

# BUY ON DIPS

17TH APRIL, 2018



Moneywise. Be wise.

The past few months have not been quite rewarding for investors and the downturn in stock prices has been accompanied by a sharp increase in market volatility. Volatility can be scary, but long-term investors should see it as a friend that creates opportunity. Market correction gives opportunities to investors to follow “Buy in Dips” strategy. So, if investors wants to “buy in dip” then they may choose to buy the following stocks in a staggered manner, whenever markets correct sharply.

SR. NO	CO_NAME	SECTOR	MARKET CAP	CLOSE PRICE	TARGET	UPSIDE POTENTIAL
1	Power Grid Corpn	Power Generation & Distribution	104134.80	199.05	241	21
2	M & M	Automobile	99604.59	801.20	1005	25
3	ICICI Pru Life	Insurance	56049.05	390.45	505	29
4	Aurobindo Pharma	Pharmaceuticals	36551.85	623.85	792	27
5	NHPC Ltd	Power Generation & Distribution	28161.83	27.45	37	35
6	The Ramco Cement	Cement	19691.86	835.90	1037	24
7	Manappuram Fin.	Finance	10363.19	123.00	151	23
8	Cyient	IT - Software	7315.93	649.75	793	22
9	Kalpataru Power	Capital Goods - Electrical Equipment	7201.90	469.30	549	17
10	Swaraj Engines	Capital Goods-Non Electrical Equipment	2467.36	2034.65	2440	20

\*CMP as on 16th April, 2018

*Happy Investing*

**CMP: Rs. 199.05**

**Target: Rs. 241.00**

**Upside Potential : 21%**

**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	199.05
Face Value (Rs.)	10.00
52 Week High/Low	226.40/189.00
M.Cap (Rs. in Cr.)	104134.80
EPS (Rs.)	13.58
P/E Ratio (times)	14.66
P/B Ratio (times)	2.09
Dividend Yield (%)	1.26
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Mar'18	% Of Holding
Foreign	21.23
Institutions	15.85
Non Promoter Corporate Holding	0
Promoters	56.91
Public & Others	6.01

**P/E CHART**



**INVESTMENT RATIONALE**

- Power Grid Corporation of India Limited (PGCIL) is a state run electric power transmission utility company. It currently owns and operates about 1, 45,400 ckt kms of transmission lines at 800/765kV, 400kV, 220kV & 132kV EHVAC & +500kV HVDC levels and 230 sub-stations. Also the transformation capacity of about 3,23,215 MVA as on 31st December 2017. This gigantic transmission network, spread over length and breadth of the country, is consistently maintained at an availability of over 99%. The Government of India holds 56.91% stake in the firm as at 31st December 2017.
- It is on track to achieve huge capex plan going forward as total work in hand is Rs.1.24 lakh crore, including ongoing projects, new projects and Tariff Based Competitive Bidding (TBCB) projects worth Rs.1.02 lakh crore, Rs.4,000 crore and Rs.18,000 crore, respectively. Thus PGCIL needs to do an investment of around Rs 81000 crore in next 3-3.5 years.
- It has been declared as the successful bidder under Tariff based competitive bidding to establish transmission system for 'New WR-NR 765 kV Inter-Regional Corridor' on build, own operate and maintain (BOOM) basis. The Letter of Intent (LoI) has been received on 01 March, 2018. The Transmission system traverses in the state of Uttar Pradesh and Madhya Pradesh and includes 765kV transmission line.
- Railway electrification is a huge opportunity wherein railways expect to spend around Rs 35000 crore for electrification of 33000 routes km by 2022. Lot of orders is expected from railways going forward and power grid will play a significant role in helping railways achieving the target.
- 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.
- Company is 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.

**VALUATION**

With the improvement in the capitalization-to-capex ratio, 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.241 in 8 to 10 months time frame on a target P/E of 12.50x and FY19 (E) earnings of Rs.19.27.

**FINANCIAL PERFORMANCE**

(Rs. in Cr)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	25,716.50	29,793.30	34,344.90
EBITDA	22,601.50	26,489.70	30,503.70
EBIT	14,938.70	17,948.30	19,844.70
PRE-TAX PROFIT	9,499.80	11,283.60	12,798.80
NET INCOME	7,520.20	8,706.90	10,076.10
EPS	14.37	16.82	19.27
BVPS	95.20	106.30	119.40
RoE	16.07	16.40	17.00

Source: Company's Website, Reuters & Capitaline

**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	801.20
Face Value (Rs.)	5.00
52 Week High/Low	803.20/612.50
M.Cap (Rs. in Cr.)	99604.59
EPS (Rs.)	27.45
P/E Ratio (times)	29.19
P/B Ratio (times)	3.34
Dividend Yield (%)	0.71
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Dec'17	% Of Holding
Foreign	37.99
Institutions	19.30
Government	0.16
Non Promoter Corporate Holding	6.72
Promoters	20.47
Public & Others	15.37

**P/E CHART**



**INVESTMENT RATIONALE**

- ☞ Mahindra & Mahindra, Ltd., through its subsidiaries, engages in the manufacture, distribution, and sale of passenger cars, tractors, multi-utility vehicles, light commercial vehicles, and three wheelers. It also designs, develops, manufactures, and markets implements that are used in conjunction with tractors.
- ☞ To strengthen the UV portfolio, the company has launched a new avatar of the Scorpio, its iconic SUV— the 'All Powerful Scorpio'. The new All Powerful Scorpio comes with higher power (140 bhp) and torque, new 6-speed transmission, enhanced performance, imposing styling and luxurious comfort.
- ☞ It plans to launch a Multi Purpose Vehicles (MPV) code named eU321, which is being developed at its technical center in Detroit and is expected to be launched after 12 months, vehicle on the Tivoli platform (S221) is expected to be launched in 2HFY19. 2 new tractor platforms are expected to be launched during the year under M&M and Swaraj franchisee, along with variants on Nuvo and Yuvo.
- ☞ The domestic tractor industry witnessed a growth of 7.8% with sales of 1,77,441 tractors in Q3 F2018. The company's domestic sales grew by 6.3% as compared to Q3F2017 and its market share stood at 43.4%. In Q3 FY2018, normal north-east monsoons and good reservoir levels helped in boosting the rural sentiment and demand for tractors. The healthy reservoir levels, good progress on rabi sowing and increase in MSP's of Rabi crops should help the growth momentum to continue in the coming months.
- ☞ Total auto sales rose 10% to 62,077 units in March 2018 over March 2017. Total domestic sales grew by 10% and total exports surged 26%. The company's total tractor sales surged 46% to 28,277 units in March 2018 over March 2017. Domestic tractor sales jumped 50% while exports dropped 3%. Performance was supported by both automotive and tractor business.
- ☞ The group will supply 150 of the 500 electric sedans in the first phase of the government's order to procure 10,000 electric vehicles. It will manufacture all key components that go into an electric vehicle itself as India's largest utility vehicle maker prepares for the next transition in the automobile industry amid the government's push to cut dependence on fossil fuels.

**VALUATION**

Company's volume growth is on an uptrend led by strong demand in tractors and a cyclical recovery in light commercial vehicles. A pick up in rural economy is likely and this should benefit M&M. Thus, it is expected that the company would see good growth going forward and the stock will see a price target of Rs.1005 in 8 to 10 months time frame on an one year average P/E of 25.56 x and FY19 (E) earnings of Rs.39.31.

**FINANCIAL PERFORMANCE**

(Rs. in Cr.)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	43,785.40	47,439.20	53,652.40
EBITDA	4,769.30	6,180.70	7,197.10
EBIT	3,442.10	4,738.30	5,578.50
PRE-TAX PROFIT	4,639.00	5,933.20	6,850.60
NET INCOME	3,407.20	4,108.50	4,684.90
EPS	28.59	33.90	39.31
BVPS	206.65	244.37	273.64
RoE	14.38	14.70	15.22

Source: Company's Website, Reuters & Capitaline

**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	390.45
Face Value (Rs.)	10.00
52 Week High/Low	507.90/363.00
M.Cap (Rs. in Cr.)	56049.05
EPS (Rs.)	10.93
P/E Ratio (times)	35.72
P/B Ratio (times)	9.16
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Dec'17	% Of Holding
Foreign	7.77
Institutions	3.53
Non Promoter Corporate Holding	0.41
Promoters	80.71
Public & Others	7.59

**P/E 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 has 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.
- The company is amongst the largest fund managers in India with an AUM of Rs 1.38 trillion. Linked funds contribute 71% of AUM with equity investments comprising of 61% of linked AUM.
- The total assets under management of the company increased 22% to Rs 138304 crore end December 2017, which makes it one of the largest fund managers in India. The company has a debt-equity mix of 52:48. Over 90% of the debt investments are in AAA rated and government bonds.
- The company is well capitalized for growth opportunities. The solvency ratio was at healthy level of 251.5% end December 2017, which is much above the regulatory requirement of 150%.
- The weighted received premium, RWRP surged 26%, compared with the industry growth of 25% and the private industry growth of 33%. The market share stood at 13.1% in 9MFY2018.
- Superior fund performance is important to improve the value proposition of saving products and funds of the company have continued to deliver competitive long term performance.

**VALUATION**

According to the management focusing on improving protection business, persistency and costs, the company would get good growth in coming years. The company expects strong growth opportunities for the life insurance sector, while expects the life insurance sector to grow in line with the nominal GDP growth. The solvency ratio continues to be strong at 252% end December 2017. Thus, it is expected that the stock will see a price target of Rs.505 in 8 to 10 months time frame on a target P/Bvx of 9x and FY18 BVPS of Rs.56.11.

**FINANCIAL PERFORMANCE**

(Rs. in Cr.)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
Revenue	22,155.30	27,444.10	33,139.90
Ebit	1,784.40	1,802.10	1,990.40
Pre-Tax Profit	1,784.40	1,859.80	2,112.10
Net Income	1,681.70	1,750.50	1,936.00
EPS	11.72	12.20	13.70
BVPS	44.63	49.64	56.11
RoE	28.67	25.80	24.60

Source: Company's Website, Reuters & Capitaline

**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	623.85
Face Value (Rs.)	1.00
52 Week High/Low	808.95/504.00
M.Cap (Rs. in Cr.)	36551.85
EPS (Rs.)	41.43
P/E Ratio (times)	15.06
P/B Ratio (times)	3.42
Dividend Yield (%)	0.40
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Dec'17	% Of Holding
Foreign	19.41
Institutions	15.55
Non Promoter Corporate Holding	2.84
Promoters	51.87
Public & Others	10.32

**P/E CHART**



**INVESTMENT RATIONALE**

- Aurobindo Pharma manufactures generic pharmaceuticals and active pharmaceutical ingredients. The company's robust product portfolio is spread over 6 major therapeutic/product areas encompassing Antibiotics, Anti-Retroviral, CVS, CNS, Gastroenterological, Pain management and Anti-Allergic, supported by an outstanding R&D set-up. The Company is marketing these products globally in over 150 countries.
- Over the years, the company has enhanced its R&D capabilities and currently has five R&D centres in Hyderabad and two in the US. In fiscal year 2016-17, it spent \$81 million on R&D, which is 4.3% of total sales.
- The management of the company has indicated of diversifying its product pipeline by focusing on R&D, manufacturing and supply chains over the next three years. The company plans to increase ANDA filings in oncology, respiratory, topical and injectable drugs in the US market. It also expects to launch first set of biosimilars and vaccines during this period.
- Moreover, the management of the company expects US growth momentum to improve from current levels, aided by its strong pipeline and faster ANDA approvals given no pending regulatory issues in its facilities.
- During the quarter ended December 2017, the company filed 2 ANDAs with USFDA. It has received final approval for 20 ANDAs and tentative approval for 2 ANDAs. As on 31st Dec 2017, on a cumulative basis, the company filed 465 ANDAs with USFDA and received approval for 351 ANDAs including 38 tentative approvals. Tentative approvals include 11 ANDAs approved under PEPFAR (President's Emergency Plan for AIDs Relief).
- Aurobindo has built a new state-of-the-art R&D and Current Good Manufacturing Practices (cGMP) manufacturing facility for specialty generics in Durham, North Carolina, essentially for development and commercialization of generic pressurized metered dose inhalers (pMDI), creams, gels, ointments and transdermal patches. This new site will be functional in August 2017, to house over 50 scientists, including top-notch pMDI aerosol, topical and transdermal R&D teams, with associated analytical and testing labs.

**VALUATION**

The company continues to invest in enhancing speciality and complex generics pipeline, for a sustainable growth. A diversified portfolio with limited product concentration risk is expected to help the company deal with price erosion challenges in the US. All the key markets continue to perform well and have shown a healthy growth trend. Thus, it is expected that the stock will see a price target of Rs.792 in 8 to 10 months time frame on a one year average P/E of 16.77x and FY19 (E) earnings of Rs.47.2.

**FINANCIAL PERFORMANCE**

(Rs. in Cr.)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
Revenue	14,844.80	16,658.90	18,336.90
Ebitda	3,434.30	3,948.90	4,209.70
Ebit	3,006.70	3,415.20	3,623.80
Pre-Tax Profit	3,060.80	3,407.10	3,660.90
Net Income	2,301.70	2,521.20	2,764.00
EPS	39.33	43.15	47.20
BVPS	159.96	199.73	243.70
RoE	27.63	23.80	21.10

Source: Company's Website, Reuters & Capitaline

**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	27.45
Face Value (Rs.)	10.00
52 Week High/Low	34.50/25.55
M.Cap (Rs. in Cr.)	28161.83
EPS (Rs.)	2.25
P/E Ratio (times)	12.21
P/B Ratio (times)	0.97
Dividend Yield (%)	6.56
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Dec'17	% Of Holding
Foreign	4.64
Institutions	10.73
Non Promoter Corporate Holding	4.97
Promoters	73.96
Public & Others	5.70

**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 73.96% stake in NHPC (as per the shareholding pattern as on 31st December 2017).
- NHPC currently operates 22 power stations with a total installed capacity of 6691 MW including 1520 MW through NHDC Limited - JV of NHPC with Government of Madhya Pradesh. The company currently has 3 projects of 3130 MW capacity under construction.
- 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 third unit (110 MW) of the Kishanganga Hydroelectric Project (3 x 110MW) of NHPC at Bandipora, Jammu & Kashmir has been successfully synchronised with the grid and has also achieved its rated full load successfully.
- 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 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.37 in 8 to 10 months time frame on a target P/E of 13x and FY19 (E) earnings of Rs.2.85.

**FINANCIAL PERFORMANCE**

(Rs. in Cr.)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
Revenue	8,416.50	8,484.90	10,319.00
Ebitda	4,843.30	4,387.50	5,428.80
Ebit	3,381.60	3,622.60	4,605.10
Pre-Tax Profit	3,814.70	3,218.30	4,065.90
Net Income	3,029.40	2,750.30	2,993.70
EPS	2.74	2.68	2.85
BVPS	28.28	27.81	28.59
RoE	7.62	9.80	10.50

Source: Company's Website, Reuters & Capitaline

**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	835.90
Face Value (Rs.)	1.00
52 Week High/Low	839.95/649.00
M.Cap (Rs. in Cr.)	19691.86
EPS (Rs.)	28.11
P/E Ratio (times)	29.74
P/B Ratio (times)	5.19
Dividend Yield (%)	0.36
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Mar'18	% Of Holding
Foreign	13.50
Institutions	20.35
Govt. holding	3.40
Promoters	42.75
Public & Others	13.54

**P/E CHART**



**INVESTMENT RATIONALE**

- The Ramco Cements Limited, formerly Madras Cements Limited, manufactures cement, ready-mix concrete and dry mortar products. It is also engaged in the sale of surplus electricity generated from its windmills and thermal power plants.
- The company's strategy to grow in outside Southern markets started paying-off and commissioning of 3 MNT new satellite capacity in next 18 months will further aid to improve volumes and profitability. Moreover, visible change in fuel-mix and 12MW CPP (Captive Power Plant) will improve its operating synergy further.
- The principal product of the Company is Portland cement, which is manufactured in over eight production facilities that include integrated cement plants and grinding units with a total production capacity of approximately 16.45 million tons per annum. Its Cement Plants are located in Tamil Nadu, Andhra Pradesh and Karnataka.
- 67% of current order book is from public sector and balance 33% is private sector. The order book size is about Rs.10000 crore out of which, metro projects, both underground and elevated, contribute nearly 70 per cent.
- The company is doing its efforts towards debt reduction since last year which has resulted in lower finance cost thereby improving its profitability. Moreover, the management of the company expects 25% revenue growth from current level during coming quarters.
- On the development front, the company is looking to increase its market share in eastern region i.e. Odisha and Bengal through expansion of new and improved capacities. It includes doubling grinding capacity in Bengal to 2 million tonnes and setting up a greenfield 1 million tonne grinding capacity in Odisha.

**VALUATION**

Strong balance sheet, low debt and optimize operating capacity and management focus to increase market share would give strong base for the growth of the company. Moreover, Government's policies are expected to give a big push to development of Roads and Highways, Flyovers & Bridges, Railway Projects, development of Smart Cities, etc. are expected to boost demand for cement industry. Thus, it is expected that the stock will see a price target of Rs.1037 in 8 to 10 months time frame on an expected P/E of 34x and FY19 (E) earnings of Rs.30.50.

**FINANCIAL PERFORMANCE**

(Rs. in Cr.)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	3,949.50	4,314.80	4,873.20
EBITDA	1,219.20	1,065.00	1,218.20
EBIT	953.70	804.50	968.50
PRE-TAX PROFIT	850.20	774.90	979.80
NET INCOME	649.30	587.30	731.20
EPS	27.00	24.80	30.50
BVPS	157.64	173.80	202.39
RoE	19.00	14.80	16.00

Source: Company's Website, Reuters & Capitaline



**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	123.00
Face Value (Rs.)	2.00
52 Week High/Low	126.40/81.50
M.Cap (Rs. in Cr.)	10363.19
EPS (Rs.)	8.18
P/E Ratio (times)	15.03
P/B Ratio (times)	2.90
Dividend Yield (%)	1.22
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Dec'17	% Of Holding
Foreign	1.22
Institutions	42.65
Govt Holding	0.03
Non Promoter Corp. Hold.	2.56
Promoters	34.66
Public & Others	18.89

**P/E CHART**



**INVESTMENT RATIONALE**

- Manappuram Finance is one of India's leading gold loan non-banking financial companies (NBFCs).
- The consolidated Asset under Management (AUM) of the company has increased 7% qoq and 1% yoy to Rs 14650 crore ends December 2017.
- The management of the company has indicated gold loan growth of 15% and overall growth of 20% in coming years. The proportion of non-gold loan book is expected to increase considerably to 40% with the decline in NPAs as a result of improving recoveries. Further, it has re-aligned its traditional long tenure gold loans into several shorter tenure products which would result in lesser NPA risk as well as provide insulation from gold commodity prices.
- The company has improved asset quality on standalone basis, showing decline in GNPA ratio to 0.7% and NNPA ratio to 0.4% end December 2017.
- On the development front and to prevent the over-concentration on gold loans, the company since FY15 also ventured into three new business segments - microfinance, housing loans and commercial vehicle loans. This new businesses have since done well with their contribution such as non-gold loan book has gained further share to 22.6% of overall loans end December 2017 from 21.7% end September 2017.
- Asirvad Microfinance has emerged as the fifth largest microfinance company in India. Its AUM increased 7.5% qoq and 28% yoy to Rs 2112 crore end December 2017. The company has recorded marginal profit of Rs 36 lakh in Q3FY2018 against losses in the previous quarter. The customer base of the microfinance company stood at 13.95 lakh. The branch network has 830 branches with employee base of 4093 employees, spread across 19 states end December 2017. The company expects to maintain strong growth momentum, while its team is well prepared.

**VALUATION**

The company is witnessing healthy financial growth across all the business segments. Diversification efforts paid off as growth in the overall business is well supported by the robust growth witnessed in the new businesses. According to the management, it expects to maintain strong growth momentum in all three new business segments as well as gold loan segment. Thus, it is expected that the stock will see a price target of Rs.151 in 8 to 10 months time frame on a current P/Bv of 2.86x and FY19 BVPS of Rs.52.90.

**FINANCIAL PERFORMANCE**

(Rs. in Cr.)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
NII	2,004.50	2,144.80	2,426.30
EBITDA	378.10	1,194.60	1,261.10
EBIT	1,170.50	1,230.50	1,399.90
PRE-TAX PROFIT	1,114.90	1,097.50	1,304.10
NET INCOME	726.00	721.60	814.60
EPS	8.63	8.60	9.70
BVPA	39.32	45.40	52.90
RoE	24.01	19.75	21.60

Source: Company's Website, Reuters & Capitaline

**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	649.75
Face Value (Rs.)	5.00
52 Week High/Low	698.00/475.20
M.Cap (Rs. in Cr.)	7315.93
EPS (Rs.)	33.49
P/E Ratio (times)	19.40
P/B Ratio (times)	3.28
Dividend Yield (%)	0.85
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Dec'17	% Of Holding
Foreign	45.84
Institutions	18.93
Non Promoter Corporate Holding	6.71
Promoters	22.18
Public & Others	6.34

**P/E CHART**



**INVESTMENT RATIONALE**

- ☞ Cyient Limited, formerly Infotech Enterprises Limited, is engaged in providing software-enabled engineering and geographic information system (GIS) services. The Company's business segments include Data & Network Operations (DNO); Engineering, Manufacturing, Industrial Products (EMI), and Product Realisation (PR).
- ☞ It employs nearly 14,000 people across 48 development facilities in India as well as North America, Europe and the Asia-Pacific.
- ☞ The management expects to start realizing significant revenue contribution from strategy execution in coming quarters. The strong outlook is backed by a strong pipeline and order backlog. The management expects a double digit growth in services business while DLM (Design Led Manufacturing) business would grow at least 20%. Cyient is progressing well on another year of well-rounded growth in revenue, profit and cash. During Q3FY18, it has well rounded growth across all business units and geographies, 6 out of 8 BU's growth is in double digits in YoY terms.
- ☞ Its Aerospace and Defense Business Unit has witnessed a growth of 12.7% year on year and 4.1% quarter on quarter. The management of the company continues to see strong demand for Design-Build projects and also expects its growth to be driven by Avionics, Aftermarket, Manufacturing related Services and Defense.
- ☞ The Communications industry is witnessing increased demand for high-speed infrastructure as well as fiber deployment across Australia, New Zealand, and the U.S. The growth momentum of Communications division will continue in coming quarters, as the management sees growth opportunities from fiber roll-out programs, and small cell design and deployment in Australia and North America.
- ☞ Recently, the company and Israel-based BlueBird Aero Systems announced a joint venture to offer field-proven UAV (unmanned aerial vehicle) systems to Indian defence and police forces. BlueBird Aero Systems is a leader in design, development, and production of micro, mini, and small tactical Unmanned Aerial Systems (UAS). The joint venture, named Cyient Solutions & Systems Private Limited, has 51 percent and 49 percent shareholding by Cyient and BlueBird respectively.

**VALUATION**

The company is optimistic about the future and would continue to invest in digitalization, including IoT, digital manufacturing, engineering analytics, and mobility. As per the management, key industry drivers for growth are Communications, Transportation, Semiconductor, and Manufacturing. With a healthy pipeline and order backlog, it expects to deliver a strong financial performance throughout the year, thus, it is expected that the stock will see a price target of Rs.858 in 8 to 10 months time frame on an current P/Ex of 19.4 and FY19 EPS of Rs.40.89.

**FINANCIAL PERFORMANCE**

(Rs. in Cr.)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
Revenue	3,585.80	3,918.60	4,464.30
Ebitda	570.40	552.70	652.90
Ebit	475.10	446.10	543.40
Pre-Tax Profit	457.90	550.90	624.80
Net Income	369.90	415.60	464.90
EPS	32.85	37.05	40.86
BVPS	188.09	208.90	233.20
RoE	18.74	18.60	18.30

Source: Company's Website, Reuters & Capitaline

**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	469.30
Face Value (Rs.)	2.00
52 Week High/Low	535.95/322.60
M.Cap (Rs. in Cr.)	7201.90
EPS (Rs.)	19.99
P/E Ratio (times)	23.48
P/B Ratio (times)	2.78
Dividend Yield (%)	0.35
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Mar'18	% Of Holding
Foreign	5.19
Institutions	22.20
Government	0.06
Non Promoter Corporate Holding	0
Promoters	59.32
Public & Others	13.22

**P/E CHART**



**INVESTMENT RATIONALE**

- ☞ Kalpataru Power Transmission Limited (KPTL) is primarily engaged in the business of Engineering, Procurement and Construction (EPC) relating to infrastructure comprising power transmission & distribution, railway track laying & electrification, oil & gas pipelines laying, etc.
- ☞ For FY 19, the management of the company expects at least 15% revenue growth given strong order book and EBIDTA margin of around 11%. Debt to remain around Rs 700-800 crore range. It's current order book is in the range of Rs 12,000 crore plus and out of this around 45 percent of orders are from international geographies.
- ☞ For JMC Projects, a subsidiary of KPTL, the company has an order book of around Rs 7500 crore with around 62% from factories and buildings, 6% is from industrial, 17% from infrastructure segment and 7% is international while rest from other sectors.
- ☞ The company has a global footprint in over 50 odd countries on transmission projects. It would continue to expand that global footprint with the support from Exim Bank of India and opportunities coming from the international market. The company is currently executing several contracts in India, Africa, Middle East, CIS, SAARC and Far East.
- ☞ Over the past decade, it continued capital investments in both transmission and other infrastructure sectors, but have managed to maintain debt levels at the lowest in the industry. Its credit rating continues to be good and enjoy strong support of bankers, due to years of building relationships of trust.
- ☞ Net profit of the company rose 31.66% to Rs 75.23 crore on 25.59% rise in net sales to Rs 1417.37 crore in Q3 December 2017 over Q3 December 2016. On margin front, the company expects margins of around 10% for FY 18.

**VALUATION**

Company continue to focus on improving profitability, order visibility and return ratios as a result of improved margins and unlocking of capital from non-core assets. Its diversification focus has led to success in securing significant orders in the non-T&D business, with healthy margins. Thus, it is expected that the stock will see a price target of Rs.549 in 8 to 10 months time frame on a one year average P/E of 21.77x and FY19 (E) earnings of Rs.25.20.

**FINANCIAL PERFORMANCE**

(Rs. in Cr.)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
REVENUE	4,838.10	5,604.00	6,595.40
EBITDA	529.10	617.90	730.10
EBIT	451.40	572.10	661.60
PRE-TAX PROFIT	402.60	486.50	583.90
NET INCOME	269.10	325.00	387.00
EPS	17.54	21.20	25.20
BVPS	161.52	180.15	202.55
RoE	11.47	12.20	13.35

Source: Company's Website, Reuters & Capitaline

**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	2034.65
Face Value (Rs.)	10.00
52 Week High/Low	2545.00/1470.00
M.Cap (Rs. in Cr.)	2467.36
EPS (Rs.)	63.92
P/E Ratio (times)	31.83
P/B Ratio (times)	9.35
Dividend Yield (%)	2.16
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Mar'18	% Of Holding
Foreign	2.51
Institutions	13.05
Non Promoter Corporate Holding	0.00
Promoters	50.74
Public & Others	33.70

**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. 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 the expenses for the aforesaid development were undertaken from internal accruals.
- ☞ During Q3FY18, the company has reported a 18% increase in net sales for Dec 17 quarter to Rs 183.26 crore. Company's engine sales witnessed a growth of 14.7% YoY and stood at 21971 units for Dec 17 quarter and PAT for quarter ended Dec 17 stood at Rs 17.23 crore as compared to PAT of Rs 15.30 crore for Dec 16 quarter.
- ☞ 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.2511 in 8 to 10 months time frame on a two year average P/Ex of 30.92x and FY19 EPS of Rs.78.9.

**FINANCIAL PERFORMANCE**

(Rs. in Cr.)

	ACTUAL	ESTIMATES	
	FY Mar-17	FY Mar-18	FY Mar-19
Revenue	683.30	771.30	882.30
Ebitda	121.60	125.00	147.70
Ebit	105.30	122.00	132.40
Pre-Tax Profit	105.50	125.50	146.90
Net Income	68.83	81.80	96.70
EPS	55.38	67.30	78.90
BVPS	228.16	203.50	220.45
RoE	25.18	30.85	34.00

Source: Company's Website, Reuters & Capitaline



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