	28%

VALUE PARAMETER

Current Mkt.Price (Rs.)	494.15
Face Value (Rs.)	2.00
52 Week High/Low	638.00/424.60
M.Cap (Rs. in Cr.)	118469.25
EPS (Rs.)	16.49
P/E Ratio (times)	29.97
P/B Ratio (times)	2.10
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Jun, 2017	% Of Holding
Foreign	52.71
Institutions	8.69
Non Promoter Corporate Holding	2.88
Promoters	28.67
Public & Others	7.06

CHART

Investment Rationale:

- In FY 2017, advances grew 10% to Rs 3.73 lakh crore and total deposits increased 16% yoy to Rs 4.14 lakh crore. Net Interest Income (NII) for Q4FY17 and FY17 grew by 4% YOY and 7% YOY, respectively. Net Interest Margin (NIM) for Q4FY17 and FY17 stood at 3.83% and 3.67%, respectively.
- CASA (current-saving accounts) deposits showed healthy growth at 26 percent year-on-year (21 percent QoQ) and constituted 51 percent of total deposits as of March 2017 (against 47 percent in March 2016).
- The bank also performed well on asset quality front. Gross advances as a percentage of gross advances dipped 18 basis points sequentially to 5.04 percent and net NPA as a percentage of net advances dropped 7 bps to 2.11 percent in the quarter gone by. In absolute terms, however, gross and net NPAs rose 4 percent each to Rs 21,280.5 crore and Rs 8,626.55 crore on sequential basis due to increase in slippages, respectively.
- Recoveries and upgrades were strong in January-March quarter at Rs 2,804 crore against only Rs 350 crore in December quarter while write-offs during the quarter were at Rs 1,194 crore against Rs 122 crore in previous quarter.
- There has been a sharp increase in system liquidity post demonetization. A material part of the super-normal incremental deposits that the bank gained post demonetisation continues to remain with the Bank. The bank has witnessed that nearly 42% and 82% of the incremental savings and current account deposit balances respectively have gone out till end March.
- The bank believes that investments are likely to remain modest, particularly in first half of FY18, but capex spend might gradually revive with spends on affordable housing, renewable energy, urban infrastructure and road and rail projects.

Valuation

The bank, is well positioned for future growth, is focusing on cross-selling to existing customers. This is a key driver for growth. In FY18, the management expects the Bank's Advances portfolio to grow around 5% faster than system growth. As has been the case in recent quarters, the Retail advances business is likely to continue to remain the key engine of growth in FY18. Thus, it is expected that the stock will see a price target of Rs.631 in 8 to 10 months time frame on a target P/BV of 2.7x and FY18 (E) BVPS of Rs.233.83.

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LARSEN AND TURBO LIMITED

LARSEN & TOUBRO

It's all about Imagineering

Target Price	**1377**
Upside Potential	**22%**

VALUE PARAMETER

Current Mkt.Price (Rs.)	1126.50
Face Value (Rs.)	2.00
52 Week High/Low	1222.67/863.54
M.Cap (Rs. in Cr.)	157771.45
EPS (Rs.)	30.48
P/E Ratio (times)	36.96
P/B Ratio (times)	3.43
Dividend Yield (%)	1.24
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Jun, 2017	% Of Holding
Foreign	20.18
Institutions	38.74
Non Promoter Corporate Holding	6.83
Promoters	0.00
Public & Others	34.24

CHART

Investment Rationale:

- Larsen & Toubro is a major Indian multinational engaged in technology, engineering, construction, manufacturing and financial services, with global operations. A strong, customer–focused approach and sustain leadership over seven decades.
- It has successfully won fresh orders worth Rs.142,995 crore at the group level during the year ended March 31, 2017 in the face of a challenging business environment. The International orders constituted 29% of the total order inflow. Order wins in Infrastructure segment, Hydrocarbon and Heavy Engineering segments contributed to the orderflow during the year.
- Consolidated Order Book of the group stood at a robust level of Rs. 261,341 crore as at March 31, 2017, higher by 5% on a y-o-y basis. International Order Book constituted 27% of the total Order Book.
- Its infrastructure Segment achieved Customer Revenue of Rs.52,924 crore for the year ended March 31, 2017 registering a y-o-y growth of 8% on progress of jobs under execution.It has secured fresh orders of Rs.78,492 crore, during the year ended March 31, 2017 and order Book of the Segment grew 3.4% on a y-o-y basis and stood healthy at Rs.193,796 crore as at March 31, 2017.
- On the financial ground, on yearly basis, it has reported consolidated gross revenue of Rs.110,011 crore i.e. increase of 8% and PAT grew by 43%. The Consolidated Gross Revenue in the quarter January to March 2017 totalled Rs. 36,828 crore recording an increase of 12% on a y-o-y basis and PAT has reported higher by 29.5%. It has also approved the issue of bonus equity shares in the ratio of 1:2 [one bonus equity share of ` 2 each for every two equity shares of ` 2 each held].
- 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. Significant order wins in this segment in FY 17 provides good margin and revenue visibility in this segment.

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. Implementation of GST is expected to have far reaching effects by bringing large parts of the informal economy into the formal system where compliance and accountability standards are of a higher order. Thus, it is expected that the stock will see a price target of Rs.1377 in 8 to 10 months time frame on a 2 year average P/Ex of 19.36x and FY18 EPS of Rs.71.11.

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BHARAT ELECTRONICS LIMITED

Target Price	213
Upside Potential	19%

VALUE PARAMETER

Current Mkt.Price (Rs.)	179.20
Face Value (Rs.)	1.00
52 Week High/Low	187.40/119.05
M.Cap (Rs. in Cr.)	40026.61
EPS (Rs.)	6.82
P/E Ratio (times)	26.27
P/B Ratio (times)	5.17
Dividend Yield (%)	0.00
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Jun, 2017	% Of Holding
Foreign	7.62
Institutions	16.69
Non Promoter Corporate Holding	3.44
Promoters	68.19
Public & Others	4.07

CHART

Investment Rationale:

- Bharat Electronics Limited is engaged in design, manufacture and supply of electronics products/systems for the defense requirements, as well as for nondefense markets. The Government of India held 68.19% stake in the company as on 30the June 2017.
- At the end of Q4FY2017, the company's total order book stood at Rs 40,000 crore and the management is expecting another Rs 13,000 crore (plus) order requisition during the current year on account of the government's greater thrust on the modernization of the country's defence equipment. Its export business is roughly about 6% of turnover and it is planning to increase it to 10%.
- The Company planned to spend is around Rs 700 crore on two new plants at Anantapur and Machilipatnam in Andhra Pradesh. At Nimmaluru village, near Machilipatnam, the company is building new advanced night vision products factory and plans are afoot to expand night vision devices business. At Anantapur, a dedicated defence systems integration complex at Palasamudram is planned.
- In addition to above plants, the company is also creating dedicated business groups to address home land security and smart city business. On the sales outlook for 2017-18, company plans to cross Rs 10,000 crore.
- The Company is looking forward for R&D expenditure between Rs 900 to Rs 1,000 crore. It has initiated many programmes with DRDO and also within Bharat Electronics. It is working on the next generation tactical missile programme called quick reaction surface to air missile programme. This is a joint development between Bharat Electronics, BDL and DRDO.
- The company plans to continue indigenisation efforts in line with Make in India. It plans to enhance capacity and create new test facilities for defence business and are pursuing new opportunities in solar, energy, homeland security, smart cities, smart cards and telecom.

Valuation

With the robust order backlog, along with a better execution environment provides healthy revenue visibility for the coming years. 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. Thus, it is expected that the stock will see a price target of Rs.213 in 8 to 10 months time frame on a target P/E of 29x and FY18 (E) EPS of Rs.7.36.

ICICI PRUDENTIAL LIFE INSURANCE COMPANY

Target Price	**481**
Upside Potential	**14%**

VALUE PARAMETER

Current Mkt.Price (Rs.)	420.55
Face Value (Rs.)	10.00
52 Week High/Low	507.90/273.65
M.Cap (Rs. in Cr.)	60366.92
EPS (Rs.)	10.93
P/E Ratio (times)	38.47
P/B Ratio (times)	9.86
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Jun, 2017	% Of Holding
Foreign	8.40
Institutions	3.45
Non Promoter Corporate Holding	0.49
Promoters	80.72
Public & Others	6.95

CHART

Investment Rationale:

- ICICI Prudential Life Insurance Company is the largest private sector life insurer in India. ICICI Prudential is a joint venture between ICICI Bank and Prudential Corporation Holdings, a part of the Prudential Group, an international financial services group. The company is one of the first private sector life insurance companies in India. It commenced operations in October 2000 and offers a range of life insurance, health insurance and pension products and services.
- The company continued to focus on savings opportunity through customer centric product propositions, superior customer service, fund performance and claims management. Protection is a big focus area for the company, while it has a multi-pronged product and distribution approach to tap this market.
- It has maintained a balanced channel mix. Its growth is well supported by strong performance across channels. For Q1FY2018, agency channel has highest growth, while growth of Bancassurance channel was also higher than overall private sector growth, however, due to relatively stronger growth in agency.
- The total assets under management of the company has increased 16% yoy to Rs 126591 crore ends June 2017 over June 2016, which makes the company one of the largest fund managers in India.
- The company has a debt equity mix of 54:46 at end June 2017. Over 90% of debt investments are in AAA rated and Government Bonds.
- The retail weighted received premium or RWRP grew 74.7% in Q1FY2018, much stronger than industry growth of 28.6% and private industry growth of 45.5%. Consequently, the market share of the company was strong at 15.3% in Q1FY2018. The company has continued to maintain leadership position amongst the private companies.

Valuation

According to the management focusing on improving protection business, persistency and costs, the company would get good growth in coming years. The key strategy of the company has been to grow the Value of New Business through growing the protection business, while the company achieved its strategic goals for FY2017. The company is well capitalized for growth opportunities. The solvency ratio was at healthy level of 288.6% end June 2017, which is much above the regulatory requirement of 150%. Thus, it is expected that the stock will see a price target of Rs.481 in 8 to 10 months time frame on a one year average P/Bvx of 9.38x and FY18 BVPS of Rs.51.29.

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ENGINEERS INDIA LIMITED

A Navratna Company

Target Price	**187**
Upside Potential	**17%**

VALUE PARAMETER

Current Mkt.Price (Rs.)	159.90
Face Value (Rs.)	5.00
52 Week High/Low	175.70/117.53
M.Cap (Rs. in Cr.)	10775.23
EPS (Rs.)	4.90
P/E Ratio (times)	32.66
P/B Ratio (times)	3.79
Dividend Yield (%)	1.88
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on 18th Aug, 2017	% Of Holding
Foreign	7.14
Institutions	22.49
Non Promoter Corporate Holding	3.93
Promoters	54.17
Public & Others	12.28

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. Recently, the government of India holds 54.17% in Engineers India.
- Order backlog as end of June 2017 was Rs 7698 crore compared to Rs 7761 crore as end of March 2017. Expects order inflow of about Rs 2300-2400 crore compared to an order intake of about Rs 5708 crore in Fy17.
- The company has invested significantly in research and development with the consolidation of existing capabilities, development of new technologies and hardware besides enhancement of the portfolio for special technology related services.
- The company is working on a proposal to set up a mega oil refinery in partnership with domestic oil companies. It is working to create huge capacities – in the biofuel and refining sector -- through mega installations across the country with other oil firms.
- The company plans to develop an engineering hub in Indonesia as the market conditions were not found to be viable. It is focusing on strengthening an existing engineering facility at Abu Dhabi.
- 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.
- The upcoming opportunity from the overseas consultancy segment has the potential to transform this medium - sized company to a bigger and stronger project management consultant.
- The management has also indicated progress of several stuck projects going forward. Write backs from this stuck projects is likely to augur well for the company over FY18E-19E.

Valuation

EIL 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.187 in 8 to 10 months time frame on a target P/E of 32.87x and FY18 (E) EPS of Rs.5.7.

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H T MEDIA LIMITED

Target Price	**127**
Upside Potential	**26%**

VALUE PARAMETER

Current Mkt.Price (Rs.)	100.45
Face Value (Rs.)	2.00
52 Week High/Low	104.05/69.50
M.Cap (Rs. in Cr.)	2337.96
EPS (Rs.)	8.14
P/E Ratio (times)	12.34
P/B Ratio (times)	1.05
Dividend Yield (%)	0.39
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Jun, 2017	% Of Holding
Foreign	8.37
Institutions	10.22
Government	0
Non Promoter Corporate Holding	3.99
Promoters	69.51
Public & Others	7.92

CHART

Investment Rationale:

- HT Media is engaged in printing and publishing of newspapers. The company's segments include printing & publishing; radio broadcast & entertainment, and digital.
- It runs a Hindi daily, Hindustan, which enjoys leadership positions in the markets of Bihar, Jharkhand, Delhi, etc and also runs the second largest English daily Hindustan Times. It has shown good growth in Hindi advertisement growth on quarterly basis and the management prospects is positive towards good growth in hindi advertisement revenue.
- The Company has 15 operational FM radio stations - "Fever" in Delhi, Mumbai, Bengaluru, Chennai, Kolkata, Hyderabad and UP and "Radio Nasha" in Delhi and Mumbai. It also operates a job portal in the internet space, called www.Shine.com. This is in addition to the existing websites livemint.com, hindustantimes.com and desimartini.com. HT Media also publishes two Hindi magazines Nandan and Kadambini through its subsidiary Hindustan Media Ventures Limited.
- The digital businesses have also shown good growth. Revenues from Digital segment crossed Rs 40 crore, up 10%. This growth was due to growth in Shine.com and Digital Content which witnessed healthy revenue growth of around 8% & 45% respectively.
- The company has a sound Balance Sheet with ample reserves and having almost no burden related to debt so shareholders of the company will get good benefit in long run future.
- In quarter ending June FY18, the company has registered an around 3% sales growth in printing & publishing of newspapers on sequential basis and saw good growth in digital segment. Net Profit has registered increased by 47% as compared to last financial year due to cost control by management.
- Radio business revenues grew 30% due to growth of new radio stations. Radio EBITDA jumped 107% to Rs 11.4 crore. It had a higher margin of 26%. Newly launched Radio stations will continue to drive revenue and profitability. Phase three new radio station gave Rs 12 crore sales which were profitable sales.
- On other development front, recently it has announced demerger of the entertainment and digital innovation business of the company into a wholly-owned subsidiary and it's a scheme of arrangement between HTML and HT Digital Ventures (HTDVL), a wholly-owned subsidiary of the company. According to the management, it would capitalize on growth opportunities and support entertainment and digital innovation business.

Valuation

The company grew faster than the industry in terms of both revenue and profit. The company regained revenue growth in Print business with heightened focus on yield-led growth and tight control on costs to improve profitability. Also the company continues to drive revenue from its newly launched Radio stations. Along with all these factors, with improved Digital footprint by executing on digital strategy, the company is expected to see good growth going forward. Thus, it is expected that the stock will see a price target of Rs.127 in 8 to 10 months time frame on a target P/E of 15x and FY18 EPS of Rs.8.49.

JAIN IRRIGATION SYSTEMS LIMITED

Target Price	144
Upside Potential	39%

VALUE PARAMETER

Current Mkt.Price (Rs.)	103.85
Face Value (Rs.)	2.00
52 Week High/Low	119.80/79.80
M.Cap (Rs. in Cr.)	4905.20
EPS (Rs.)	3.47
P/E Ratio (times)	29.94
P/B Ratio (times)	1.15
Dividend Yield (%)	0.73
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Jun, 2017	% Of Holding
Foreign	45.21
Institutions	4.45
Non Promoter Corporate Holding	2.73
Promoters	30.70
Public & Others	16.91

CHART

Investment Rationale:

- Jain Irrigation Systems is engaged in manufacturing of micro irrigation systems, PVC pipes, HDPE pipes, plastic sheets, agro processed products, renewable energy solutions, tissue culture plants, financial services and other agricultural inputs.
- Company also have a very good order book in hand, it has almost Rs.2,100 crore of orders, out of which close to Rs.1,300 crore are in Hi-Tech Agri Input division, about Rs.300 crore in the food division and about Rs.500 crore in the plastic division.
- Recently, the company commenced trial run at its mango processing plant at Elayamuthur near Udumalpet, in Tamil Nadu. The crushing capacity of the unit is 200 tonnes of mango per day and varieties such as Totapuri and Alphonso. To ensure supply of mangoes, the company has tied up with around 750 farmers in the region.
- Company via its wholly owned subsidiary in the United States of America has agreed to acquire 80% stakes in 2 US entities. The two entities of the Unites States, which are the largest micro-irrigation dealers, Irrigation Design and Construction Inc. (IDC and Agri-Valley Irrigation Inc.) have entered into an agreement to merge ownership of their business into a newly formed distribution company. The merger of the companies will help Jain Irrigation to forward integrate itself in the value chain and build direct relationship with growers.
- On debt front, company has reduced its debt by Rs 550 crore. The current debt is close to Rs 3,900 crore at gross level and Rs 3,600 crore at net level.
- Micro Irrigation Systems (MIS) sales in India saw healthy growth due to sales pickup in key markets such as Maharashtra, Andhra Pradesh, Telangana, Madhya Pradesh, Rajasthan, and Tamil Nadu. The company is confident of registering 20%+ revenue growth in the MIS business in FY18 with double-digit growth across the retail, project, and exports businesses.

Valuation

The company is looking at a quite significant revenue growth in India and outside. Management expects about 25% increase at the EBITDA level earnings and expect to maintain debt at the levels which achieved in FY17 and that is now reaching a comfortable post and that would allow to further reduce the interest cost, any stress on the balance sheet. Thus, it is expected that the stock will see a price target of Rs.144 in 8 to 10 months time frame on a target P/E of 21x and FY18 (E) EPS of Rs.6.88.

SUPRAJIT ENGINEERING LIMITED

Target Price	349
Upside Potential	25%

VALUE PARAMETER

Current Mkt.Price (Rs.)	278.50
Face Value (Rs.)	1.00
52 Week High/Low	337.75/173.95
M.Cap (Rs. in Cr.)	3657.78
EPS (Rs.)	8.60
P/E Ratio (times)	32.38
P/B Ratio (times)	6.85
Dividend Yield (%)	0.43
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Jun, 2017	% Of Holding
Foreign	9.97
Institutions	5.10
Non Promoter Corporate Holding	11.63
Promoters	47.37
Public & Others	25.93

CHART

Investment Rationale:

- Suprajit Engineering Limited is the largest automotive cable maker with a planned annual cable capacity of 225 million cables. The Company's customer list includes most Indian automotive majors. It also exports too many marquee global customers.
- The company uses its diverse knowledge and experience in manufacturing processes to leverage the best out of all its manufacturing facilities and research centers.
- The company has 14 plants; 13 in India and one in the UK, which also operates as a technology centre for control cables for both automotive and non-automotive clients.
- It manufactures cables, which caters mostly to the auto industry, has a production capacity of over 150 million automotive cables a year, and is the largest domestic manufacturer of automotive cables. To reduce its dependency on two-wheelers, the company plans to increase its sales to four-wheelers—currently 33% of its sales mix. More domestic orders (from Maruti) and export orders (from BMW, Audi, Volkswagen, etc.) would help the company boost its sales in the four-wheeler segment.
- The Company strives to comply with the highest possible quality standards and practices a philosophy of continuous improvement. It adopts processes that ensure full proof & defect free manufacturing.
- On the development foot and as a diversification tool, it plans to increase its non-automotive cable revenue and the acquisition of Wescon Controls is an effort in this direction. The acquisition will be beneficial to the company due to the operating synergies. However, Suprajit Engineering plans to introduce new agriculture, medical, aviation and marine cables through Wescon and it would reduce the volatility in its business.
- Next phase of growth for the company is likely to be driven by gaining share in global auto and non-auto cables (incl inorganic); increase in content supplied for CBS/ABS in domestic 2Ws; focus on aftermarket space (both lamps & cables). The company is expanding business in North America.

Valuation

The company is the most preferred manufacturer of cables and meets the demand of virtually every major OEM in the automotive sector. It would more focus on cables in the export market for better positioning. Steady demand from specific OEMs and the shoring up of control-cable growth in the auto and non-auto markets, exports and replacements would guide the further growth to the company. According to the management, its profitability would improve in coming years as its capacity expansion and integration with the acquired companies is almost done. Thus we expect the stock to see a price target of Rs 349 in 8 to 10 month's time frame on a target P/E of 31.95x and FY18 (E) earnings of Rs.10.91.

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TECHNO ELECTRIC & ENGINEERING LIMITED

Target Price	**461**
Upside Potential	**29%**

VALUE PARAMETER

Current Mkt.Price (Rs.)	356.80
Face Value (Rs.)	2.00
52 Week High/Low	438.95/261.60
M.Cap (Rs. in Cr.)	4020.51
EPS (Rs.)	18.92
P/E Ratio (times)	18.86
P/B Ratio (times)	3.63
Dividend Yield (%)	0.00
Stock Exchange	BSE

SHARE HOLDING PATTERN

As on Jun, 2017	% Of Holding
Foreign	5.02
Institutions	17.84
Non Promoter Corporate Holding	12.52
Promoters	58.75
Public & Others	5.88

CHART

Investment Rationale:

- Techno Electric & Engineering Company provides services to all the three segments within the power sector industry — generation, transmission and distribution. Apart from the power sector, it also caters to the needs of steel, fertiliser, metals and petrochemicals sectors.
- In FY17, the company's revenues grew by 23% to Rs 1,356 crore in FY17. In the last quarter alone, the company booked orders worth Rs 500 crore. With a healthy order book position of Rs 2,600 crore, the company is poised to sustain its growth momentum in the next couple of years.
- At present, Power Grid Corporation of India (PGCIL) is its largest client in the Transmission & Distribution (T&D) space. Power Grid plans to spend Rs 150,000 crore over the next five years, which will only means more orders for the company. With the long-term experience of working with Power Grid and State Electricity Boards (SEBs), Techno Electric cherry-picks projects with better profitability.
- It works with PSUs who have good discipline and take up mostly the projects which are multilaterally or bilaterally funded. The funding from agencies like World Bank, Rural Electrification Corporation (REC) or Power Finance Corporation (PFC) reduces risk of payment delays for Techno Electric. The company has an average receivable period of 70 days — one of the lowest in the industry.
- Financially sound and its debt to equity ratio is comparatively lower than the industry. Moreover, its strong niche in substation EPC works and ability to compete with large MNCs has helped the company win contracts and deliver on profitability and growth.

Valuation

The management of the company is confident of the company's potential to expand the EPC segment on the back of capex revival, led by PGCIL and SEBs, with strong visibility of traction in order book and healthy revenue due to healthy trade receivables. In FY18, the management has said that it would focus on closure of projects, which it believes will prune retention money and improve working capital cycle. Thus, it is expected that the company would see good growth going forward and the stock will see a price target of Rs.461 in 8 to 10 months time frame on a one year average P/E of 22.34x and FY18 (E) earnings of Rs.20.63.

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